



# AlphaDEX<sup>®</sup> Perspectives

4th Quarter 2017

## In the midst of an equity rally already enjoying strong earnings and solid economic growth, the passage of tax reform further heightened the optimistic mood in the U.S. equity market during Q4 2017

U.S. equity markets surged higher during Q4 2017, as the much anticipated GOP tax reform package, which included a drastic cut in corporate tax rates, was finally signed into law by President Trump in December. Beyond the impact of the legislation on bullish sentiment, robust economic data, and another strong earnings season also propelled stocks upward, as the S&P 500 Index climbed 6.6% over the last 3 months of 2017.<sup>1</sup>

Consumer discretionary and information technology stocks were the strongest sectors during the fourth quarter of 2017, as both the S&P 500 Information Technology Index and the S&P 500 Consumer Discretionary Index gained over 9%. Semiconductors and communications equipment stocks led the tech rally, while the strong performance of both Amazon and brick and mortar retail stocks drove the consumer discretionary sector higher during the quarter. Financial sector stocks also performed particularly well, as S&P 500 bank stocks returned over 10% during the quarter on the outlook for higher interest rates. Utilities and health care sector stocks were laggard, but still positive performers during the quarter.

Growth stocks outperformed value stocks for the fourth consecutive quarter. In total, the S&P 500 Growth Index returned over 12% more than the S&P 500 Value Index over the course of 2017. On a size basis, small-cap stocks (S&P SmallCap 600 Index +3.9%) trailed both large and mid-cap equities (S&P MidCap 400 Index +6.2%) during Q4.

Domestic macroeconomic reports released during Q4 2017 broadly indicated solid and steady economic growth. The U.S. labor market remains a key pillar of economic strength, adding 244,000 and 228,000 jobs to non-farm payrolls during October and November respectively, a marked improvement from the September release, which was impacted by hurricanes Harvey and Irma. Core retail sales reported during Q4 2017 were stronger than expected, with November retail sales growth coming in especially strong as consumers opened their wallets during a robust holiday shopping season. Both consumer and small business confidence readings remain elevated, boding well for future consumption, with the NFIB Small Business Optimism Index reaching its highest level since 2004. The November ISM manufacturing survey cooled somewhat from recent highs, but still indicated solid expansion in both current production activity and new orders. Core consumer price inflation was a touch lower than expected by economists in November, but a surprisingly heated producer price inflation reading evidenced building pipeline inflation pressures.

Internationally, emerging market stocks outpaced developed market stocks during the fourth quarter, with the MSCI Emerging Markets Index returning 7.3%, while the MSCI EAFE Index gained 4.3%. Chinese equities (MSCI China Index) performed especially well, gaining 7.7% in the fourth quarter, while Latin American stocks declined in value (MSCI EM Latin America Index -2.3%). Within developed markets, Japanese stocks were standout performers (MSCI Japan Index +8.6%), while European equities (MSCI Europe Index) finished with only a modest gain on the quarter.<sup>2</sup>

U.S. Treasury yields climbed higher during the fourth quarter, with the yield on the 10 year Treasury finishing at 2.4% by quarter end. Both investment grade and high yield credit spreads tightened modestly during the fourth quarter.

***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](http://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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<sup>1</sup>All index returns are total returns sourced from Bloomberg.

<sup>2</sup>International returns are in U.S. dollars, unless otherwise specified.

## AlphaDEX Review

Domestically, AlphaDEX relative performance was mixed during 2017, as size and style AlphaDEX ETFs outperformed by 0.50% on average during the year, while the sector AlphaDEX ETFs underperformed by 3.2% on average over the same period. For the fourth quarter of 2017, the size and style AlphaDEX ETFs were largely in-line with their benchmarks, underperforming by 0.10% on average, while the sector AlphaDEX ETFs outperformed by 0.40% on average during the three month period (See Table 1 on the next page).

The small and mid-cap growth ETFs were standout performers during 2017, with the First Trust Small Cap Growth AlphaDEX® Fund (FYC) benefiting from superior stock selection within the consumer discretionary sector, as discretionary names held by the fund returned over 59% during 2017, while the First Trust Mid Cap Growth AlphaDEX® Fund (FNY) was helped by a relative underweight position in real estate, and the strong performance of biotechnology stocks held by the fund. The First Trust Small Cap Value AlphaDEX® Fund (FYT) and First Trust Large Cap Growth AlphaDEX® Fund (FTC) were the bottom style performers relative to their respective benchmarks in 2017. FYT was hurt by the poor relative performance of consumer staples names held in the portfolio, especially within food retailing, while FTC had a relative underweight position in mega-cap Internet and technology names such as Amazon, Alphabet (Google), Facebook, and Apple, which each hold significant weighting in the benchmark and performed well in 2017.

Among sector AlphaDEX ETFs, the First Trust Utilities AlphaDEX® Fund (FXU) and First Trust Consumer Staples AlphaDEX® Fund (FXG) were significant laggard performers on a relative basis during 2017. FXU was negatively impacted by the poor performance of telecom names within the portfolio; telecom stocks are not held by the S&P 500 Utilities Index. FXG was weighed down by an overweight position in food products stocks, as well as the poor performance of food and staples retailing names held by the ETF.

For the fourth quarter of 2017, the First Trust Financials AlphaDEX® Fund (FXO) had a relatively weak quarter, weighed down by an overweight position in real estate stocks, which performed poorly during the quarter. The First Trust Industrials/Producer Durables AlphaDEX® Fund (FXR) turned in a particularly strong relative performance during the fourth quarter, helped by an underweight position in industrial conglomerates and overweight exposure to airlines during the quarter.

**2017 was a good year for the international AlphaDEX funds, as all but one of the eight regional AlphaDEX ETFs outperformed their benchmarks by an average of 6.8% during the year (See Table 1 on the next page),** while six out of the eight regional international AlphaDEX funds beat their benchmarks during the fourth quarter. For the year, the First Trust Emerging Markets Small Cap AlphaDEX® Fund (FEMS), and the First Trust Europe AlphaDEX® Fund (FEP) were the top performing regional ETFs relative to their respective benchmarks in 2017, with FEMS benefiting from the strong performance of Hong Kong based equities, particularly in the real estate and technology sectors, while FEP benefited from superior stock selection within smaller market capitalization names. The First Trust Latin America AlphaDEX® Fund (FLN) was the lone regional ETF to underperform its benchmark in 2017, weighed down by the underperformance of Mexican stocks held in the portfolio. For the fourth quarter, the First Trust Eurozone AlphaDEX® ETF (FEUZ) was the best relative performer, helped by superior stock selection among German and French equities, while FEMS underperformed, hurt by an underweight position in Indian stocks, which rallied strongly during the fourth quarter.

## AlphaDEX® Periodic Excess Returns (%): As of December 29, 2017

Table 1		Q1 17 (%)			Q2 17 (%)			Q3 17 (%)			Q4 17 (%)			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
<b>AlphaDEX® Size/Style Funds</b>																
FMK	S&P 100 Index	4.6	6.1	-1.5	2.4	2.6	-0.2	6.9	4.7	2.1	5.6	6.9	-1.3	20.8	22.0	-1.1
FEX	S&P 500 Index	6.2	6.1	0.2	3.3	3.1	0.2	3.6	4.5	-0.9	6.9	6.6	0.3	21.5	21.8	-0.3
FTC	S&P 500 Growth Index	7.5	8.5	-1.1	4.2	4.4	-0.3	5.2	5.3	-0.1	6.3	6.8	-0.5	25.2	27.4	-2.3
FTA	S&P 500 Value Index	5.5	3.3	2.2	2.3	1.5	0.7	2.4	3.5	-1.1	7.3	6.3	0.9	18.4	15.4	3.1
FNX	S&P MidCap 400 Index	3.8	3.9	-0.1	1.6	2.0	-0.4	4.7	3.2	1.5	6.5	6.3	0.2	17.6	16.2	1.4
FNY	S&P MidCap 400 Growth Index	6.4	5.1	1.3	3.5	3.3	0.3	5.9	3.2	2.7	7.1	7.1	0.0	24.9	19.9	5.0
FNK	S&P MidCap 400 Value Index	1.7	2.7	-0.9	-0.1	0.6	-0.7	3.9	3.3	0.6	5.6	5.4	0.3	11.4	12.3	-0.9
FYX	S&P SmallCap 600 Index	1.3	1.1	0.2	2.4	1.7	0.7	6.0	6.0	0.1	4.1	4.0	0.1	14.4	13.2	1.2
FYC	S&P SmallCap 600 Growth Index	5.4	2.4	3.0	5.2	2.1	3.1	7.3	5.7	1.7	3.5	3.9	-0.4	23.2	14.8	8.4
FYT	S&P SmallCap 600 Value Index	-1.8	-0.4	-1.4	0.3	1.3	-1.0	4.7	6.3	-1.6	4.2	4.0	0.2	7.3	11.5	-4.2
FAD	S&P Composite 1500 Growth Index	6.7	8.1	-1.4	4.2	4.3	-0.1	5.8	5.2	0.7	6.0	6.7	-0.7	24.7	26.5	-1.8
FAB	S&P Composite 1500 Value Index	2.9	3.1	-0.2	1.2	1.4	-0.3	3.3	3.6	-0.3	6.1	6.2	0.0	14.1	15.0	-0.9
TUSA	Russell 3000® Index	4.7	5.7	-1.0	2.7	3.0	-0.3	4.5	4.6	0.0	6.2	6.3	-0.1	19.5	21.1	-1.7
<b>AlphaDEX® Sector Funds</b>																
FXD	S&P 500 Consumer Discretionary Index	4.0	8.5	-4.5	0.8	2.4	-1.6	4.1	0.8	3.3	9.7	9.9	-0.1	19.7	23.0	-3.2
FXG	S&P 500 Consumer Staples Index	1.3	6.4	-5.1	0.0	1.6	-1.6	-0.4	-1.4	0.9	6.9	6.5	0.5	7.8	13.5	-5.7
FXN	S&P 500 Energy Index	-8.5	-6.7	-1.8	-11.4	-6.4	-5.0	8.1	6.8	1.3	8.2	6.0	2.2	-5.1	-1.0	-4.1
FXO	S&P 500 Financials Index	2.9	2.5	0.4	3.5	4.3	-0.7	4.2	5.2	-1.1	6.2	8.6	-2.4	17.9	22.2	-4.3
FXH	S&P 500 Health Care Index	9.0	8.4	0.6	7.1	7.1	0.0	0.8	3.7	-2.8	3.4	1.5	2.0	21.8	22.1	-0.3
FXR	S&P 500 Industrials Index	4.5	4.6	-0.1	3.2	4.7	-1.5	5.2	4.2	1.0	9.5	6.1	3.4	24.1	21.0	3.1
FXZ	S&P 500 Materials Index	6.0	5.9	0.1	2.2	3.2	-1.0	4.8	6.1	-1.3	9.0	6.9	2.0	23.7	23.9	-0.2
FXL	S&P 500 Information Technology Index	11.0	12.6	-1.6	3.7	4.1	-0.4	10.3	8.7	1.6	7.0	9.0	-2.0	35.8	38.9	-3.0
FXU	S&P 500 Utilities Index	3.1	6.4	-3.3	-0.1	2.2	-2.3	0.1	2.9	-2.7	-2.1	0.2	-2.4	0.9	12.1	-11.2
<b>AlphaDEX® International Funds</b>																
FDT	MSCI World ex U.S. Index	9.6	6.8	2.8	6.3	5.6	0.7	7.3	5.6	1.7	6.8	4.2	2.6	33.6	24.2	9.4
FDTs	MSCI World ex U.S. Small Cap Index	7.4	7.6	-0.2	7.4	7.3	0.2	9.1	7.3	1.8	8.3	5.8	2.4	36.2	31.0	5.2
FEM	MSCI Emerging Markets Index	11.4	11.5	0.0	3.2	6.3	-3.1	17.4	7.9	9.5	3.3	7.4	-4.1	39.4	37.3	2.1
FEMS	MSCI Emerging Markets Small Cap Index	18.8	13.0	5.8	2.4	2.6	-0.2	14.8	5.6	9.1	4.9	9.2	-4.3	46.6	33.8	12.7
FEUZ	MSCI EMU Index	9.1	8.6	0.5	9.9	8.0	1.9	9.6	8.1	1.5	3.7	1.0	2.7	36.2	28.1	8.2
FPA	MSCI Pacific ex-Japan Index	14.3	11.8	2.5	6.1	1.5	4.5	3.5	3.7	-0.2	8.4	7.0	1.4	35.9	25.9	10.1
FEP	MSCI Europe Index	8.7	7.4	1.3	9.9	7.4	2.5	8.8	6.5	2.4	4.4	2.2	2.2	35.7	25.5	10.2
FLN	MSCI EM Latin America Index	11.7	12.1	-0.4	-6.9	-1.7	-5.2	18.3	15.1	3.2	-2.0	-2.3	0.3	20.5	23.7	-3.2
FAUS	MSCI Australia Index	11.1	11.0	0.1	0.6	-1.9	2.5	2.9	3.1	-0.2	7.7	6.8	0.9	23.9	20.0	3.9
FBZ	MSCI Brazil Index	12.3	10.4	1.9	-8.6	-6.7	-1.9	25.1	23.0	2.2	-2.0	-2.0	0.0	25.9	24.1	1.8
FCAN	MSCI Canada Index	1.2	2.5	-1.3	-1.3	0.6	-1.9	9.9	7.9	1.9	4.8	4.3	0.5	15.0	16.1	-1.0
FCA	MSCI China Index	15.4	12.9	2.5	8.4	10.6	-2.1	21.6	14.7	6.9	4.1	7.6	-3.6	58.4	54.1	4.3
FGM	MSCI Germany Index	8.2	8.4	-0.2	11.0	6.4	4.6	11.5	7.7	3.8	7.5	2.8	4.8	44.0	27.7	16.3
FHK	MSCI Hong Kong	11.6	13.4	-1.8	6.8	7.2	-0.4	12.0	5.1	6.9	5.2	6.6	-1.4	40.3	36.2	4.1
FJP	MSCI Japan Index	6.1	4.5	1.6	3.2	5.2	-2.0	6.1	4.0	2.1	9.1	8.5	0.6	26.7	24.0	2.7
FKO	MSCI South Korea Index	14.6	16.9	-2.2	8.0	10.2	-2.3	-1.5	2.7	-4.2	11.1	11.4	-0.3	35.4	47.3	-11.9
FSZ	MSCI Switzerland Index	9.6	8.3	1.3	10.5	9.0	1.6	5.1	2.0	3.2	3.1	1.8	1.3	31.3	22.5	8.8
FTW	MSCI Taiwan Index	13.0	11.8	1.2	4.7	8.8	-4.0	0.4	0.8	-0.5	3.2	4.0	-0.8	22.5	27.5	-5.0
FKU	MSCI United Kingdom Index	6.2	5.0	1.2	5.1	4.7	0.4	7.1	5.2	1.9	5.0	5.7	-0.8	25.5	22.3	3.2

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](http://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.

On an individual country basis, eight out of 11 AlphaDEX ETFs that focus on a single country outperformed during 2017, with an average outperformance across the 11 funds of 2.5%. The First Trust Germany AlphaDEX® Fund (FGM) enjoyed the strongest performance among the AlphaDEX country ETFs during the year, driven by superior stock selection within the industrial sector, as German industrial names held by the fund returned over 70% during 2017. The weakest performing country ETF on a relative basis was the First Trust South Korea AlphaDEX® Fund (FKO), due in part to an underweight position in mega-cap Samsung Electronics, which returned over 60% during 2017 and is weighted heavily ( $\approx 28\%$ ) in the MSCI South Korea Index. For the fourth quarter, the First Trust China AlphaDEX® Fund (FCA) underperformed, as the fund was overweight in real estate sector equities, which performed relatively poorly during the period.

In this quarter's AlphaDEX Perspectives, we examine three factors that impacted U.S. equity returns in 2017 – Size, Value and Momentum

**Size: The largest market cap names outperformed the rest of the market during 2017, helped by mega-cap technology names.**

Although the 2017 equity market rally was broad-based, the largest U.S. stocks performed exceptionally well. Chart 1 divides the Russell 1000 Index into quintiles based on market capitalization. As can be seen in the chart, the very largest stocks (Quintile 1) outperformed the other four market cap quintiles of Russell 1000 Index stocks by a significant margin during 2017. We believe a significant part of the outperformance of larger companies over the course of last year was likely attributable to the higher weighting of information technology within the largest market capitalization portion of the market (See Table 2). Information technology sector stocks surged higher in 2017, with the S&P 500 Information Technology Index returning nearly 39% for the year, almost 15% more than the next best sector of the market (materials, followed closely by consumer discretionary). Further, the performance of the information technology sector itself was top-heavy, as the top three market capitalization tech names, Apple, Microsoft and Facebook, returned 47% on average during the year. Although these firms are well known leaders, and likely well-run companies, our intuition is that it would be quite challenging for companies with their sheer size to continually outperform smaller companies, which can often be in a less mature stage of growth.

Going forward, we believe that smaller market capitalization names are attractive on a relative valuation basis relative to larger names, and may benefit disproportionately from any continued strength in the U.S. equity market.

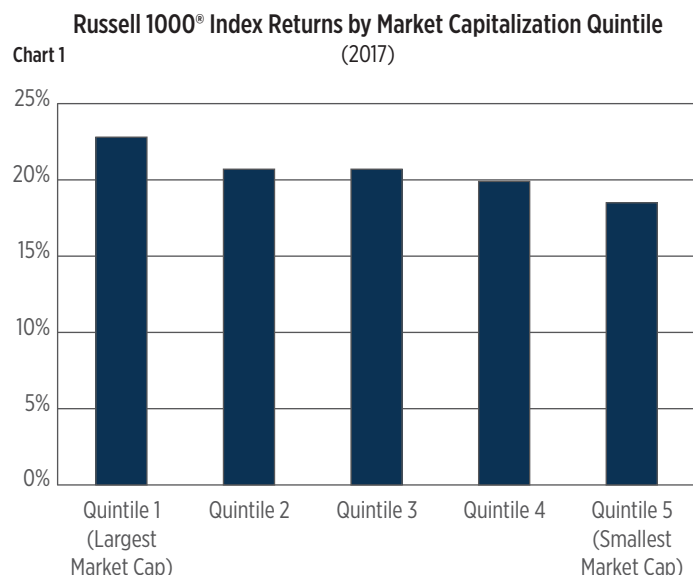
**Value and Momentum: We believe the relative performance of “momentum” over “value” helped power U.S. growth strategies over value during 2017.**

Growth stocks generally outperformed value stocks during 2017, with the S&P 500 Growth Index returning over 12% more than the S&P 500 Value Index during 2017. The AlphaDEX domestic style ETFs followed a similar pattern, as the four growth ETFs gained 24.5% on average during 2017, besting the four value ETFs, which gained 12.8% on average.<sup>3,4</sup>

<sup>3</sup>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)

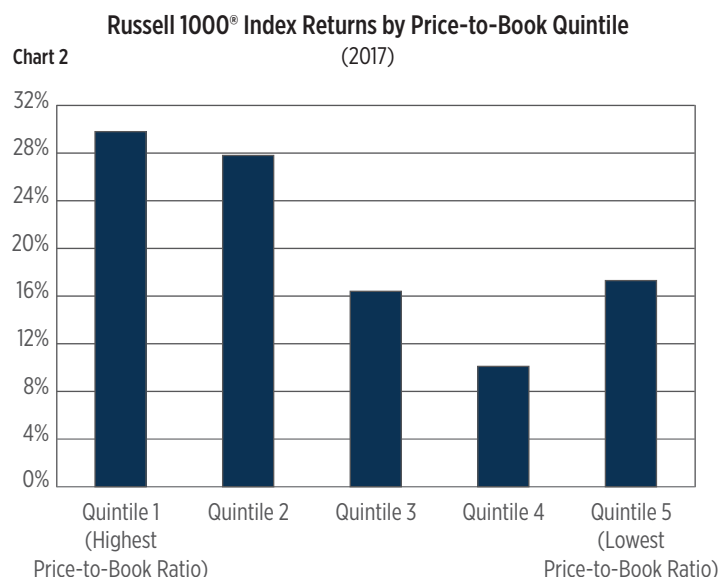
<sup>4</sup>First Trust Large Cap Value AlphaDEX® Fund (FTA), First Trust Mid Cap Value AlphaDEX® Fund (FNK), First Trust Small Cap Value AlphaDEX® Fund (FYT) and First Trust Multi Cap Value AlphaDEX® Fund (FAB)

Source for Charts 1 & 2 and Table 2: Factset. The charts and table are for illustrative purposes only and not indicative of any actual investment. The charts and table exclude the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. Past performance is no guarantee of future results.



**Russell 1000® Index Market Capitalization Quintile: Information Technology Weighting**  
Table 2 (2017)

Market Capitalization Quintile	Weighting
Quintile 1 (Highest Market Cap)	25.8%
Quintile 2	17.5%
Quintile 3	17.3%
Quintile 4	17.1%
Quintile 5 (Smallest Market Cap)	14.8%



The AlphaDEX value ETFs rely on valuation metrics, such as the price-to-book ratio to identify stocks offering potentially attractive pricing relative to their fundamentals. Value as a stock selection strategy struggled somewhat during 2017, as the most expensive stocks on a price-to-book ratio basis were actually the strongest performers during the year (See Chart 2 on previous page) by a wide margin over the cheapest three price-to-book quintiles within the Russell 1000 Index. As we will discuss in the section on momentum stocks below, we believe that the strong performance of growth stocks in dynamic industries may have influenced this return pattern during 2017.

The AlphaDEX growth ETFs differ from their value counterparts in that they employ a stock selection strategy that utilizes recent past price performance or “momentum” in their methodology.

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 3 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 the chart, on average, the higher momentum quintile stocks (Quintiles 1 & 2) outperformed stocks with less momentum (i.e. Quintile 5) during 2017.

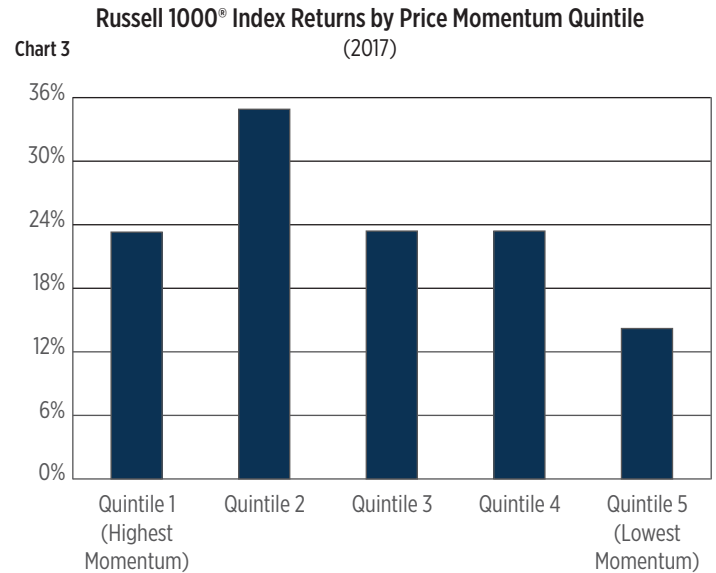
Industry level effects may have helped the performance of the highest momentum stocks during the third quarter. Table 3 displays the top five industry group weightings within the two highest momentum quintiles during 2017. Software and services, which returned 38% during 2017, and technology hardware, which returned 40%, were among the heaviest weighted industry groups within the top two momentum quintiles. Retail was also weighted significantly in the top momentum quintiles, an industry that benefited significantly from the performance of e-commerce giant Amazon, which returned 55% in 2017.

**Going forward, we remain positive towards U.S. equities as the robust labor market, and fiscal stimulus via tax reform bolster the outlook for consumer spending and business investment.**

We expect domestic consumption to trend higher as a healthy labor market leads to higher wages, and the recently passed Tax Cuts and Jobs Act increases disposable income. The U.S. unemployment rate for December 2017 stands at 4.1% (See Chart 4), which before it was first reached in October 2017, was a level not seen since December of 2000. Over the course of 2017, this low jobless rate has been steadily pushing further below the Congressional Budget Office’s (CBO’s) estimate of the natural rate of unemployment (NAIRU) of around 4.7%. Not only does the gradually tightening labor market increase wage pressures, but robust hiring also increases worker confidence, evidenced by an elevated “quit rate”, and high consumer confidence readings. Meanwhile, we believe the lower tax rate schedule, more generous standard deduction, and the increased child tax credit provisions of tax reform will put more money in the pockets of many individual tax payers. The additional personal income from lower taxes, especially when coupled with increasing wages and confidence, presents a particularly positive outlook for consumption, in our opinion.

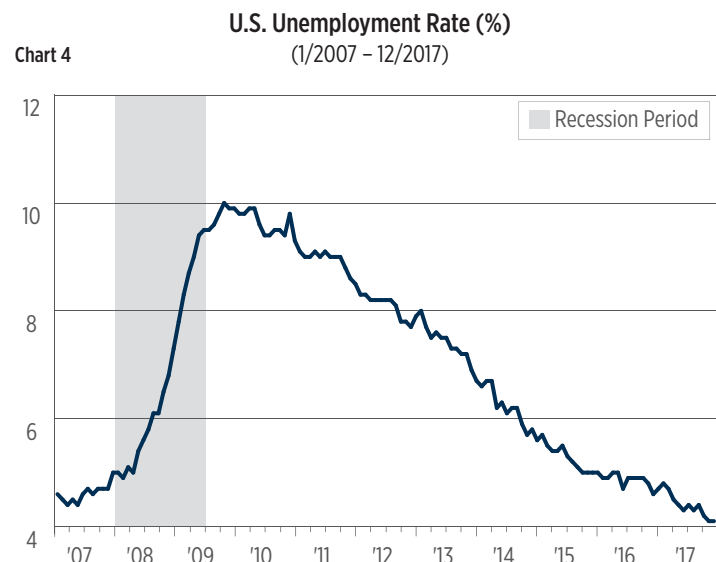
Source for Chart 3 and Table 3: Factset. The chart and table are for illustrative purposes only and not indicative of any actual investment. The chart and table exclude the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index.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

Source for Chart 4: Bureau of Labor Statistics/Haver Analytics.



**Table 3**  
Russell 1000® Index Industry Groups: Weighting Within The Highest Two Momentum Quintiles (2017)

Top 5 Industry Groups	Weighting
Software & Services	16%
Capital Goods	10%
Technology Hardware & Equipment	10%
Banks	9%
Retailing	9%



The outlook for business investment had been improving in recent months even before passage of the recent tax reform, which we believe will stimulate greater capital expenditures. We believe the industrial sector of the economy appears set for solid growth, with the Institute for Supply Management's manufacturing survey indicating robust expansion in both current production and new orders, which lead to future manufacturing activity (See Chart 5). Capital investment has been steadily increasing in response to the need to increase productivity and capacity via new plant and equipment (See Chart 6). In this already strong industrial environment, we believe key elements of tax reform, including a cut in the corporate tax rate, incentives to repatriate cash held overseas and the immediate expensing of new equipment purchases, will likely further increase business activity and capital investment.

**We continue to favor the financials and information technology sectors** as rising interest rates and the potential for regulatory relief should improve profitability for banks in our opinion, while the tech sector should benefit from accelerating services spending and increasing business investment.

**Internationally, European economic growth was surprisingly strong in 2017, and we believe that the region will maintain its positive momentum in 2018,** driven by increased business investment and robust export growth. Despite the strong performance of European equities in U.S. dollar terms during 2017, valuation levels still appear attractive in the region, in our opinion. Consequently, we continue to favor European markets internationally.

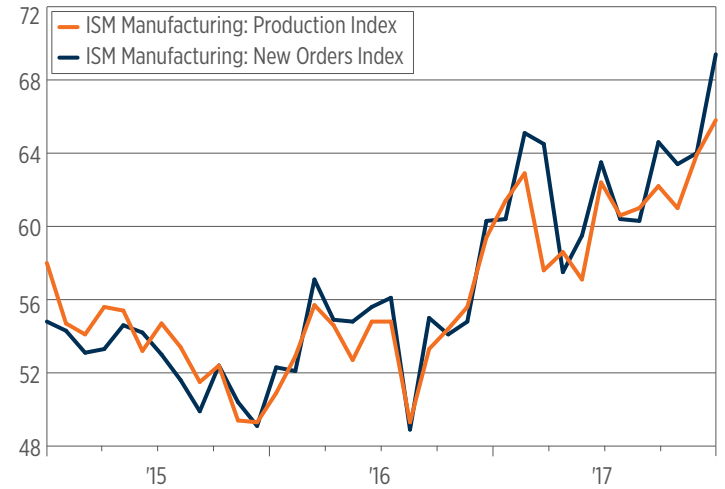
Over the long run, we continue to believe that investors employing common sense factors to select stocks, like the price-to-book ratio, should benefit from the discipline such an approach provides.

**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.**

## Manufacturing

(1/2015 – 12/2017)

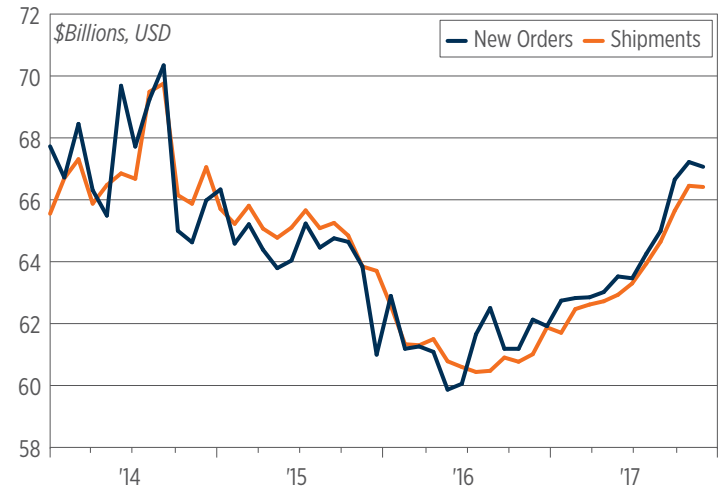
Chart 5



## Core Capital Goods Orders & Shipments

(1/2014 – 11/2017)

Chart 6



Source for Chart 5: Institute for Supply Management (ISM)/Haver Analytics.

Source for Chart 6: Census Bureau.

# AlphaDEX® Size/Style Performance

		Average Annual Returns as of 12/29/17 (%)									
		NAV Total Returns					Market Price Total Returns				
Size/Style Funds	Ticker	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
First Trust Large Cap Core AlphaDEX® Fund*	FEX	21.52	21.52	15.25	8.92	7.77	21.52	21.52	15.28	8.89	7.78
Nasdaq AlphaDEX® Large Cap Core Index		22.34	22.34	N/A	N/A	N/A	22.34	22.34	N/A	N/A	N/A
S&P 500 Index		21.83	21.83	15.79	8.50	7.82	21.83	21.83	15.79	8.50	7.82
Nasdaq US 500 Large Cap Index		21.99	21.99	N/A	N/A	N/A	21.99	21.99	N/A	N/A	N/A
First Trust Mid Cap Core AlphaDEX® Fund*	FNX	17.61	17.61	13.23	9.76	8.49	17.59	17.59	13.23	9.72	8.49
Nasdaq AlphaDEX® Mid Cap Core Index		18.39	18.39	N/A	N/A	N/A	18.39	18.39	N/A	N/A	N/A
Nasdaq US 600 Mid Cap Index		18.18	18.18	N/A	N/A	N/A	18.18	18.18	N/A	N/A	N/A
S&P MidCap 400 Index		16.24	16.24	15.01	9.97	9.01	16.24	16.24	15.01	9.97	9.01
First Trust Small Cap Core AlphaDEX® Fund*	FYX	14.45	14.45	13.16	9.36	7.54	14.36	14.36	13.20	9.33	7.55
Nasdaq AlphaDEX® Small Cap Core Index		15.13	15.13	N/A	N/A	N/A	15.13	15.13	N/A	N/A	N/A
S&P SmallCap 600 Index		13.23	13.23	15.99	10.43	8.93	13.23	13.23	15.99	10.43	8.93
Nasdaq US 700 Small Cap Index		14.94	14.94	N/A	N/A	N/A	14.94	14.94	N/A	N/A	N/A
First Trust Large Cap Value AlphaDEX® Fund*	FTA	18.45	18.45	14.36	9.53	7.63	18.40	18.40	14.36	9.50	7.64
Nasdaq AlphaDEX® Large Cap Value Index		19.29	19.29	N/A	N/A	N/A	19.29	19.29	N/A	N/A	N/A
S&P 500 Index		21.83	21.83	15.79	8.50	7.82	21.83	21.83	15.79	8.50	7.82
S&P 500 Value Index		15.36	15.36	14.24	6.80	5.84	15.36	15.36	14.24	6.80	5.84
Nasdaq US 500 Large Cap Value Index		17.74	17.74	N/A	N/A	N/A	17.74	17.74	N/A	N/A	N/A
First Trust Large Cap Growth AlphaDEX® Fund*	FTC	25.18	25.18	16.11	7.84	7.60	25.22	25.22	16.13	7.81	7.61
Nasdaq AlphaDEX® Large Cap Growth Index		26.01	26.01	N/A	N/A	N/A	26.01	26.01	N/A	N/A	N/A
S&P 500 Index		21.83	21.83	15.79	8.50	7.82	21.83	21.83	15.79	8.50	7.82
S&P 500 Growth Index		27.44	27.44	17.00	9.99	9.62	27.44	27.44	17.00	9.99	9.62
Nasdaq US 500 Large Cap Growth Index		26.35	26.35	N/A	N/A	N/A	26.35	26.35	N/A	N/A	N/A
First Trust Multi Cap Value AlphaDEX® Fund*	FAB	14.10	14.10	13.19	9.80	7.69	14.09	14.09	13.16	9.77	7.69
Nasdaq AlphaDEX® Multi Cap Value Index		14.90	14.90	N/A	N/A	N/A	14.90	14.90	N/A	N/A	N/A
S&P Composite 1500 Index		21.13	21.13	15.74	8.69	7.96	21.13	21.13	15.74	8.69	7.96
S&P Composite 1500 Value Index		14.99	14.99	14.32	7.13	6.10	14.99	14.99	14.32	7.13	6.10
Nasdaq US Multi Cap Value Index		17.27	17.27	N/A	N/A	N/A	17.27	17.27	N/A	N/A	N/A
First Trust Multi Cap Growth AlphaDEX® Fund*	FAD	24.68	24.68	15.30	8.37	7.99	24.67	24.67	15.21	8.34	7.99
Nasdaq AlphaDEX® Multi Cap Growth Index		25.62	25.62	N/A	N/A	N/A	25.62	25.62	N/A	N/A	N/A
S&P Composite 1500 Index		21.13	21.13	15.74	8.69	7.96	21.13	21.13	15.74	8.69	7.96
S&P Composite 1500 Growth Index		26.49	26.49	16.84	10.07	9.67	26.49	26.49	16.84	10.07	9.67
Nasdaq US Multi Cap Growth Index		25.54	25.54	N/A	N/A	N/A	25.54	25.54	N/A	N/A	N/A

	FEX	FNX	FYX	FTA	FTC	FAB	FAD
Net Expense Ratio	0.61%	0.63%	0.63%	0.62%	0.62%	0.66%	0.70%
Gross Expense Ratio	0.61%	0.63%	0.63%	0.62%	0.62%	0.66%	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, 2018.

*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](http://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		Average Annual Returns as of 12/29/17 (%)									
		NAV Total Returns					Market Price Total Returns				
Size/Style Funds	Ticker	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
First Trust Mid Cap Value AlphaDEX® Fund*	FNK	11.44	11.44	12.22	N/A	10.50	11.38	11.38	12.12	N/A	10.49
Nasdaq AlphaDEX® Mid Cap Value Index		12.31	12.31	N/A	N/A	N/A	12.31	12.31	N/A	N/A	N/A
Nasdaq US 600 Mid Cap Value Index		15.73	15.73	N/A	N/A	N/A	15.73	15.73	N/A	N/A	N/A
S&P MidCap 400 Value Index		12.32	12.32	14.83	N/A	12.20	12.32	12.32	14.83	N/A	12.20
First Trust Mid Cap Growth AlphaDEX® Fund*	FNY	24.92	24.92	14.14	N/A	10.80	24.96	24.96	14.13	N/A	10.80
Nasdaq AlphaDEX® Mid Cap Growth Index		25.87	25.87	N/A	N/A	N/A	25.87	25.87	N/A	N/A	N/A
Nasdaq US 600 Mid Cap Growth Index		20.77	20.77	N/A	N/A	N/A	20.77	20.77	N/A	N/A	N/A
S&P MidCap 400 Growth Index		19.92	19.92	14.93	N/A	12.12	19.92	19.92	14.93	N/A	12.12
First Trust Small Cap Value AlphaDEX® Fund*	FYT	7.34	7.34	11.63	N/A	10.62	7.22	7.22	11.61	N/A	10.62
Nasdaq AlphaDEX® Small Cap Value Index		7.98	7.98	N/A	N/A	N/A	7.98	7.98	N/A	N/A	N/A
S&P SmallCap 600 Value Index		11.51	11.51	15.52	N/A	13.45	11.51	11.51	15.52	N/A	13.45
Nasdaq US 700 Small Cap Value Index		10.84	10.84	N/A	N/A	N/A	10.84	10.84	N/A	N/A	N/A
First Trust Small Cap Growth AlphaDEX® Fund*	FYC	23.19	23.19	14.96	N/A	12.06	23.17	23.17	14.99	N/A	12.08
Nasdaq AlphaDEX® Small Cap Growth Index		24.20	24.20	N/A	N/A	N/A	24.20	24.20	N/A	N/A	N/A
S&P SmallCap 600 Growth Index		14.79	14.79	16.39	N/A	13.66	14.79	14.79	16.39	N/A	13.66
Nasdaq US 700 Small Cap Growth Index		18.96	18.96	N/A	N/A	N/A	18.96	18.96	N/A	N/A	N/A
First Trust Mega Cap AlphaDEX® Fund*	FMK	20.85	20.85	13.40	N/A	9.77	20.91	20.91	13.41	N/A	9.78
Nasdaq AlphaDEX® Mega Cap Index		21.76	21.76	N/A	N/A	N/A	21.76	21.76	N/A	N/A	N/A
S&P 100 Index		21.96	21.96	15.43	N/A	13.44	21.96	21.96	15.43	N/A	13.44
Nasdaq US 500 Large Cap Index		21.99	21.99	N/A	N/A	N/A	21.99	21.99	N/A	N/A	N/A
First Trust Total US Market AlphaDEX® ETF*	TUSA	19.48	19.48	12.31	6.19	5.91	19.42	19.42	12.34	6.17	5.92
NASDAQ AlphaDEX® Total US Market Index		20.36	20.36	N/A	N/A	N/A	20.36	20.36	N/A	N/A	N/A
Russell 3000® Index		21.13	21.13	15.58	8.60	8.23	21.13	21.13	15.58	8.60	8.23

	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%	1.96%
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 April 30, 2018.

*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](http://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		Average Annual Returns as of 12/29/17 (%)									
		NAV Total Returns					Market Price Total Returns				
Sector Funds	Ticker	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
First Trust Consumer Discretionary AlphaDEX® Fund	FXD	19.74	19.74	14.09	10.35	8.05	19.73	19.73	14.09	10.31	8.06
StrataQuant® Consumer Discretionary Index		20.54	20.54	14.89	11.12	8.83	20.54	20.54	14.89	11.12	8.83
Russell 1000® Consumer Discretionary and Services Index		24.11	24.11	16.84	N/A	N/A	24.11	24.11	16.84	N/A	N/A
S&P 500 Consumer Discretionary Index		22.98	22.98	17.64	13.52	10.86	22.98	22.98	17.64	13.52	10.86
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90
First Trust Consumer Staples AlphaDEX® Fund	FXG	7.81	7.81	15.53	11.32	10.17	7.78	7.78	15.55	11.28	10.17
StrataQuant® Consumer Staples Index		8.55	8.55	16.31	12.15	10.99	8.55	8.55	16.31	12.15	10.99
Russell 1000® Consumer Staples Index		9.82	9.82	13.38	N/A	N/A	9.82	9.82	13.38	N/A	N/A
S&P 500 Consumer Staples Index		13.49	13.49	13.27	10.07	10.27	13.49	13.49	13.27	10.07	10.27
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90
First Trust Energy AlphaDEX® Fund	FXN	-5.12	-5.12	-3.54	-3.00	-1.48	-5.12	-5.12	-3.55	-3.03	-1.48
StrataQuant® Energy Index		-4.44	-4.44	-3.05	-2.39	-0.87	-4.44	-4.44	-3.05	-2.39	-0.87
Russell 1000® Energy Index		-1.12	-1.12	2.09	N/A	N/A	-1.12	-1.12	2.09	N/A	N/A
S&P 500 Energy Index		-1.01	-1.01	2.78	1.16	3.01	-1.01	-1.01	2.78	1.16	3.01
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90
First Trust Financials AlphaDEX® Fund	FXO	17.92	17.92	16.57	8.88	6.05	17.87	17.87	16.58	8.84	6.05
StrataQuant® Financials Index		18.68	18.68	17.39	9.75	6.93	18.68	18.68	17.39	9.75	6.93
Russell 1000® Financial Services Index		21.57	21.57	17.13	N/A	N/A	21.57	21.57	17.13	N/A	N/A
S&P 500 Financials Index		22.18	22.18	18.21	3.78	1.28	22.18	22.18	18.21	3.78	1.28
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90
First Trust Health Care AlphaDEX® Fund	FXH	21.78	21.78	16.43	13.28	12.52	21.80	21.80	16.44	13.24	12.52
StrataQuant® Health Care Index		22.57	22.57	17.20	14.09	13.33	22.57	22.57	17.20	14.09	13.33
Russell 1000® Health Care Index		22.05	22.05	17.86	N/A	N/A	22.05	22.05	17.86	N/A	N/A
S&P 500 Health Care Index		22.08	22.08	17.62	11.02	10.04	22.08	22.08	17.62	11.02	10.04
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90
First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR	24.13	24.13	16.62	8.51	7.69	24.09	24.09	16.63	8.48	7.69
StrataQuant® Industrials Index		25.10	25.10	17.46	9.31	8.49	25.10	25.10	17.46	9.31	8.49
Russell 1000® Producer Durables Index		22.71	22.71	17.38	N/A	N/A	22.71	22.71	17.38	N/A	N/A
S&P 500 Industrials Index		21.03	21.03	16.72	8.62	8.47	21.03	21.03	16.72	8.62	8.47
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90
First Trust Materials AlphaDEX® Fund	FXZ	23.68	23.68	12.57	8.72	9.12	23.67	23.67	12.59	8.70	9.12
StrataQuant® Materials Index		24.60	24.60	13.35	9.54	9.94	24.60	24.60	13.35	9.54	9.94
Russell 1000® Materials and Processing Index		23.87	23.87	12.64	N/A	N/A	23.87	23.87	12.64	N/A	N/A
S&P 500 Materials Index		23.84	23.84	12.20	6.17	6.45	23.84	23.84	12.20	6.17	6.45
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90
First Trust Technology AlphaDEX® Fund	FXL	35.80	35.80	19.43	9.87	9.59	35.71	35.71	19.44	9.84	9.59
StrataQuant® Technology Index		36.71	36.71	20.17	10.71	10.41	36.71	36.71	20.17	10.71	10.41
Russell 1000® Technology Index		38.40	38.40	20.38	N/A	N/A	38.40	38.40	20.38	N/A	N/A
S&P 500 Information Technology Index		38.83	38.83	20.90	11.90	11.99	38.83	38.83	20.90	11.90	11.99
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90
First Trust Utilities AlphaDEX® Fund	FXU	0.94	0.94	11.28	6.73	5.81	0.90	0.90	11.27	6.70	5.81
StrataQuant® Utilities Index		1.54	1.54	12.19	7.62	6.69	1.54	1.54	12.19	7.62	6.69
Russell 1000® Utilities Index		6.17	6.17	10.91	N/A	N/A	6.17	6.17	10.91	N/A	N/A
S&P 500 Utilities Index		12.11	12.11	12.62	6.31	6.20	12.11	12.11	12.62	6.31	6.20
Russell 1000® Index		21.69	21.69	15.71	8.59	7.90	21.69	21.69	15.71	8.59	7.90

	FXD	FXG	FXN	FXO	FXH	FXR	FXZ	FXL	FXU
Net Expense Ratio	0.63%	0.62%	0.63%	0.63%	0.62%	0.63%	0.65%	0.63%	0.62%
Gross Expense Ratio	0.63%	0.62%	0.63%	0.63%	0.62%	0.63%	0.65%	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, 2018.

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# AlphaDEX® Global/International Funds Performance

Appendix A		Average Annual Returns as of 12/29/17 (%)									
		NAV Total Returns					Market Price Total Returns				
Global/International Funds	Ticker	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
First Trust Developed Markets ex-US AlphaDEX® Fund*	FDT	33.57	33.57	9.16	N/A	5.52	34.05	34.05	9.06	N/A	5.54
NASDAQ AlphaDEX® Developed Markets Ex-US Index		34.47	34.47	N/A	N/A	N/A	34.47	34.47	N/A	N/A	N/A
MSCI World Index Ex-US		24.21	24.21	7.46	N/A	5.43	24.21	24.21	7.46	N/A	5.43
NASDAQ Developed Markets Ex-US Index		25.35	25.35	8.01	N/A	N/A	25.35	25.35	8.01	N/A	N/A
First Trust Developed Markets ex-US Small Cap AlphaDEX® Fund*	FDTS	36.23	36.23	10.24	N/A	9.29	37.01	37.01	9.94	N/A	9.19
NASDAQ AlphaDEX® Developed Markets Ex-US Small Cap Index		37.03	37.03	N/A	N/A	N/A	37.03	37.03	N/A	N/A	N/A
MSCI World ex-US Small Cap Index		31.04	31.04	11.37	N/A	10.58	31.04	31.04	11.37	N/A	10.58
NASDAQ Developed Markets Ex-US Small Cap Index		28.98	28.98	10.42	N/A	N/A	28.98	28.98	10.42	N/A	N/A
First Trust Emerging Markets AlphaDEX® Fund*	FEM	39.43	39.43	4.06	N/A	1.89	40.59	40.59	3.87	N/A	1.93
NASDAQ AlphaDEX® Emerging Markets Index		41.61	41.61	N/A	N/A	N/A	41.61	41.61	N/A	N/A	N/A
MSCI Emerging Markets Index		37.28	37.28	4.35	N/A	2.45	37.28	37.28	4.35	N/A	2.45
NASDAQ Emerging Markets Index		34.24	34.24	4.81	N/A	N/A	34.24	34.24	4.81	N/A	N/A
First Trust Emerging Markets Small Cap AlphaDEX® Fund*	FEMS	46.57	46.57	7.69	N/A	9.16	48.73	48.73	7.53	N/A	9.26
NASDAQ AlphaDEX® Emerging Markets Small Cap Index		49.16	49.16	N/A	N/A	N/A	49.16	49.16	N/A	N/A	N/A
MSCI Emerging Markets Small Cap Index		33.84	33.84	5.41	N/A	5.11	33.84	33.84	5.41	N/A	5.11
NASDAQ Emerging Markets Small Cap Index		31.94	31.94	6.48	N/A	N/A	31.94	31.94	6.48	N/A	N/A
First Trust Asia Pacific ex-Japan AlphaDEX® Fund*	FPA	35.93	35.93	8.30	N/A	5.46	33.94	33.94	7.90	N/A	5.33
NASDAQ AlphaDEX® Asia Pacific Ex-Japan Index		36.74	36.74	N/A	N/A	N/A	36.74	36.74	N/A	N/A	N/A
NASDAQ DM Asia Pacific Ex-Japan Index		30.90	30.90	N/A	N/A	N/A	30.90	30.90	N/A	N/A	N/A
MSCI Pacific ex-Japan Index		25.88	25.88	5.46	N/A	4.59	25.88	25.88	5.46	N/A	4.59
First Trust Europe AlphaDEX® Fund*	FEP	35.67	35.67	11.00	N/A	6.77	36.01	36.01	10.57	N/A	6.74
NASDAQ AlphaDEX® Europe Index		36.17	36.17	N/A	N/A	N/A	36.17	36.17	N/A	N/A	N/A
NASDAQ DM Europe Index		25.85	25.85	N/A	N/A	N/A	25.85	25.85	N/A	N/A	N/A
MSCI Europe Index		25.51	25.51	7.37	N/A	5.49	25.51	25.51	7.37	N/A	5.49
First Trust Eurozone AlphaDEX® ETF	FEUZ	36.19	36.19	N/A	N/A	13.64	36.89	36.89	N/A	N/A	13.67
NASDAQ AlphaDEX® Eurozone Index		36.31	36.31	N/A	N/A	14.26	36.31	36.31	N/A	N/A	14.26
MSCI EMU Index		28.07	28.07	N/A	N/A	8.46	28.07	28.07	N/A	N/A	8.46
NASDAQ Eurozone Index		28.30	28.30	N/A	N/A	9.09	28.30	28.30	N/A	N/A	9.09
First Trust Latin America AlphaDEX® Fund*	FLN	20.50	20.50	-1.59	N/A	-1.98	21.52	21.52	-1.90	N/A	-2.00
NASDAQ AlphaDEX® Latin America Index		22.55	22.55	N/A	N/A	N/A	22.55	22.55	N/A	N/A	N/A
MSCI EM Latin America Index		23.74	23.74	-3.20	N/A	-4.00	23.74	23.74	-3.20	N/A	-4.00
NASDAQ Latin America Index		22.93	22.93	-3.99	N/A	N/A	22.93	22.93	-3.99	N/A	N/A

	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](http://www.ftportfolios.com).

# AlphaDEX® Global/International Funds Performance

Appendix A		Average Annual Returns as of 12/29/17 (%)									
		NAV Total Returns					Market Price Total Returns				
Global/International Funds	Ticker	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
First Trust Australia AlphaDEX® Fund*	FAUS	23.87	23.87	6.30	N/A	6.99	25.17	25.17	6.14	N/A	7.04
NASDAQ AlphaDEX® Australia Index		24.36	24.36	N/A	N/A	N/A	24.36	24.36	N/A	N/A	N/A
MSCI Australia Index		19.93	19.93	3.90	N/A	5.39	19.93	19.93	3.90	N/A	5.39
NASDAQ Australia Index		19.69	19.69	2.97	N/A	N/A	19.69	19.69	2.97	N/A	N/A
First Trust Brazil AlphaDEX® Fund*	FBZ	25.91	25.91	-3.53	N/A	-5.29	27.69	27.69	-3.77	N/A	-5.30
NASDAQ AlphaDEX® Brazil Index		28.82	28.82	N/A	N/A	N/A	28.82	28.82	N/A	N/A	N/A
MSCI Brazil Index		24.11	24.11	-2.68	N/A	-5.41	24.11	24.11	-2.68	N/A	-5.41
NASDAQ Brazil Index		24.46	24.46	-2.98	N/A	N/A	24.46	24.46	-2.98	N/A	N/A
First Trust Canada AlphaDEX® Fund*	FCAN	15.03	15.03	-2.25	N/A	-0.74	14.98	14.98	-2.36	N/A	-0.74
NASDAQ AlphaDEX® Canada Index		16.16	16.16	N/A	N/A	N/A	16.16	16.16	N/A	N/A	N/A
MSCI Canada Index		16.07	16.07	3.29	N/A	3.40	16.07	16.07	3.29	N/A	3.40
NASDAQ Canada Index		15.67	15.67	2.99	N/A	N/A	15.67	15.67	2.99	N/A	N/A
First Trust China AlphaDEX® Fund*	FCA	58.35	58.35	6.84	N/A	2.66	60.06	60.06	6.37	N/A	2.54
NASDAQ AlphaDEX® China Index		60.46	60.46	N/A	N/A	N/A	60.46	60.46	N/A	N/A	N/A
MSCI China Index		54.07	54.07	9.90	N/A	6.49	54.07	54.07	9.90	N/A	6.49
NASDAQ China Index		45.25	45.25	10.28	N/A	N/A	45.25	45.25	10.28	N/A	N/A
First Trust Germany AlphaDEX® Fund*	FGM	43.96	43.96	10.80	N/A	11.43	43.72	43.72	10.62	N/A	11.38
NASDAQ AlphaDEX® Germany Index		44.37	44.37	N/A	N/A	N/A	44.37	44.37	N/A	N/A	N/A
MSCI Germany Index		27.70	27.70	8.68	N/A	9.66	27.70	27.70	8.68	N/A	9.66
NASDAQ Germany Index		27.53	27.53	8.94	N/A	N/A	27.53	27.53	8.94	N/A	N/A
First Trust Hong Kong AlphaDEX® Fund*	FHK	40.31	40.31	8.22	N/A	9.95	40.90	40.90	7.95	N/A	9.86
NASDAQ AlphaDEX® Hong Kong Index		45.27	45.27	N/A	N/A	N/A	45.27	45.27	N/A	N/A	N/A
MSCI Hong Kong Index		36.17	36.17	10.08	N/A	10.80	36.17	36.17	10.08	N/A	10.80
NASDAQ Hong Kong Index		35.61	35.61	8.51	N/A	N/A	35.61	35.61	8.51	N/A	N/A
First Trust Japan AlphaDEX® Fund*	FJP	26.70	26.70	12.22	N/A	7.44	26.84	26.84	12.08	N/A	7.44
NASDAQ AlphaDEX® Japan Index		27.40	27.40	N/A	N/A	N/A	27.40	27.40	N/A	N/A	N/A
MSCI Japan Index		23.99	23.99	11.16	N/A	8.27	23.99	23.99	11.16	N/A	8.27
NASDAQ Japan Index		25.07	25.07	11.84	N/A	N/A	25.07	25.07	11.84	N/A	N/A
First Trust South Korea AlphaDEX® Fund*	FKO	35.39	35.39	3.27	N/A	0.94	35.24	35.24	2.64	N/A	0.87
NASDAQ AlphaDEX® South Korea Index		31.93	31.93	N/A	N/A	N/A	31.93	31.93	N/A	N/A	N/A
MSCI South Korea Index		47.30	47.30	6.67	N/A	4.58	47.30	47.30	6.67	N/A	4.58
NASDAQ South Korea Index		44.24	44.24	6.33	N/A	N/A	44.24	44.24	6.33	N/A	N/A
First Trust Switzerland AlphaDEX® Fund*	FSZ	31.26	31.26	12.16	N/A	12.07	31.69	31.69	12.04	N/A	12.11
NASDAQ AlphaDEX® Switzerland Index		31.45	31.45	N/A	N/A	N/A	31.45	31.45	N/A	N/A	N/A
MSCI Switzerland Index		22.51	22.51	8.17	N/A	9.27	22.51	22.51	8.17	N/A	9.27
NASDAQ Switzerland Index		23.20	23.20	8.34	N/A	N/A	23.20	23.20	8.34	N/A	N/A
First Trust Taiwan AlphaDEX® Fund*	FTW	22.54	22.54	7.10	N/A	6.13	23.02	23.02	6.71	N/A	6.01
NASDAQ AlphaDEX® Taiwan Index		24.03	24.03	N/A	N/A	N/A	24.03	24.03	N/A	N/A	N/A
MSCI Taiwan Index		27.53	27.53	9.74	N/A	8.87	27.53	27.53	9.74	N/A	8.87
NASDAQ Taiwan Index		29.81	29.81	9.73	N/A	N/A	29.81	29.81	9.73	N/A	N/A
First Trust United Kingdom AlphaDEX® Fund*	FKU	25.53	25.53	6.19	N/A	7.96	25.04	25.04	5.98	N/A	7.80
NASDAQ AlphaDEX® United Kingdom Index		26.61	26.61	N/A	N/A	N/A	26.61	26.61	N/A	N/A	N/A
MSCI United Kingdom Index		22.30	22.30	5.21	N/A	5.78	22.30	22.30	5.21	N/A	5.78
NASDAQ United Kingdom Index		23.76	23.76	6.04	N/A	N/A	23.76	23.76	6.04	N/A	N/A

	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

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](http://www.ftportfolios.com).

## 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.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.

**\*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 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. **The MSCI EAFE Index** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. **The NFIB Small Business Optimism Index** is compiled from a survey that is conducted each month by the National Federation of Independent Business (NFIB) of its members. The index is a composite of 10 seasonally adjusted components based on the following questions: plans to increase employment, plans to make capital outlays, plans to increase inventories, expect economy to improve, expect real sales higher, current inventory, current job openings, expected credit conditions, now a good time to expand, and earnings trend.