

FXZ

First Trust Materials AlphaDEX Fund

Analyst Report

This ETF offers exposure to the U.S. materials sector, a corner of the domestic economy that includes companies engaged in the extraction and production of various natural resources (and therefore potentially useful as a means of establishing "indirect" commodity exposure through commodity-intensive companies). Given the sector-specific focus, FXZ likely doesn't deserve a core allocation, but may be useful as a means of implementing a tactical tilt towards the materials sector. FXZ seeks to replicate an index that employs a unique strategy designed to generate excess returns relative to traditional cap-weighted benchmarks. The underlying AlphaDEX Index employs a quant-based screening methodology designed to identify stocks poised for outperformance. In return for exposure to this strategy, which has historically delivered impressive returns, investors can expect to pay a bit more; FXZ's expense ratio is about 50 basis points higher than low cost options for materials exposure such as FBM and XLB. The unique index construction methodology has some other potential advantages; FXZ maintains much lower concentration of top holdings than do cap-weighted funds such as FBM and XLB. That means that performance isn't as dependent on a handful of large cap stocks, potentially giving a better way to access materials. For those who believe in the merits of the AlphaDEX methodology and willing to pay a little extra for a shot at alpha, FXZ might be worth a closer look. Those looking to keep a cap on expenses and simply own the broader market have cheaper options available to them.

ESG Themes and Scores

6.25/10

ESG Rate

44.82%

Global Percentile

52.63%

Peer Percentile

Performance Data

| | FXZ | ETF Database Category Average | Factset Segment Average |
|---------------|--------|-------------------------------|-------------------------|
| 1 Month | 4.45% | 4.99% | 5.59% |
| 3 Month | -3.26% | -0.03% | -1.04% |
| YTD Return | 5.10% | -0.22% | 3.16% |
| 1 Year Return | -0.33% | -2.00% | -1.38% |
| 3 Year Return | 14.16% | 2.28% | 6.97% |
| 5 Year Return | 12.98% | 6.50% | 7.99% |

Top 5 Holdings

| Symbol | Holding | % Assets |
|--------|---------------------------------|----------|
| X | United States Steel Corporation | 5.14% |
| STLD | Steel Dynamics, Inc. | 5.05% |
| MOS | Mosaic Company | 4.86% |
| NUE | Nucor Corporation | 4.84% |
| IP | International Paper Company | 4.46% |

Vitals

| | |
|---------------|-----------------------------|
| Issuer | First Trust |
| Brand | First Trust |
| Structure | ETF |
| Expense Ratio | 0.61% |
| Inception | May 08, 2007 |
| Index Tracked | StrataQuant Materials Index |

ETF Database Themes

| | |
|-------------------|---------------|
| Category | Materials |
| Asset Class | Equity |
| Asset Class Size | Multi-Cap |
| Asset Class Style | Blend |
| Region (General) | North America |
| Region (Specific) | U.S. |

FactSet Classifications

| | |
|------------------|------------------------|
| Segment | Equity: U.S. Materials |
| Category | Sector |
| Focus | Materials |
| Niche | Broad-based |
| Strategy | Multi-factor |
| Weighting Scheme | Tiered |

