

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

5.71/10

ESG Rate

26.65%

Global Percentile

38.46%

Peer Percentile

Performance Data

	FXZ	ETF Database Category Average	Factset Segment Average
1 Month	2.89%	-6.76%	0.12%
3 Month	11.22%	-5.47%	4.35%
YTD Return	28.86%	7.02%	13.85%
1 Year Return	49.47%	40.45%	24.01%
3 Year Return	12.55%	19.32%	9.71%
5 Year Return	8.17%	7.94%	5.11%

Top 5 Holdings

Symbol	Holding	% Assets
STLD	Steel Dynamics, Inc.	6.77%
NEU	NewMarket Corporation	5.71%
RBC	RBC Bearings Incorporated	4.88%
NUE	Nucor Corporation	4.71%
CRS	Carpenter Technology Corporation	4.36%

Vitals

Issuer	First Trust
Brand	First Trust
Structure	ETF
Expense Ratio	0.64%
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

