First Trust

AlphaDEX® Perspectives

4th Quarter 2016

Improving economy, U.S. election results drive market optimism in Q4 2016

While U.S. equities declined early in the fourth quarter of 2016, the S&P 500 Index surged after the results of U.S. elections handed over power to President-Elect Donald Trump, and a Republican congress, increasing the possibility of pro-growth policies such as corporate tax cuts, increased infrastructure spending and regulatory relief. The S&P 500 Index gained 3.8% for the quarter, while small- and mid-cap stocks performed even better, with small-cap stocks earning double digit returns (S&P MidCap 400 Index +7.4%, S&P SmallCap 600 Index +11.1%).[1]

The domestic macroeconomic backdrop remained on solid footing in Q4 2016, as the labor market continued to add jobs at a healthy pace, and workers benefited from decent wage gains. Sentiment survey data was particularly strong, with both consumer and business confidence readings improving sharply post-election. Additionally, robust auto sales, solid manufacturing data and improving retail sales all provided further evidence of healthy economic growth.

International equities generally did not perform as well as the domestic stock market in dollar terms, as the U.S. currency surged higher in the wake of the election (Dollar Index +7.1% in Q4 2016). While developed market equities finished the quarter relatively unchanged in dollar terms, emerging markets fell on fears of declining economic cooperation with the U.S., and the potential for capital outflows in a rising U.S. interest rate environment. Within emerging markets, Mexico and China, which were singled out by Trump's protectionist trade rhetoric, each declined over 7% in dollar terms over the last three months of 2016. Among developed markets, Canadian stocks performed well on higher commodity prices, while Japanese and European stocks were mostly flat by the end of the fourth quarter of 2016.

The U.S. Treasury yield curve steepened dramatically during the fourth quarter of 2016, as tightening labor markets and the potential for increased fiscal stimulus increased the outlook for future inflation. Credit spreads tightened during the quarter, especially for high yield corporates, on the improved growth outlook.

Domestic AlphaDEX Q4 2016 Summary

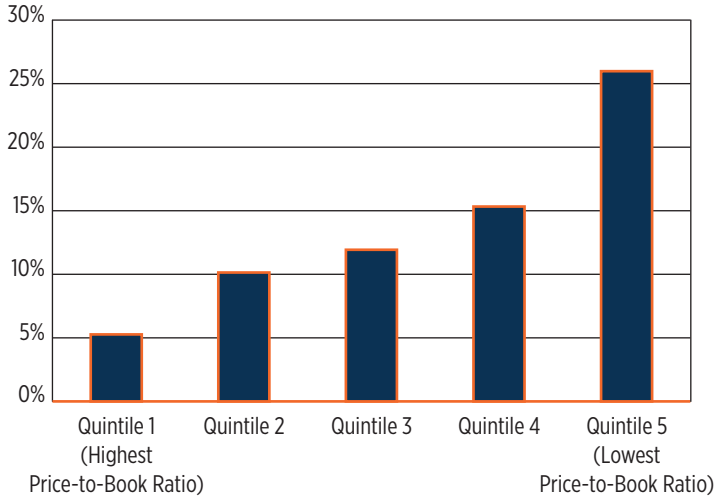
AlphaDEX performance was mixed during Q4 2016, as 12 out of the 22 domestic AlphaDEX ETFs outperformed their benchmarks, with a modest average shortfall across all domestic funds of 0.2% (See Table 1). The majority of the sector AlphaDEX ETFs performed well during the fourth quarter of 2016, as six out of nine of the domestic sector AlphaDEX ETFs outperformed their benchmarks. Among the sector AlphaDEX ETFs that did trail their benchmarks, the First Trust Financials AlphaDEX® Fund (FXO) was the weakest performer. Although FXO earned double digit returns in the fourth quarter of 2016, the fund trailed by a significant margin on a relative basis, as the fund held an overweight in real estate investment trusts (REITs), which were negatively impacted by rising interest rates during the quarter. The First Trust Industrials/Producer Durables AlphaDEX® Fund (FXR), which turned in the best performance on a relative basis among the six sector funds that outperformed, benefited from an overweight position in surging airline stocks, and superior stock selection in the machinery industry.

Looking back at 2016, investing based on a value strategy worked well, while growth strategies struggled

Although 2016 was a strong year for U.S. equities in general, value stocks tended to outperform growth stocks by a wide margin, with the S&P 500 Value Index returning 17.4% during the year versus only 6.9% for the S&P 500 Growth Index. Within the AlphaDEX lineup, First Trust's four value ETFs[2] earned significantly better returns than First Trust's four growth ETFs[3], with the value funds returning 26.6% on average versus 8.2% on average for the growth funds. We believe the value funds performed better as investors became more confident in the economy, and may have been more willing to look beyond the perceived safety of widely held mega cap stocks in a search for mispriced bargain stocks. To illustrate the importance of valuation during 2016, Chart 1 divides the Russell 1000 Index into quintiles based on the price-to-book ratio. As can be seen in the chart, there was a stark difference in returns for the cheapest stocks (quintile 5), which performed very well during the year, and the most expensive stocks (quintile 1), which enjoyed only modest returns.

Russell 1000 Index Returns by Price-to-Book Quintile

Chart 1 (2016)



You should consider a fund's investment objectives, risks, and charges and expenses carefully before investing. Contact First Trust Portfolios L.P. at 1-800-621-1675 or visit www.ftportfolios.com to obtain a prospectus or summary prospectus which contains this and other information about a fund. The prospectus or summary prospectus should be read carefully before investing.

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[1]All index returns are sourced from Bloomberg.

[2]First Trust Large Cap Value AlphaDEX® Fund (FTA), First Trust Mid Cap Value AlphaDEX® Fund (FNK), First Trust Small Cap Value AlphaDEX® Fund (FYT) and First Trust Multi Cap Value AlphaDEX® Fund (FAB)

[3]First Trust Large Cap Growth AlphaDEX® Fund (FTC), First Trust Mid Cap Growth AlphaDEX® Fund (FNY), First Trust Small Cap Growth AlphaDEX® Fund (FYC) and First Trust Multi Cap Growth AlphaDEX® Fund (FAD)

Source for Chart 1: Factset. The above chart is for illustrative purposes only and not indicative of any actual investment. Past performance is no guarantee of future results. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index.

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AlphaDEX® Periodic Excess Returns (%): As of December 30, 2016

Table 1

		Q1 16 (%)			Q2 16 (%)			Q3 16 (%)			Q4 16 (%)			1-Year (%)		
Fund	Benchmark Name	Fund Total Return	Bench. Total Return	Excess Return	Fund Total Return	Bench. Total Return	Excess Return	Fund Total Return	Bench. Total Return	Excess Return	Fund Total Return	Bench. Total Return	Excess Return	Fund Total Return	Bench. Total Return	Excess Return
AlphaDEX® Size/Style Funds																
FMK	S&P 100 Index	-0.9	0.8	-1.6	1.7	2.3	-0.6	3.7	3.9	-0.2	3.5	4.0	-0.5	8.2	11.4	-3.2
FEX	S&P 500 Index	3.4	1.4	2.0	1.3	2.5	-1.1	4.1	3.9	0.3	4.6	3.8	0.8	14.1	12.0	2.2
FTC	S&P 500 Growth Index	0.3	0.5	-0.2	3.6	1.0	2.6	1.2	4.8	-3.6	-2.5	0.5	-3.0	2.6	6.9	-4.3
FTA	S&P 500 Value Index	6.0	2.2	3.8	-1.3	4.0	-5.3	7.1	2.9	4.1	10.6	7.4	3.3	23.9	17.4	6.5
FNX	S&P MidCap 400 Index	3.6	3.8	-0.2	2.0	4.0	-2.0	4.8	4.1	0.7	7.2	7.4	-0.2	18.7	20.7	-2.1
FNY	S&P MidCap 400 Growth Index	0.2	1.3	-1.1	4.0	4.4	-0.3	3.0	3.7	-0.8	2.0	4.7	-2.7	9.4	14.8	-5.4
FNK	S&P MidCap 400 Value Index	6.3	6.4	0.0	0.1	3.7	-3.6	6.4	4.5	1.9	11.6	9.8	1.8	26.3	26.5	-0.2
FYX	S&P SmallCap 600 Index	2.2	2.7	-0.5	2.1	3.5	-1.4	8.4	7.2	1.2	8.5	11.1	-2.6	22.7	26.6	-3.9
FYC	S&P SmallCap 600 Growth Index	-1.0	0.4	-1.4	3.9	3.6	0.4	7.9	7.2	0.7	2.6	9.7	-7.1	13.9	22.2	-8.3
FYT	S&P SmallCap 600 Value Index	4.9	5.2	-0.3	0.4	3.4	-3.0	8.9	7.2	1.7	13.5	12.6	0.9	30.2	31.3	-1.2
FAD	S&P Composite 1500 Growth Index	0.0	0.6	-0.6	3.8	1.3	2.5	3.1	4.8	-1.7	-0.2	1.1	-1.2	6.8	7.9	-1.1
FAB	S&P Composite 1500 Value Index	5.9	2.6	3.3	-0.6	3.9	-4.5	7.2	3.2	4.0	11.5	7.7	3.7	25.8	18.5	7.3
TUSA	Russell 3000 Index	1.6	1.0	0.6	1.7	2.6	-0.9	5.3	4.4	0.9	6.2	4.2	1.9	15.5	12.7	2.7
AlphaDEX® Sector Funds																
FXD	S&P 500 Consumer Discretionary Index	3.4	1.6	1.8	-3.9	-0.9	-2.9	4.8	2.9	1.9	0.9	2.3	-1.4	5.1	6.0	-0.9
FXG	S&P 500 Consumer Staples Index	4.1	5.6	-1.4	5.7	4.6	1.1	-3.8	-2.6	-1.1	-1.2	-2.0	0.8	4.7	5.4	-0.7
FXN	S&P 500 Energy Index	1.9	4.0	-2.1	6.0	11.6	-5.6	3.8	2.3	1.6	7.4	7.3	0.1	20.5	27.4	-6.9
FXO	S&P 500 Financials Index	-2.3	-5.1	2.8	2.7	2.1	0.6	5.4	4.6	0.8	11.8	21.1	-9.3	18.2	22.8	-4.6
FXH	S&P 500 Health Care Index	-7.7	-5.5	-2.2	5.7	6.3	-0.6	3.2	0.9	2.3	-5.8	-4.0	-1.8	-5.2	-2.7	-2.5
FXR	S&P 500 Industrials Index	6.5	5.0	1.5	-1.0	1.4	-2.4	7.6	4.1	3.4	11.8	7.2	4.6	26.8	18.9	7.9
FXZ	S&P 500 Materials Index	10.1	3.6	6.5	5.0	3.7	1.3	6.2	3.7	2.5	5.2	4.7	0.5	29.2	16.7	12.5
FXL	S&P 500 Information Technology Index	-0.5	2.6	-3.1	0.3	-2.8	3.2	11.8	12.9	-1.1	3.5	1.2	2.3	15.4	13.8	1.6
FXU	S&P 500 Utilities Index	16.5	15.6	0.9	4.7	6.8	-2.1	-3.4	-5.9	2.5	4.0	0.1	3.9	22.5	16.3	6.2
AlphaDEX® International Funds																
FDT	MSCI World ex U.S. Index	-0.2	-2.0	1.8	-1.8	-1.1	-0.8	9.1	6.3	2.8	-3.2	-0.4	-2.8	3.6	2.8	0.8
FDTS	MSCI World ex U.S. Small Cap Index	-2.5	0.6	-3.1	0.6	-1.3	1.9	8.9	8.0	0.9	-3.7	-2.7	-0.9	3.0	4.3	-1.4
FEM	MSCI Emerging Markets Index	6.6	5.7	0.9	0.8	0.7	0.2	8.1	9.0	-1.0	-0.3	-4.2	3.9	15.9	11.2	4.7
FEMS	MSCI Emerging Markets Small Cap Index	5.9	1.0	4.9	3.1	0.4	2.7	11.0	7.6	3.4	-6.3	-6.2	-0.1	13.5	2.3	11.3
FEUZ	MSCI EMU Index	-0.2	-2.1	1.9	-4.9	-5.3	0.3	10.7	7.8	3.0	0.4	1.4	-1.0	5.5	1.3	4.1
FPA	MSCI Pacific ex-Japan Index	3.3	1.8	1.5	-2.1	0.7	-2.8	9.6	8.2	1.5	-9.5	-2.7	-6.8	0.3	7.8	-7.6
FEP	MSCI Europe Index	-1.1	-2.5	1.4	-5.0	-2.7	-2.3	8.7	5.4	3.3	-0.9	-0.4	-0.5	1.2	-0.4	1.6
FLN	MSCI EM Latin America Index	17.3	19.1	-1.8	7.0	5.3	1.7	8.8	5.4	3.4	4.6	-0.9	5.5	42.8	31.0	11.8
FAUS	MSCI Australia Index	6.2	2.1	4.1	4.2	0.5	3.7	6.8	7.9	-1.2	-4.4	0.7	-5.1	12.8	11.5	1.4
FBZ	MSCI Brazil Index	23.7	28.5	-4.8	16.7	13.9	2.8	9.2	11.3	-2.1	1.5	2.1	-0.6	59.9	66.2	-6.3
FCAN	MSCI Canada Index	5.5	11.3	-5.8	3.3	3.4	-0.2	2.8	4.9	-2.1	-2.7	3.3	-5.9	8.9	24.6	-15.6
FCA	MSCI China Index	-6.7	-4.8	-1.9	-2.6	0.1	-2.8	11.2	13.9	-2.7	-5.9	-7.1	1.2	-5.0	0.9	-5.9
FGM	MSCI Germany Index	1.1	-2.5	3.6	-4.3	-5.6	1.2	8.2	10.0	-1.8	-2.9	1.5	-4.3	1.7	2.8	-1.1
FHK	MSCI Hong Kong	-3.6	-0.6	-3.1	2.7	0.9	1.8	11.9	11.9	0.0	-9.1	-9.0	-0.2	0.7	2.3	-1.6
FJP	MSCI Japan Index	-3.9	-6.5	2.7	1.5	1.0	0.5	7.8	8.6	-0.8	-2.1	-0.2	-2.0	2.9	2.4	0.5
FKO	MSCI South Korea Index	8.4	5.1	3.3	-5.0	-1.2	-3.8	6.6	11.0	-4.4	-11.4	-5.6	-5.8	-2.7	8.8	-11.5
FSZ	MSCI Switzerland Index	0.5	-5.5	6.0	-2.0	2.0	-4.0	6.7	2.6	4.0	-0.8	-3.9	3.0	4.2	-4.9	9.1
FTW	MSCI Taiwan Index	5.9	7.7	-1.8	-0.3	0.7	-1.0	10.1	11.7	-1.6	-5.1	-2.2	-2.9	10.3	18.5	-8.2
FKU	MSCI United Kingdom Index	-5.9	-2.3	-3.5	-11.1	-0.7	-10.3	4.6	4.0	0.6	-4.2	-0.9	-3.3	-16.1	-0.1	-16.0

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com.

See Appendix A for complete standardized performance and inception dates. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the index performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.

We believe that the poor performance of "momentum" during 2016 may explain the relatively lower returns of growth stocks during 2016

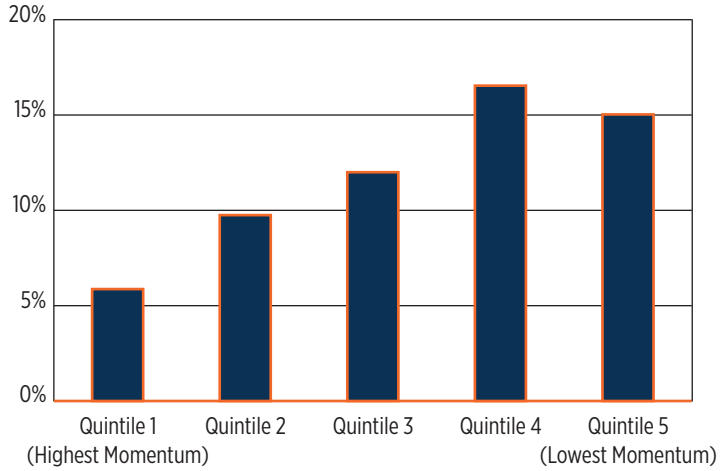
Growth stocks are characterized by relatively strong metrics of past fundamental performance, such as elevated historical sales or earnings growth rates. As mentioned before, the return to growth stock shareholders lagged that of value stocks during 2016. We believe that this underperformance may be due to a markedly observable rotation in industry leadership during the year that reversed the recent performance of many stocks, and confounded investors employing a momentum strategy.

A price momentum strategy is a method of overweighting stocks based on their strong recent past performance, and avoiding or underweighting stocks that have performed poorly in the recent past. The strategy is based on the view that underlying company-level fundamentals, such as sales and earnings growth, tend to move in a trend over the course of a few quarters, and that investors may underreact to the ability of operating leverage to magnify changes in profitability as sales either rise or decline.

Chart 2 divides the Russell 1000 Index into "momentum" quintiles based on the trailing six month's price performance of each stock. As can be seen in Chart 2, the highest momentum quintile stocks (quintile 1) underperformed stocks with less momentum during 2016, which implies that a stock selection strategy based on past price performance did not work well during 2016.

Russell 1000 Index Returns by Price Momentum Quintile

Chart 2 (2016)



Source for Chart 2: Factset. The above chart is for illustrative purposes only and not indicative of any actual investment. Past performance is no guarantee of future results. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index.

As mentioned before, we believe that industry level dynamics may have impacted the performance of many firms more than underlying company trends during much of 2016. Table 2, which displays quarterly returns during 2016 for each of the 24 industry groups comprising the Russell 1000 Index, helps to illustrate the wide disparity in returns, and the number of reversals in performance observed at the industry level over the course of 2016. Particularly striking is the reversal in banks and utilities stocks; bank stocks gained 42.9% more in Q4 than in Q1 of 2016, while utilities enjoyed double-digit gains in the first quarter, but finished mostly unchanged in fourth quarter.

Table 3, which displays the quarterly return ranking of each industry group in the Russell 1000 Index, illustrates the change in leadership among industries over the course of the year. Looking at the table, the top three industry groups during Q1 2016, utilities, telecommunication services, and commercial & professional services finished 15th, 10th, and 14th, respectively, among industry groups during Q4 2016 while banks, which ranked last in Q1 2016, finished first among industry groups in Q4 2016.

We believe improving market confidence and changing interest rates expectations favored certain industries such as banks, insurance, transportation and energy companies. At the same time, investors rotated out of higher yielding bond-like equities such as utilities and real estate. Further, the defensive nature of some industries, such as food beverage & tobacco companies and personal products manufacturers, appeared to have lost their relative appeal as confidence improved.

Going forward, we believe the prospects for continuing rising rates in a strong economy and improving sentiment may generally favor the industries that performed well in the latter part of 2016, and that industry churning may be less of an impediment to a price momentum based strategy over the next few quarters.

Rusell 1000 Index Industry Groups: 2016 Quarterly Returns

Table 2

Industry Group	Q1 '16	Q2 '16	Q3 '16	Q4 '16
Automobiles & Components	-3.8	-9.7	7.8	6.1
Banks	-12.5	1.6	7.5	30.4
Capital Goods	4.8	3.0	2.9	6.7
Commercial & Professional Services	7.0	3.1	0.7	0.7
Consumer Durables & Apparel	5.6	-4.7	-2.3	-3.7
Consumer Services	4.0	-5.0	2.5	5.5
Diversified Financials	-3.6	-0.4	7.6	15.1
Energy	3.7	11.2	2.7	7.0
Food & Staples Retailing	4.0	-0.2	-4.6	0.2
Food Beverage & Tobacco	6.1	7.0	-3.7	-0.3
Health Care Equipment & Services	-1.0	8.0	0.9	-3.6
Household & Personal Products	5.4	3.9	2.7	-8.0
Insurance	-0.1	3.4	3.7	11.0
Materials	4.9	4.3	3.9	4.9
Media	3.4	1.7	1.8	8.9
Pharmaceuticals, Biotech & Life Sciences	-8.6	5.0	2.2	-4.5
Real Estate	4.7	6.8	-1.5	-4.2
Retailing	-0.1	0.7	5.7	-0.9
Semiconductors & Semiconductor Equipment	0.9	4.3	18.8	4.8
Software & Services	0.9	-1.5	9.5	-0.8
Technology Hardware & Equipment	4.4	-7.1	16.9	2.9
Telecommunication Services	15.2	7.3	-4.7	5.2
Transportation	4.1	-5.4	9.9	13.1
Utilities	15.7	7.1	-5.7	0.3

Rusell 1000 Index Industry Groups: 2016 Quarterly Return Ranking

Table 3

Industry Group	Q1 '16	Q2 '16	Q3 '16	Q4 '16
Automobiles & Components	22	24	5	8
Banks	24	15	7	1
Capital Goods	8	13	11	7
Commercial & Professional Services	3	12	18	14
Consumer Durables & Apparel	5	20	20	21
Consumer Services	13	21	14	9
Diversified Financials	21	18	6	2
Energy	14	1	13	6
Food & Staples Retailing	12	17	22	16
Food Beverage & Tobacco	4	5	21	17
Health Care Equipment & Services	20	2	17	20
Household & Personal Products	6	10	12	24
Insurance	19	11	10	4
Materials	7	9	9	11
Media	15	14	16	5
Pharmaceuticals, Biotech & Life Sciences	23	7	15	23
Real Estate	9	6	19	22
Retailing	18	16	8	19
Semiconductors & Semiconductor Equipment	17	8	1	12
Software & Services	16	19	4	18
Technology Hardware & Equipment	10	23	2	13
Telecommunication Services	2	3	23	10
Transportation	11	22	3	3
Utilities	1	4	24	15

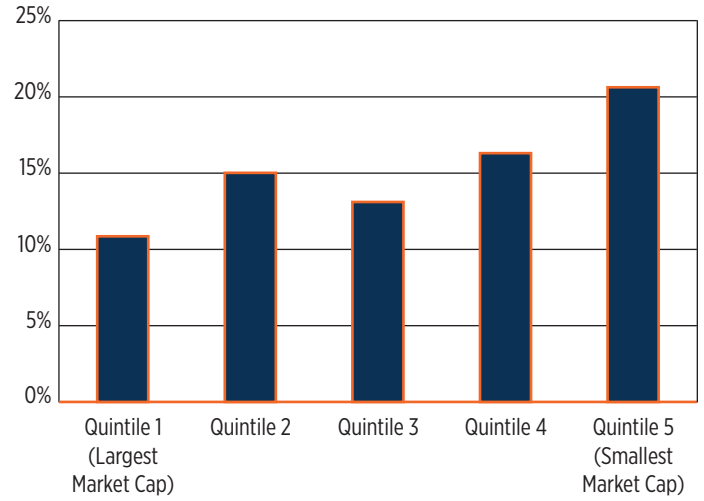
Source for Tables 2 & 3: Factset. Past performance is no guarantee of future results. The above tables are for illustrative purposes only. The index excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index.

The "size effect" was alive and well during 2016

Smaller market capitalization companies outperformed larger market capitalization companies during 2016, rewarding investors that constructed their portfolios on the basis of fundamentals rather than simply weighting them based on company size. While some investors may associate the very largest firms with safety and quality, the experience of 2016 drives home the lesson that larger is not always better. Chart 3 divides the Russell 1000 Index into quintiles based on market capitalization. As seen in Chart 3, the very largest stocks (quintile 1) underperformed the smallest quintile of stocks (quintile 5) by a considerable amount over the course of the year, and the very largest names were the worst performers among the size groupings.

Russell 1000 Index Returns by Market Capitalization Quintile

Chart 3 (2016)



Source for Chart 3: Factset. The above chart is for illustrative purposes only and not indicative of any actual investment. Past performance is no guarantee of future results. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index.

International AlphaDEX Q4 2016 Summary

Two out of the eight regional international AlphaDEX funds beat their benchmarks during Q4 2016 (see Table 1). The funds experienced an average negative relative return of 0.3% across the eight funds during the fourth quarter of 2016. The regional funds have been solid overall during 2016, with six out of eight funds beating their benchmarks for an average excess return of 3.2%. The First Trust Latin America AlphaDEX® Fund (FLN) has been particularly strong over the last 12 months, earning investors over 42% in 2016, while beating its benchmark by over 11%. The First Trust Asia Pacific ex-Japan AlphaDEX® Fund (FPA) was the laggard regional performer both during the fourth quarter of 2016 and over the last 12 months. This was chiefly due to an overweight position in South Korean stocks relative to the fund's benchmark.

On an individual country basis, two out of eleven of the AlphaDEX ETFs that focus on a single country outperformed during the fourth quarter, with an average underperformance across the 11 funds of 2.3%. Among the single country funds, the First Trust Canada AlphaDEX® Fund (FCAN) was the weakest performer on a relative basis as the fund was less concentrated in financials sector stocks than the MSCI Canada Index. Conversely, the First Trust Switzerland AlphaDEX® Fund (FSZ) benefited from a significantly higher financials sector weighting than the MSCI Switzerland Index and was the best performing country fund on a relative basis in the fourth quarter of 2016. FSZ also had significantly less exposure to mega cap pharmaceuticals names, which performed poorly during the quarter, than the MSCI Switzerland Index.

We remain positive towards U.S. equities as a tightening labor market and the return of "Animal Spirits" in the aftermath of the U.S. election hold promise of accelerating U.S. growth

Improving labor markets have been a positive for U.S. equities throughout much of 2016 and were already a reason to expect a strong consumer prior to the November election. As the U.S. unemployment rate continues its downward trend, there are increasing signs that labor market slack is finally diminishing, such as an elevated JOLTS "quit rate", and a higher incidence of firms reporting positions difficult to fill.[4] Decreased labor market slack is finally resulting in an uptrend in wages, which we expect to boost consumption.

Additionally, despite already existing underlying U.S. strength, we believe the election result was an incrementally positive event as the election of Donald Trump, combined with a Republican congress, increased the possibility of pro-growth policies. We think potential pro-growth initiatives fall chiefly into three categories: regulatory relief, tax reform, and fiscal stimulus. Regulatory relief is seen as especially positive for the financials sector as any reform of the Consumer Financial Protection Bureau, or efforts to curtail the impact of post financial crisis provisions that restricted trading and raised bank capital requirements, may help increase the profitability of financial institutions. A cut in corporate tax rates and possible incentives to repatriate overseas earnings may stimulate domestic corporate investment. Finally, the lifting of "sequestration" may allow for the potential passage of increased federal spending on infrastructure and defense.

Although the timing of any potential policy changes would be unlikely to immediately benefit the real U.S. economy, the mere possibility of more pro-growth policies seems to have raised "Animal Spirits" for both consumers and businesses. We believe this improvement in sentiment should catalyze not only consumer spending, but also higher levels of capital investment on the part of firms to develop the necessary capacity to meet anticipated end market demand.

We favor the financials and information technology sectors as rising rates and the potential for regulatory relief should improve profitability for banks, while the tech sector should benefit from accelerating services spending and increase business investment. Additionally, the First Trust Consumer Discretionary AlphaDEX® Fund (FXD) may also benefit from increasing consumer confidence.

Internationally, Brexit notwithstanding, Europe remains an attractive long term choice, while Japan may benefit in the short run from increased policy stimulus, and improving macroeconomic results.[5]

Over the long run, we continue to believe that investors employing common sense factors to select stocks, like the price-to-book ratio, may benefit as disciplined stock selection appears to be returning to the forefront. Additionally, we believe that a weighting methodology based on fundamental investment merit, rather than firm size, is a more rational long-term approach to investing.

[4]JOLTs quit rate is a Department of Labor provided Job Openings and Labor Turnover Survey (JOLTS) measure that is the number of employees surveyed who left a job voluntarily divided by the total number of employees separated from payroll during the period. A higher quit rate may imply greater confidence in the labor market on the part of workers.

[5]Brexit is when the citizens of the United Kingdom voted in a June 23, 2016 referendum to exit the European Union.

AlphaDEX® Size/Style Performance

Appendix A

		NAV Total Returns as of 12/30/16 (%)				Average Annual Returns as of 12/30/16 (%)					
						NAV Total Returns			Market Price Total Returns		
Size/Style Funds	Ticker	YTD	1 Yr.	3 Yr.	5 Yr.	1 Yr.	5 Yr.	Since Inception	1 Yr.	5 Yr.	Since Inception
First Trust Large Cap Core AlphaDEX® Fund*	FEX	14.11	14.11	7.21	13.86	14.11	13.86	6.43	14.23	13.90	6.44
Nasdaq AlphaDEX® Large Cap Core Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P 500 Index		11.96	11.96	8.87	14.66	11.96	14.66	6.46	11.96	14.66	6.46
Nasdaq US 500 Large Cap Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Mid Cap Core AlphaDEX® Fund*	FNX	18.67	18.67	4.81	12.57	18.67	12.57	7.59	18.74	12.62	7.59
Nasdaq AlphaDEX® Mid Cap Core Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nasdaq US 600 Mid Cap Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P MidCap 400 Index		20.74	20.74	9.04	15.33	20.74	15.33	8.28	20.74	15.33	8.28
First Trust Small Cap Core AlphaDEX® Fund*	FYX	22.72	22.72	4.24	13.34	22.72	13.34	6.84	23.17	13.42	6.87
Nasdaq AlphaDEX® Small Cap Core Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P SmallCap 600 Index		26.56	26.56	9.47	16.62	26.56	16.62	8.50	26.56	16.62	8.50
Nasdaq US 700 Small Cap Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Large Cap Value AlphaDEX® Fund*	FTA	23.92	23.92	7.23	14.12	23.92	14.12	6.56	24.17	14.16	6.58
Nasdaq AlphaDEX® Large Cap Value Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P 500 Index		11.96	11.96	8.87	14.66	11.96	14.66	6.46	11.96	14.66	6.46
S&P 500 Value Index		17.40	17.40	8.51	14.69	17.40	14.69	4.90	17.40	14.69	4.90
Nasdaq US 500 Large Cap Value Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Large Cap Growth AlphaDEX® Fund*	FTC	2.55	2.55	6.98	13.13	2.55	13.13	5.92	2.67	13.17	5.94
Nasdaq AlphaDEX® Large Cap Growth Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P 500 Index		11.96	11.96	8.87	14.66	11.96	14.66	6.46	11.96	14.66	6.46
S&P 500 Growth Index		6.89	6.89	9.03	14.54	6.89	14.54	7.93	6.89	14.54	7.93
Nasdaq US 500 Large Cap Growth Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Multi Cap Value AlphaDEX® Fund*	FAB	25.85	25.85	5.92	13.79	25.85	13.79	7.04	26.01	13.79	7.05
Nasdaq AlphaDEX® Multi Cap Value Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P Composite 1500 Index		13.03	13.03	8.89	14.78	13.03	14.78	6.68	13.03	14.78	6.68
S&P Composite 1500 Value Index		18.49	18.49	8.63	14.87	18.49	14.87	5.22	18.49	14.87	5.22
Nasdaq US Multi Cap Value Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Multi Cap Growth AlphaDEX® Fund*	FAD	6.83	6.83	5.70	12.56	6.83	12.56	6.39	6.93	12.55	6.40
Nasdaq AlphaDEX® Multi Cap Growth Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P Composite 1500 Index		13.03	13.03	8.89	14.78	13.03	14.78	6.68	13.03	14.78	6.68
S&P Composite 1500 Growth Index		7.90	7.90	8.95	14.60	7.90	14.60	8.06	7.90	14.60	8.06
Nasdaq US Multi Cap Growth Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	FEX	FNX	FYX	FTA	FTC	FAB	FAD
Net Expense Ratio	0.61%	0.63%	0.64%	0.62%	0.62%	0.68%	0.70%
Gross Expense Ratio	0.61%	0.63%	0.64%	0.62%	0.62%	0.68%	0.70%
Inception Date	5/8/07	5/8/07	5/8/07	5/8/07	5/8/07	5/8/07	5/8/07

Pursuant to contract, First Trust has agreed to waive fees and/or pay fund expenses to prevent the net expense ratio of the funds from exceeding 0.70% per year, at least until November 30, 2017.

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com.

NAV returns are based on the fund's net asset value which represents the fund's net assets (assets less liabilities) divided by the fund's outstanding shares. **Market Price** returns are based on the midpoint of the bid/ask spread on the stock exchange on which shares of the fund are listed for trading as of the time that the fund's NAV is calculated. Returns are average annualized total returns, except those for periods of less than one year, which are cumulative. A fund's performance may reflect fee waivers and expense reimbursements, absent which performance would have been lower.

Performance information for the indexes are for illustrative purposes only and does not represent the performance of any actual investment or fund. Actual performance of a fund may be lower or higher than the index. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.

NOTE: As the funds have varying inception dates, not all of the funds presented in Appendix A on the following pages existed during each of the time periods presented.

AlphaDEX® Size/Style Performance

Appendix A

		NAV Total Returns as of 12/30/16 (%)				Average Annual Returns as of 12/30/16 (%)					
						NAV Total Returns			Market Price Total Returns		
Size/Style Funds	Ticker	YTD	1 Yr.	3 Yr.	5 Yr.	1 Yr.	5 Yr.	Since Inception	1 Yr.	5 Yr.	Since Inception
First Trust Mid Cap Value AlphaDEX® Fund*	FNK	26.29	26.29	5.02	13.39	26.29	13.39	10.33	26.42	13.44	10.34
Nasdaq AlphaDEX® Mid Cap Value Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nasdaq US 600 Mid Cap Value Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P MidCap 400 Value Index		26.53	26.53	9.81	16.07	26.53	16.07	12.18	26.53	16.07	12.18
First Trust Mid Cap Growth AlphaDEX® Fund*	FNY	9.42	9.42	4.31	11.25	9.42	11.25	8.49	9.50	11.26	8.49
Nasdaq AlphaDEX® Mid Cap Growth Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P MidCap 400 Growth Index		14.77	14.77	7.99	14.42	14.77	14.42	10.80	14.77	14.42	10.80
Nasdaq US 600 Mid Cap Growth Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Small Cap Value AlphaDEX® Fund*	FYT	30.15	30.15	4.01	13.50	30.15	13.50	11.21	30.44	13.54	11.23
Nasdaq AlphaDEX® Small Cap Value Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P SmallCap 600 Value Index		31.32	31.32	9.64	16.88	31.32	16.88	13.79	31.32	16.88	13.79
Nasdaq US 700 Small Cap Value Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Small Cap Growth AlphaDEX® Fund*	FYC	13.92	13.92	4.48	13.01	13.92	13.01	10.22	14.02	13.08	10.23
Nasdaq AlphaDEX® Small Cap Growth Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P SmallCap 600 Growth Index		22.16	22.16	9.26	16.35	22.16	16.35	13.46	22.16	16.35	13.46
Nasdaq US 700 Small Cap Growth Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Mega Cap AlphaDEX® Fund*	FMK	8.21	8.21	5.56	10.94	8.21	10.94	7.91	8.21	10.94	7.92
Nasdaq AlphaDEX® Mega Cap Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P 100 Index		11.37	11.37	8.82	14.29	11.37	14.29	11.99	11.37	14.29	11.99
Nasdaq US 500 Large Cap Index		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Total US Market AlphaDEX® ETF*	TUSA	15.48	15.48	3.57	10.22	15.48	10.22	4.65	15.70	10.24	4.66
NASDAQ AlphaDEX® Total US Market Index		16.42	16.42	N/A	N/A	16.42	N/A	N/A	16.42	N/A	N/A
Russell 3000® Index		12.74	12.74	8.43	14.67	12.74	14.67	7.03	12.74	14.67	7.03

	FNK	FNY	FYT	FYC	FMK	TUSA
Net Expense Ratio	N/A	N/A	N/A	N/A	N/A	0.70%
Gross Expense Ratio	0.70%	0.70%	0.70%	0.70%	0.70%	1.97%
Inception Date	4/19/11	4/19/11	4/19/11	4/19/11	5/11/11	12/5/06

Pursuant to contract, First Trust has agreed to waive fees and/or pay fund expenses to prevent the net expense ratio for TUSA from exceeding 0.70% per year, at least until May 19, 2017.

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com.

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"AlphaDEX®" is a registered trademark of First Trust Portfolios L.P. First Trust Portfolios L.P. has obtained a patent for the AlphaDEX® stock selection methodology from the United States Patent and Trademark Office.

AlphaDEX® Sector Performance

Appendix A

		NAV Total Returns as of 12/30/16 (%)				Average Annual Returns as of 12/30/16 (%)					
						NAV Total Returns			Market Price Total Returns		
Sector Funds	Ticker	YTD	1 Yr.	3 Yr.	5 Yr.	1 Yr.	5 Yr.	Since Inception	1 Yr.	5 Yr.	Since Inception
First Trust Consumer Discretionary AlphaDEX® Fund	FXD	5.13	5.13	4.12	13.33	5.13	13.33	6.91	5.19	13.32	6.91
StrataQuant® Consumer Discretionary Index		5.84	5.84	4.80	14.06	5.84	14.06	7.69	5.84	14.06	7.69
Russell 1000® Consumer Discretionary and Services Index		6.30	6.30	7.40	17.07	6.30	17.07	N/A	6.30	17.07	N/A
S&P 500 Consumer Discretionary Index		6.03	6.03	8.59	17.82	6.03	17.82	9.67	6.03	17.82	9.67
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56
First Trust Consumer Staples AlphaDEX® Fund	FXG	4.70	4.70	10.39	15.87	4.70	15.87	10.42	4.70	15.87	10.42
StrataQuant® Consumer Staples Index		5.36	5.36	11.08	16.74	5.36	16.74	11.24	5.36	16.74	11.24
Russell 1000® Consumer Staples Index		5.54	5.54	10.15	13.42	5.54	13.42	N/A	5.54	13.42	N/A
S&P 500 Consumer Staples Index		5.38	5.38	9.22	12.73	5.38	12.73	9.94	5.38	12.73	9.94
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56
First Trust Energy AlphaDEX® Fund	FXN	20.46	20.46	-11.88	-1.81	20.46	-1.81	-1.09	20.46	-1.81	-1.09
StrataQuant® Energy Index		21.16	21.16	-11.53	-1.30	21.16	-1.30	-0.49	21.16	-1.30	-0.49
Russell 1000® Energy Index		25.91	25.91	-3.66	3.15	25.91	3.15	N/A	25.91	3.15	N/A
S&P 500 Energy Index		27.36	27.36	-2.51	3.92	27.36	3.92	3.44	27.36	3.92	3.44
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56
First Trust Financials AlphaDEX® Fund	FXO	18.16	18.16	9.14	17.22	18.16	17.22	4.89	18.24	17.24	4.90
StrataQuant® Financials Index		18.99	18.99	9.89	18.09	18.99	18.09	5.78	18.99	18.09	5.78
Russell 1000® Financial Services Index		16.54	16.54	10.40	18.20	16.54	18.20	N/A	16.54	18.20	N/A
S&P 500 Financials Index		22.80	22.80	11.68	19.47	22.80	19.47	-0.67	22.80	19.47	-0.67
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56
First Trust Health Care AlphaDEX® Fund	FXH	-5.20	-5.20	6.02	16.25	-5.20	16.25	11.60	-5.18	16.26	11.60
StrataQuant® Health Care Index		-4.64	-4.64	6.68	17.01	-4.64	17.01	12.42	-4.64	17.01	12.42
Russell 1000® Health Care Index		-2.92	-2.92	9.40	17.35	-2.92	17.35	N/A	-2.92	17.35	N/A
S&P 500 Health Care Index		-2.69	-2.69	9.24	16.80	-2.69	16.80	8.86	-2.69	16.80	8.86
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56
First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR	26.76	26.76	5.87	14.94	26.76	14.94	6.12	26.84	15.01	6.12
StrataQuant® Industrials Index		27.78	27.78	6.59	15.76	27.78	15.76	6.90	27.78	15.76	6.90
Russell 1000® Producer Durables Index		19.41	19.41	8.57	16.12	19.41	16.12	N/A	19.41	16.12	N/A
S&P 500 Industrials Index		18.86	18.86	8.36	15.60	18.86	15.60	7.25	18.86	15.60	7.25
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56
First Trust Materials AlphaDEX® Fund	FXZ	29.17	29.17	4.87	12.83	29.17	12.83	7.72	29.25	12.85	7.72
StrataQuant® Materials Index		30.04	30.04	5.56	13.64	30.04	13.64	8.52	30.04	13.64	8.52
Russell 1000® Materials and Processing Index		19.96	19.96	5.36	11.49	19.96	11.49	N/A	19.96	11.49	N/A
S&P 500 Materials Index		16.69	16.69	4.56	10.54	16.69	10.54	4.79	16.69	10.54	4.79
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56
First Trust Technology AlphaDEX® Fund	FXL	15.42	15.42	9.11	14.28	15.42	14.28	7.18	15.54	14.30	7.19
StrataQuant® Technology Index		15.73	15.73	9.70	15.02	15.73	15.02	8.00	15.73	15.02	8.00
Russell 1000® Technology Index		14.08	14.08	12.70	15.50	14.08	15.50	N/A	14.08	15.50	N/A
S&P 500 Information Technology Index		13.85	13.85	13.15	16.39	13.85	16.39	9.53	13.85	16.39	9.53
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56
First Trust Utilities AlphaDEX® Fund	FXU	22.52	22.52	12.89	11.86	22.52	11.86	6.33	22.56	11.86	6.33
StrataQuant® Utilities Index		23.44	23.44	13.71	12.83	23.44	12.83	7.24	23.44	12.83	7.24
Russell 1000® Utilities Index		20.42	20.42	11.21	11.25	20.42	11.25	N/A	20.42	11.25	N/A
S&P 500 Utilities Index		16.28	16.28	12.59	10.35	16.28	10.35	5.61	16.28	10.35	5.61
Russell 1000® Index		12.05	12.05	8.59	14.69	12.05	14.69	6.56	12.05	14.69	6.56

	FXD	FXG	FXN	FXO	FXH	FXR	FXZ	FXL	FXU
Net Expense Ratio	0.61%	0.61%	0.62%	0.64%	0.61%	0.66%	0.66%	0.63%	0.62%
Gross Expense Ratio	0.61%	0.61%	0.62%	0.64%	0.61%	0.66%	0.66%	0.63%	0.62%
Inception Date	5/8/07	5/8/07	5/8/07	5/8/07	5/8/07	5/8/07	5/8/07	5/8/07	5/8/07

Pursuant to contract, First Trust has agreed to waive fees and/or pay fund expenses to prevent the net expense ratio of the funds from exceeding 0.70% per year, at least until November 30, 2017.

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com.

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AlphaDEX® Global/International Funds Performance

Appendix A

		NAV Total Returns as of 12/30/16 (%)				Average Annual Returns as of 12/30/16 (%)					
						NAV Total Returns			Market Price Total Returns		
Global/International Funds	Ticker	YTD	1 Yr.	3 Yr.	5 Yr.	1 Yr.	5 Yr.	Since Inception	1 Yr.	5 Yr.	Since Inception
First Trust Developed Markets ex-US AlphaDEX® Fund*	FDT	3.55	3.55	-0.67	6.30	3.55	6.30	1.25	3.44	5.90	1.21
NASDAQ AlphaDEX® Developed Markets Ex-US Index		3.86	3.86	N/A	N/A	3.86	N/A	N/A	3.86	N/A	N/A
NASDAQ Developed Markets Ex-US Index		3.03	3.03	-1.11	N/A	3.03	N/A	N/A	3.03	N/A	N/A
MSCI World Index Ex-US		2.75	2.75	-1.59	6.07	2.75	6.07	2.44	2.75	6.07	2.44
S&P Developed Ex-U.S. BMI Index		2.95	2.95	-1.04	6.48	2.95	6.48	2.64	2.95	6.48	2.64
First Trust Developed Markets ex-US Small Cap AlphaDEX® Fund*	FDTS	2.96	2.96	-0.84	N/A	2.96	N/A	4.46	2.43	N/A	4.22
NASDAQ AlphaDEX® Developed Markets Ex-US Small Cap Index		2.96	2.96	N/A	N/A	2.96	N/A	N/A	2.96	N/A	N/A
NASDAQ Developed Markets Ex-US Small Cap Index		6.33	6.33	1.64	N/A	6.33	N/A	N/A	6.33	N/A	N/A
MSCI World ex-US Small Cap Index		4.32	4.32	1.36	N/A	4.32	N/A	6.80	4.32	N/A	6.80
S&P Developed Markets ex-US Small Cap Index		3.36	3.36	1.63	N/A	3.36	N/A	7.11	3.36	N/A	7.11
First Trust Emerging Markets AlphaDEX® Fund*	FEM	15.86	15.86	-3.25	1.16	15.86	1.16	-3.56	16.13	0.77	-3.66
NASDAQ AlphaDEX® Emerging Markets Index		16.59	16.59	N/A	N/A	16.59	N/A	N/A	16.59	N/A	N/A
NASDAQ Emerging Markets Index		12.76	12.76	-0.96	N/A	12.76	N/A	N/A	12.76	N/A	N/A
MSCI Emerging Markets Index		11.19	11.19	-2.55	1.28	11.19	1.28	-2.67	11.19	1.28	-2.67
S&P Emerging Markets BMI Index		10.95	10.95	-1.34	2.30	10.95	2.30	-2.13	10.95	2.30	-2.13
First Trust Emerging Markets Small Cap AlphaDEX® Fund*	FEMS	13.53	13.53	-2.21	N/A	13.53	N/A	2.76	13.39	N/A	2.56
NASDAQ AlphaDEX® Emerging Markets Small Cap Index		15.43	15.43	N/A	N/A	15.43	N/A	N/A	15.43	N/A	N/A
NASDAQ Emerging Markets Small Cap Index		12.10	12.10	0.84	N/A	12.10	N/A	N/A	12.10	N/A	N/A
MSCI Emerging Markets Small Cap Index		2.28	2.28	-1.27	N/A	2.28	N/A	0.03	2.28	N/A	0.03
S&P Emerging Markets Small Cap Index		7.80	7.80	-1.39	N/A	7.80	N/A	0.56	7.80	N/A	0.56
First Trust Asia Pacific ex-Japan AlphaDEX® Fund*	FPA	0.29	0.29	1.82	6.08	0.29	6.08	0.87	1.80	6.08	0.99
NASDAQ AlphaDEX® Asia Pacific Ex-Japan Index		0.91	0.91	N/A	N/A	0.91	N/A	N/A	0.91	N/A	N/A
NASDAQ DM Asia Pacific Ex-Japan Index		6.13	6.13	N/A	N/A	6.13	N/A	N/A	6.13	N/A	N/A
MSCI Pacific ex-Japan Index		7.85	7.85	-0.59	5.24	7.85	5.24	1.25	7.85	5.24	1.25
S&P Asia Pacific Ex-Japan BMI Index		5.95	5.95	-1.67	3.94	5.95	3.94	-0.06	5.95	3.94	-0.06
First Trust Europe AlphaDEX® Fund*	FEP	1.24	1.24	-1.84	8.66	1.24	8.66	2.38	1.10	8.28	2.30
NASDAQ AlphaDEX® Europe Index		1.49	1.49	N/A	N/A	1.49	N/A	N/A	1.49	N/A	N/A
NASDAQ DM Europe Index		-0.67	-0.67	N/A	N/A	-0.67	N/A	N/A	-0.67	N/A	N/A
MSCI Europe Index		-0.40	-0.40	-3.17	6.25	-0.40	6.25	2.32	-0.40	6.25	2.32
S&P Europe BMI Index		-0.56	-0.56	-2.43	7.26	-0.56	7.26	2.97	-0.56	7.26	2.97
First Trust Eurozone AlphaDEX® ETF	FEUZ	5.49	5.49	N/A	N/A	5.49	N/A	4.64	5.70	N/A	4.44
NASDAQ AlphaDEX® Eurozone Index		5.86	5.86	N/A	N/A	5.86	N/A	5.43	5.86	N/A	5.43
MSCI EMU Index		1.34	1.34	N/A	N/A	1.34	N/A	0.55	1.34	N/A	0.55
NASDAQ Eurozone Index		1.70	1.70	N/A	N/A	1.70	N/A	1.32	1.70	N/A	1.32
First Trust Latin America AlphaDEX® Fund*	FLN	42.81	42.81	-5.17	-2.78	42.81	-2.78	-5.46	42.20	-3.09	-5.63
NASDAQ AlphaDEX® Latin America Index		42.08	42.08	N/A	N/A	42.08	N/A	N/A	42.08	N/A	N/A
NASDAQ Latin America Index		31.44	31.44	-7.34	N/A	31.44	N/A	N/A	31.44	N/A	N/A
MSCI EM Latin America Index		31.04	31.04	-7.46	-5.69	31.04	-5.69	-8.18	31.04	-5.69	-8.18
S&P Latin America BMI Index		30.48	30.48	-7.68	-5.27	30.48	-5.27	-7.92	30.48	-5.27	-7.92

	FDT	FDTS	FEM	FEMS	FPA	FEP	FEUZ	FLN
Expense Ratio	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Inception Date	4/18/11	2/15/12	4/18/11	2/15/12	4/18/11	4/18/11	10/21/14	4/18/11

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com.

AlphaDEX® Global/International Funds Performance

Appendix A

Global/International Funds	Ticker	NAV Total Returns as of 12/30/16 (%)				Average Annual Returns as of 12/30/16 (%)					
						NAV Total Returns			Market Price Total Returns		
		YTD	1 Yr.	3 Yr.	5 Yr.	1 Yr.	5 Yr.	Since Inception	1 Yr.	5 Yr.	Since Inception
First Trust Australia AlphaDEX® Fund*	FAUS	12.80	12.80	3.31	N/A	12.80	N/A	3.82	11.18	N/A	3.66
NASDAQ AlphaDEX® Australia Index		13.39	13.39	N/A	N/A	13.39	N/A	N/A	13.39	N/A	N/A
NASDAQ Australia Index		10.73	10.73	-1.72	N/A	10.73	N/A	N/A	10.73	N/A	N/A
MSCI Australia Index		11.45	11.45	-1.03	N/A	11.45	N/A	2.63	11.45	N/A	2.63
S&P Australia BMI Index		11.38	11.38	-1.12	N/A	11.38	N/A	1.73	11.38	N/A	1.73
First Trust Brazil AlphaDEX® Fund*	FBZ	59.89	59.89	-8.03	-6.83	59.89	-6.83	-9.91	58.49	-7.18	-10.14
NASDAQ AlphaDEX® Brazil Index		61.48	61.48	N/A	N/A	61.48	N/A	N/A	61.48	N/A	N/A
NASDAQ Brazil Index		70.56	70.56	-4.44	N/A	70.56	N/A	N/A	70.56	N/A	N/A
MSCI Brazil Index		66.24	66.24	-5.73	-6.79	66.24	-6.79	-9.81	66.24	-6.79	-9.81
S&P Brazil BMI Index		67.28	67.28	-6.46	-6.77	67.28	-6.77	-9.71	67.28	-6.77	-9.71
First Trust Canada AlphaDEX® Fund*	FCAN	8.94	8.94	-12.49	N/A	8.94	N/A	-3.70	9.09	N/A	-3.69
NASDAQ AlphaDEX® Canada Index		10.23	10.23	N/A	N/A	10.23	N/A	N/A	10.23	N/A	N/A
NASDAQ Canada Index		25.18	25.18	-1.71	N/A	25.18	N/A	N/A	25.18	N/A	N/A
MSCI Canada Index		24.56	24.56	-1.39	N/A	24.56	N/A	0.97	24.56	N/A	0.97
S&P Canada BMI Index		25.22	25.22	-1.89	N/A	25.22	N/A	0.31	25.22	N/A	0.31
First Trust China AlphaDEX® Fund*	FCA	-4.96	-4.96	-3.68	2.39	-4.96	2.39	-4.85	-6.37	2.07	-5.16
NASDAQ AlphaDEX® China Index		-2.69	-2.69	N/A	N/A	-2.69	N/A	N/A	-2.69	N/A	N/A
NASDAQ China Index		2.60	2.60	2.05	N/A	2.60	N/A	N/A	2.60	N/A	N/A
MSCI China Index		0.90	0.90	0.14	5.02	0.90	5.02	-0.18	0.90	5.02	-0.18
S&P China BMI Index		0.29	0.29	0.64	6.29	0.29	6.29	0.31	0.29	6.29	0.31
First Trust Germany AlphaDEX® Fund*	FGM	1.67	1.67	-2.87	N/A	1.67	N/A	5.72	2.15	N/A	5.70
NASDAQ AlphaDEX® Germany Index		1.85	1.85	N/A	N/A	1.85	N/A	N/A	1.85	N/A	N/A
NASDAQ Germany Index		2.38	2.38	-2.77	N/A	2.38	N/A	N/A	2.38	N/A	N/A
MSCI Germany Index		2.75	2.75	-3.32	N/A	2.75	N/A	6.29	2.75	N/A	6.29
S&P Germany BMI Index		2.80	2.80	-2.74	N/A	2.80	N/A	6.62	2.80	N/A	6.62
First Trust Hong Kong AlphaDEX® Fund*	FHK	0.66	0.66	-2.58	N/A	0.66	N/A	4.58	0.35	N/A	4.40
NASDAQ AlphaDEX® Hong Kong Index		0.91	0.91	N/A	N/A	0.91	N/A	N/A	0.91	N/A	N/A
NASDAQ Hong Kong Index		-0.06	-0.06	-0.36	N/A	-0.06	N/A	N/A	-0.06	N/A	N/A
MSCI Hong Kong Index		2.27	2.27	2.24	N/A	2.27	N/A	6.21	2.27	N/A	6.21
S&P Hong Kong BMI Index		-0.19	-0.19	-0.09	N/A	-0.19	N/A	4.31	-0.19	N/A	4.31
First Trust Japan AlphaDEX® Fund*	FJP	2.91	2.91	2.43	6.02	2.91	6.02	4.39	2.81	5.95	4.36
NASDAQ AlphaDEX® Japan Index		2.59	2.59	N/A	N/A	2.59	N/A	N/A	2.59	N/A	N/A
NASDAQ Japan Index		3.38	3.38	3.44	N/A	3.38	N/A	N/A	3.38	N/A	N/A
MSCI Japan Index		2.38	2.38	2.49	8.17	2.38	8.17	5.73	2.38	8.17	5.73
S&P Japan BMI Index		3.38	3.38	3.30	8.44	3.38	8.44	6.19	3.38	8.44	6.19
First Trust South Korea AlphaDEX® Fund*	FKO	-2.74	-2.74	-6.62	0.35	-2.74	0.35	-4.12	-2.45	0.31	-4.18
NASDAQ AlphaDEX® South Korea Index		-2.81	-2.81	N/A	N/A	-2.81	N/A	N/A	-2.81	N/A	N/A
NASDAQ South Korea Index		5.24	5.24	-2.82	N/A	5.24	N/A	N/A	5.24	N/A	N/A
MSCI South Korea Index		8.75	8.75	-3.37	2.59	8.75	2.59	-1.52	8.75	2.59	-1.52
S&P South Korea BMI Index		3.52	3.52	-3.37	2.40	3.52	2.40	-1.26	3.52	2.40	-1.26
First Trust Switzerland AlphaDEX® Fund*	FSZ	4.21	4.21	1.62	N/A	4.21	N/A	8.50	4.08	N/A	8.47
NASDAQ AlphaDEX® Switzerland Index		4.16	4.16	N/A	N/A	4.16	N/A	N/A	4.16	N/A	N/A
NASDAQ Switzerland Index		-4.58	-4.58	-1.56	N/A	-4.58	N/A	N/A	-4.58	N/A	N/A
MSCI Switzerland Index		-4.87	-4.87	-1.54	N/A	-4.87	N/A	6.74	-4.87	N/A	6.74
S&P Switzerland BMI Index		-3.65	-3.65	-0.49	N/A	-3.65	N/A	7.53	-3.65	N/A	7.53
First Trust Taiwan AlphaDEX® Fund*	FTW	10.31	10.31	1.54	N/A	10.31	N/A	3.05	9.92	N/A	2.82
NASDAQ AlphaDEX® Taiwan Index		11.15	11.15	N/A	N/A	11.15	N/A	N/A	11.15	N/A	N/A
NASDAQ Taiwan Index		17.28	17.28	3.32	N/A	17.28	N/A	N/A	17.28	N/A	N/A
MSCI Taiwan Index		18.54	18.54	4.60	N/A	18.54	N/A	5.40	18.54	N/A	5.40
S&P Taiwan BMI Index		15.07	15.07	2.31	N/A	15.07	N/A	4.19	15.07	N/A	4.19
First Trust United Kingdom AlphaDEX® Fund*	FKU	-16.08	-16.08	-5.67	N/A	-16.08	N/A	4.68	-16.28	N/A	4.57
NASDAQ AlphaDEX® United Kingdom Index		-14.91	-14.91	N/A	N/A	-14.91	N/A	N/A	-14.91	N/A	N/A
NASDAQ United Kingdom Index		-2.12	-2.12	-4.14	N/A	-2.12	N/A	N/A	-2.12	N/A	N/A
MSCI United Kingdom Index		-0.10	-0.10	-4.40	N/A	-0.10	N/A	2.68	-0.10	N/A	2.68
S&P United Kingdom BMI Index		-1.84	-1.84	-3.99	N/A	-1.84	N/A	3.73	-1.84	N/A	3.73

	FAUS	FBZ	FCAN	FCA	FGM	FHK	FJP	FKO	FSZ	FTW	FKU
Expense Ratio	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Inception Date	2/14/12	4/18/11	2/14/12	4/18/11	2/14/12	2/14/12	4/18/11	4/18/11	2/14/12	2/14/12	2/14/12

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Risks and Important Information

An index fund's return may not match the return of the applicable index. Securities held by an index fund will generally not be bought or sold in response to market fluctuations.

Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Market prices may differ to some degree from the net asset value of the shares. Investors who sell fund shares may receive less than the share's net asset value. Shares may be sold throughout the day on the exchange through any brokerage account. However, unlike mutual funds, shares may only be redeemed directly from the fund by authorized participants, in very large creation/redemption units. If the fund's authorized participants are unable to proceed with creation/redemption orders and no other authorized participant is able to step forward to create or redeem, fund shares may trade at a discount to the fund's net asset value and possibly face delisting.

A fund's shares will change in value, and you could lose money by investing in a fund. One of the principal risks of investing in a fund is market risk. Market risk is the risk that a particular stock owned by a fund, fund shares or stocks in general may fall in value. There can be no assurance that the fund's investment objective will be achieved.

A fund may invest in securities issued by companies concentrated in a particular industry, sector or country which involves additional risks including limited diversification. A fund may invest in small capitalization and mid capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

An investment in a fund containing securities of non-U.S. issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting non-U.S. issuers. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries. A fund may invest in depositary receipts which may be less liquid than the underlying shares in their primary trading market.

Certain funds are classified as "non-diversified" and may invest a relatively high percentage of their assets in a limited number of issuers. As a result, the funds may be more susceptible to a single adverse economic or regulatory occurrence affecting one or more of these issuers, experience increased volatility and be highly concentrated in certain issuers.

First Trust Advisors L.P. is the adviser to the funds. First Trust Advisors L.P. is an affiliate of First Trust Portfolios L.P., the funds' distributor.

***On the dates indicated, each fund's underlying index changed. Therefore, each fund's performance and historical returns shown for the periods prior to the date indicated are not necessarily indicative of the performance that each fund, based on its current index, would have generated. The funds that changed underlying indexes and the dates of change are: TUSA (January 9, 2015); FAUS, FBZ, FCA, FCAN, FGM, FHK, FJP, FKO, FKU, FSZ and FTW (July 14, 2015); FPA, FDT, FDTS, FEM, FEMS, FEP and FLN (October 13, 2015); FMK, FEX, FTC, FTA, FNX, FNY, FNK, FYX, FYC, FYT, FAD and FAB (April 8, 2016). Please see each fund's prospectus for additional information.**

Benchmark Index Definitions:

The S&P 100 Index, a subset of the S&P 500 Index, is comprised of 100 U.S. stocks selected for sector balance. The stocks in the S&P 100 Index are generally among the largest and most established companies in the S&P 500 Index. **The S&P 500 Index** is an index of 500 stocks used to measure large-cap U.S. stock market performance. **The S&P 500 Growth Index** contains those stocks with growth characteristics, and the **S&P 500 Value Index** contains those stocks with value characteristics, from the S&P 500 Index. **The S&P Composite 1500 Index** is an index of stocks representing the large-cap, mid-cap and small-cap segments of the U.S. equity market. **The S&P Composite 1500 Growth Index** contains those stocks with growth characteristics, and the **S&P Composite 1500 Value Index** contains those stocks with value characteristics, from the S&P Composite 1500 Index. **The S&P MidCap 400 Index** is an index of 400 stocks used to measure mid-cap U.S. stock market performance. **The S&P MidCap 400 Growth Index** contains those stocks with growth characteristics from the 400 stocks used to measure mid-cap U.S. stock market performance. **The S&P MidCap 400 Value Index** contains those stocks with value characteristics from the 400 stocks used to measure mid-cap U.S. stock market performance. **The S&P SmallCap 600 Index** is an index of 600 stocks used to measure small-cap U.S. stock market performance. **The S&P SmallCap 600 Growth Index** contains those stocks with growth characteristics from the 600 stocks used to measure small-cap U.S. stock market performance. **The S&P SmallCap 600 Value Index** contains those stocks with value characteristics from the 600 stocks used to measure small-cap U.S. stock market performance. **The S&P sector indexes** include the stocks contained in the S&P 500 Index which are members of their respective industries. **The Russell 1000® Index** includes the largest 1000 securities in the Russell 3000® Index. **The Russell 3000® Index** is comprised of the 3000 largest and most liquid stocks based and traded in the U.S. **The Russell sector indexes** include the stocks contained in the Russell 1000® Index which are members of their respective industries. **The MSCI World Index Ex-U.S. Index** includes developed markets and is designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. **The MSCI World ex-U.S. Small Cap Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of all investable small-cap securities in developed markets throughout the world, with the exception of U.S.-based companies. **The MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. **The MSCI Emerging Markets Small Cap Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of all investable small-cap securities in emerging markets. **The MSCI Pacific ex-Japan Index** measures the performance of the Australian, Hong Kong, New Zealand, and Singapore equity markets. **The MSCI Europe Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. **The MSCI EM Latin America Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of emerging markets in Latin America. **The MSCI EMU Index** (European Economic and Monetary Union) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries within the EMU. **The MSCI Country Indexes** measure the performance of each country's equity market. **The S&P Developed Markets Ex-U.S. BMI Index** is a comprehensive, rules-based index measuring performance of equity markets among 25 different countries excluding the United States. **The S&P Developed Markets ex-U.S. Small Cap Index** is a comprehensive, rules-based index measuring performance of the small capitalization segment of equity markets domiciled in developed countries outside the U.S. **The S&P Emerging Markets BMI Index** is a comprehensive, rules-based index measuring performance of equity markets among 19 different countries. **The S&P Emerging Markets Small Cap Index** is a comprehensive, rules-based index measuring performance of the small capitalization segment of emerging markets. **The S&P Asia Pacific Ex-Japan BMI Index** is a comprehensive, rules-based index measuring performance of the equity markets of Australia, Hong Kong, New Zealand and South Korea. **The S&P Europe BMI Index** is a comprehensive, rules-based index measuring performance of equity markets among 17 different countries. **The S&P Latin America BMI Index** is a comprehensive, rules-based index measuring performance of the equity markets of Brazil, Chile, Mexico and Peru. **The S&P Country BMI Indexes** are a comprehensive, rules-based index measuring performance of the each specific country's equity market. **The NASDAQ Eurozone Index** is a float adjusted market capitalization-weighted index designed to track the performance of securities assigned to the Eurozone. **The NASDAQ Country Indexes** are float adjusted market capitalization-weighted indexes designed to track the performance of securities assigned to each specific country. **The NASDAQ Developed Markets Ex-U.S. Index** is a float adjusted market capitalization-weighted index that includes securities in countries which are designated as developed markets, excluding the United States. **The NASDAQ Developed Markets Ex-U.S. Small Cap Index** is a float adjusted market capitalization-weighted index that is designed to measure the small capitalization segment performance of countries which are designated as developed markets, excluding the United States. **The NASDAQ Emerging Markets Index** is a float adjusted market capitalization-weighted index that is designed to measure equity market performance of securities in countries which are designated as emerging markets. **The NASDAQ Emerging Markets Small Cap Index** is a float adjusted market capitalization-weighted index that is designed to measure the small capitalization segment performance of securities in countries which are designated as emerging markets. **The NASDAQ DM Europe Index** is a float adjusted market capitalization-weighted index that is designed to measure equity market performance of securities in countries located in Europe. **The NASDAQ Latin America Index** is a float adjusted market capitalization-weighted index that is designed to measure equity market performance of securities in countries located in Latin America. **The NASDAQ DM Asia Pacific Ex-Japan Index** is a float adjusted market capitalization-weighted index that is designed to measure equity market performance of securities in countries located in Asia Pacific, excluding Japan. The **NASDAQ US 500 Large Cap Index** is a float modified market capitalization weighted index that contains the top 500 securities from the NASDAQ US Benchmark Index. The **NASDAQ US 600 Mid Cap Index** is a float modified market capitalization weighted index that contains the 600 securities from the mid cap segment of the NASDAQ US Benchmark Index. The **NASDAQ US 700 Small Cap Index** is a float modified market capitalization weighted index that contains the 700 securities from the small cap segment of the NASDAQ US Benchmark Index. The **NASDAQ US 500 Large Cap Value Index** is a float modified market capitalization weighted index that includes value securities from the NASDAQ US 500 Large Cap Index. The **NASDAQ US 500 Large Cap Growth Index** is a float modified market capitalization weighted index that includes growth securities from the NASDAQ US 500 Large Cap Index. The **NASDAQ US Multi Cap Value Index** is a float modified market capitalization weighted index that contains the top 50% of securities with the strongest value-oriented composite score from the Nasdaq US Select Index Family. The **NASDAQ US Multi Cap Growth Index** is a float modified market capitalization weighted index that contains the top 50% of securities with the strongest growth-oriented composite score from the Nasdaq US Select Index Family. The **NASDAQ US 600 Mid Cap Value Index** is a float modified market capitalization weighted index that includes value securities from the NASDAQ US 600 Mid Cap Index. The **NASDAQ US 600 Mid Cap Growth Index** is a float modified market capitalization weighted index that includes growth securities from the NASDAQ US 600 Mid Cap Index. The **NASDAQ US 700 Small Cap Value Index** is a float modified market capitalization weighted index that includes value securities from the NASDAQ US 700 Small Cap Index. The **NASDAQ US 700 Small Cap Growth Index** is a float modified market capitalization weighted index that includes growth securities from the NASDAQ US 700 Small Cap Index.