

Capturing Momentum through Sector Rotation: Dorsey Wright® Focus Five™ Index (DWANQFF™)

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Sara Mehle Marshall, Senior Index Research Strategist

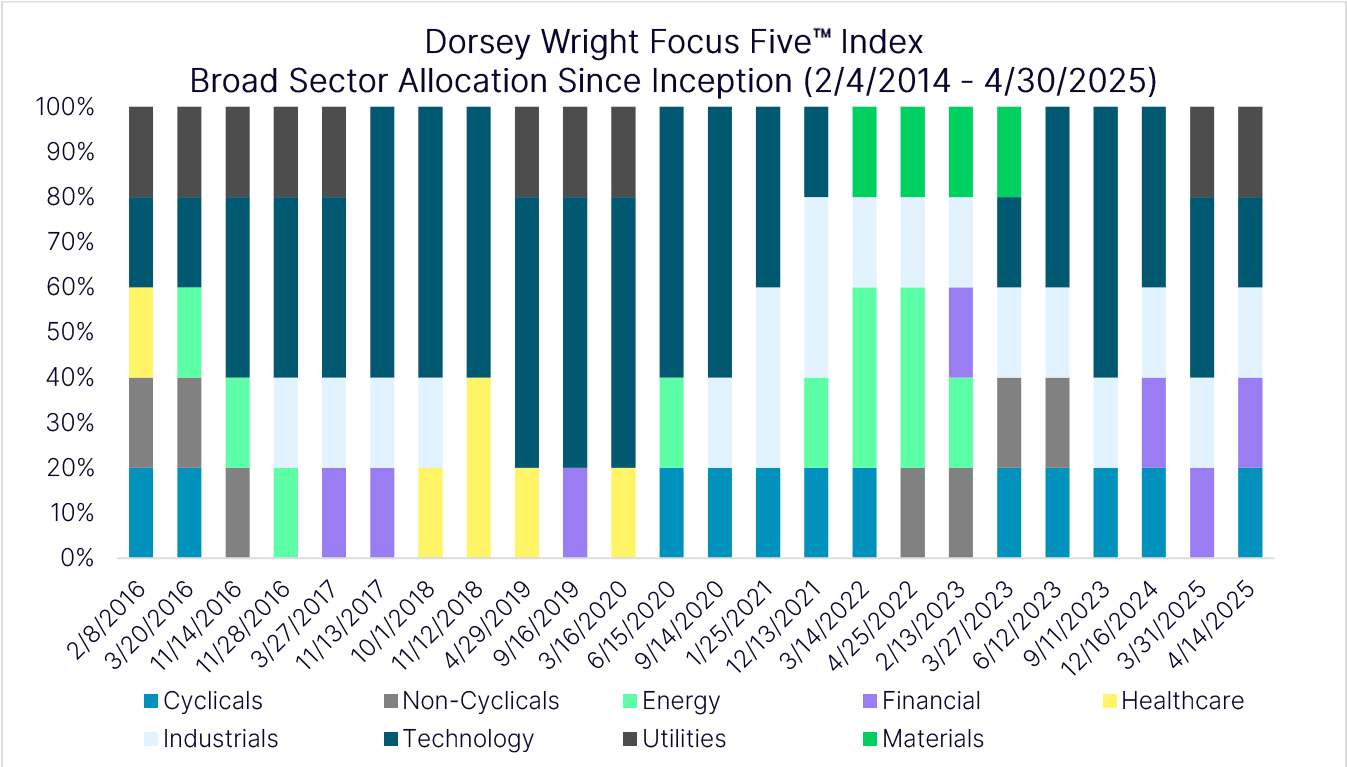
The Dorsey Wright Focus Five™ Index (DWANQFF™) was launched in February 2014 with the objective of capturing the performance of five First Trust sector-focused exchange-traded funds (ETFs) demonstrating robust relative strength. Utilizing a transparent, rules-driven methodology, the index aims to mitigate emotional biases in investment selection by systematically identifying and allocating to leading sectors based on relative strength. Recognizing the dynamic nature of relative strength, DWANQFF undergoes a rigorous evaluation every two weeks to ensure its constituents remain aligned with the sectors exhibiting the strongest momentum. This paper analyzes the historical sector allocations of the DWANQFF, focusing on its adaptive capabilities in response to changing market dynamics, particularly its notable shifts in technology sector exposure. Furthermore, the index's selection process, turnover rate, and historical performance will be examined to provide a comprehensive understanding of its strategic approach.

Figure 1: Dorsey Wright Focus Five Index Sector Inventory

Sector	Symbol	ETF Name	Sector	Symbol	ETF Name
Healthcare	FBT	First Trust NYSE Arca Biotechnology Index Fund	Non-Cyclical	FXG	First Trust Consumer Staples AlphaDEX® Fund
Technology	FDN	First Trust Dow Jones Internet Index Fund	Healthcare	FXH	First Trust Health Care AlphaDEX® Fund
Real Estate	FRI	First Trust S&P REIT Index Fund	Technology	FXL	First Trust Technology AlphaDEX® Fund
Non-Cyclical	FTXG	First Trust Nasdaq Food & Beverage ETF	Energy	FXN	First Trust Energy AlphaDEX® Fund
Healthcare	FTXH	First Trust Nasdaq Pharmaceuticals ETF	Financial	FXO	First Trust Financial AlphaDEX® Fund
Technology	FTXL	First Trust Nasdaq Semiconductor ETF	Industrial	FXR	First Trust Industrials/Producer Durables AlphaDEX® Fund
Energy	FTXN	First Trust Nasdaq Oil & Gas ETF	Utilities	FXU	First Trust Utilities AlphaDEX® Fund
Financial	FTXO	First Trust Nasdaq Bank ETF	Materials	FXZ	First Trust Materials AlphaDEX® Fund
Industrial	FTXR	First Trust Nasdaq Transportation ETF	Cyclicals	QQXT	First Trust Nasdaq-100 Ex-Technology Sector Index Fund
Cyclicals	FXD	First Trust Consumer Discretionary AlphaDEX® Fund	Technology	QTEC	First Trust Nasdaq-100 Technology Index Fund

Between November 2017 and January 2021, the Dorsey Wright Focus Five Index maintained a substantial allocation to the technology sector, reflecting its dominant relative strength during this period. However, in January 2021, a weakening in the relative strength of the First Trust Dow Jones Internet Index Fund (FDN) caused it to breach the index's sell threshold, triggering its removal and initiating a broader rotation away from technology. This trend culminated in March 2022, when the removal of the First Trust Nasdaq-100 Technology Sector ETF (QTEC) marked the first instance in the index's eight-year history where it held no exposure to the technology sector. Concurrently, the index increased its allocations to consumer staples, energy, and materials, sectors that exhibited stronger relative performance at the time. This absence of technology persisted throughout 2022 due to continued sector weakness.

Figure 2: Historical Sector Allocation



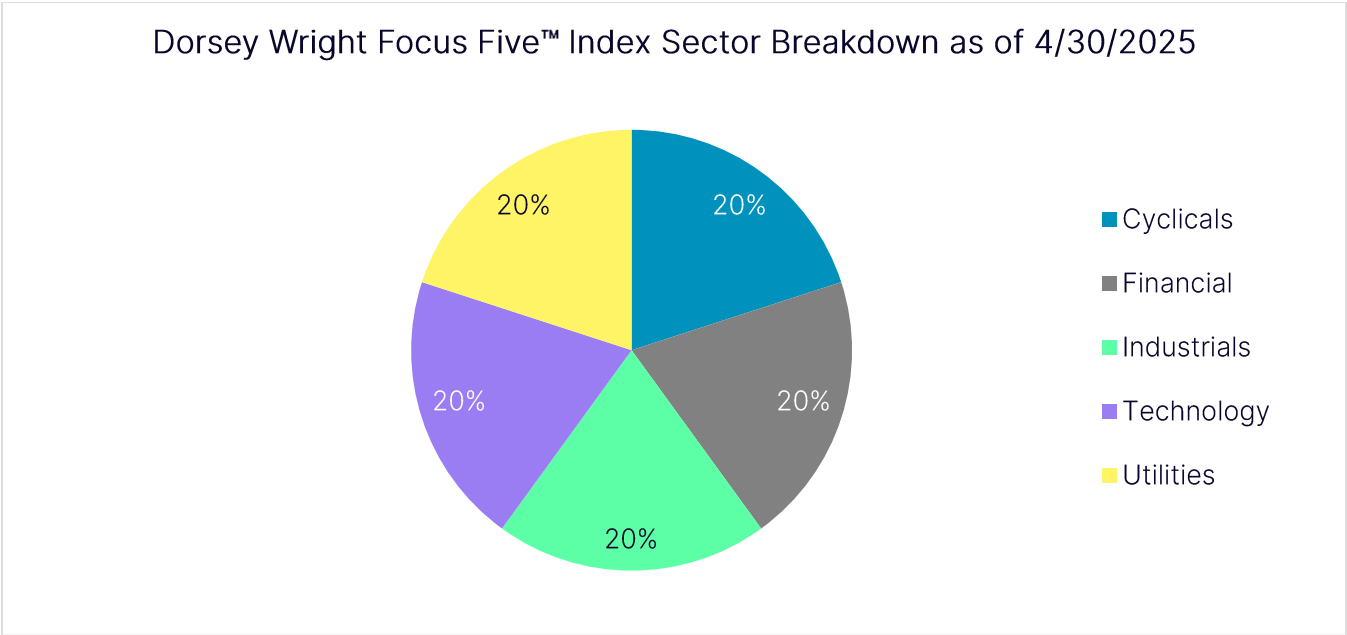
The market landscape shifted in early 2023 as the broader U.S. market experienced a rebound, largely propelled by a resurgence in technology sector strength. This coincided with a weakening in the financials sector following the collapse of Silicon Valley Bank (SVB) and the subsequent banking sector concerns. Previously high-performing sectors such as energy, health care, and utilities also began to underperform. In response to these evolving dynamics, the Dorsey Wright Focus Five Index exited its positions in financials and oil & gas, represented by the First Trust Financial AlphaDEX® Fund (FXO) and the First Trust Nasdaq Oil & Gas ETF (FTXN) respectively, in March 2023. These allocations were redirected into the First Trust Nasdaq Semiconductor ETF (FTXL) and the First Trust Consumer Discretionary AlphaDEX ETF (FXD), illustrating the index's capacity for tactical adjustments. The index underwent two further adjustments in 2023, with the First Trust Dow Jones Internet Index Fund (FDN) and the First Trust Nasdaq-100 Technology Sector ETF (QTEC) being reintroduced, while the First Trust Materials AlphaDEX® Fund (FXZ) and the First Trust Food & Beverage ETF (FTXG) were removed. By the close of 2023, technology exposure had significantly increased to 60%, indicating a substantial overweight position.

Figure 3: Index Changes (since inception)

IN			OUT		
Effective Date	ETF Name	Symbol	Effective Date	ETF Name	Symbol
1. 2/8/2016	First Trust Utilities AlphaDEX® Fund	FXU	1. 2/8/2016	First Trust NYSE Arca Biotechnology Index Fund	FBT
2. 3/21/2016	First Trust Energy AlphaDEX® Fund	FXN	2. 3/21/2016	First Trust Health Care AlphaDEX® Fund	FXH
3. 11/14/2016	First Trust NASDAQ-100 Technology Index Fund	QTEC	3. 11/14/2016	First Trust Consumer Discretionary AlphaDEX® Fund	FXD
4. 11/28/2016	First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR	4. 11/28/2016	First Trust Consumer Staples AlphaDEX® Fund	FXG
5. 3/27/2017	First Trust Nasdaq Bank ETF	FTXO	5. 3/27/2017	First Trust Energy AlphaDEX® Fund	FXN
6. 11/13/2017	First Trust Technology AlphaDEX® Fund	FXL	6. 11/13/2017	First Trust Utilities AlphaDEX® Fund	FXU
7. 10/1/2018	First Trust NYSE Arca Biotechnology Index Fund	FBT	7. 10/1/2018	First Trust Nasdaq Bank ETF	FTXO
8. 11/12/2018	First Trust Health Care AlphaDEX® Fund	FXH	8. 11/12/2018	First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR
9. 4/29/2019	First Trust Utilities AlphaDEX® Fund	FXU	9. 4/29/2019	First Trust Health Care AlphaDEX® Fund	FXH
10. 9/16/2019	First Trust Financial AlphaDEX® Fund	FXO	10. 9/16/2019	First Trust NYSE Arca Biotechnology Index Fund	FBT
11. 3/16/2020	First Trust Health Care AlphaDEX® Fund	FXH	11. 3/16/2020	First Trust Financial AlphaDEX® Fund	FXO
12. 6/15/2020	First Trust Consumer Discretionary AlphaDEX® Fund	FXD	12. 6/15/2020	First Trust Health Care AlphaDEX® Fund	FXH
13. 6/15/2020	First Trust Energy AlphaDEX® Fund	FXN	13. 6/15/2020	First Trust Utilities AlphaDEX® Fund	FXU
14. 9/14/2020	First Trust Nasdaq Transportation ETF	FTXR	14. 9/14/2020	First Trust Energy AlphaDEX® Fund	FXN
15. 1/25/2021	First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR	15. 1/25/2021	First Trust Dow Jones Internet Index Fund	FDN
16. 12/13/2021	First Trust Nasdaq Oil & Gas ETF	FTXN	16. 12/13/2021	First Trust Technology AlphaDEX® Fund	FXL
17. 3/14/2022	First Trust Materials AlphaDEX® Fund	FXZ	17. 3/14/2022	First Trust Nasdaq-100 Technology Index Fund	QTEC
18. 3/14/2022	First Trust Energy AlphaDEX® Fund	FXN	18. 3/14/2022	First Trust Nasdaq Transportation ETF	FTXR
19. 4/25/2022	First Trust Food & Beverage ETF	FTXG	19. 4/25/2022	First Trust Consumer Discretionary AlphaDEX® ETF	FXD
20. 2/13/2023	First Trust Financial AlphaDEX® Fund	FXO	20. 2/13/2023	First Trust Energy AlphaDEX® Fund	FXN
21. 3/27/2023	First Trust Nasdaq Semiconductor ETF	FTXL	21. 3/27/2023	First Trust Nasdaq Oil & Gas ETF	FTXN
22. 3/27/2023	First Trust Consumer Discretionary AlphaDEX® Fund	FXD	22. 3/27/2023	First Trust Financial AlphaDEX® Fund	FXO
23. 6/12/2023	First Trust Dow Jones Internet Index Fund	FDN	23. 6/12/2023	First Trust Materials AlphaDEX® Fund	FXZ
24. 9/11/2023	First Trust Nasdaq-100 Technology Index Fund	QTEC	24. 9/11/2023	First Trust Food & Beverage ETF	FTXG
25. 12/16/2024	First Trust Financial AlphaDEX® Fund	FXO	25. 12/16/2024	First Trust Nasdaq Semiconductor ETF	FTXL
26. 3/31/2025	First Trust Utilities AlphaDEX® Fund	FXU	26. 3/31/2025	First Trust Consumer Discretionary AlphaDEX® ETF	FXD
27. 4/14/2025	First Trust Nasdaq-100 Ex-Technology Sector Index Fund	QQXT	27. 4/14/2025	First Trust Nasdaq-100 Technology Index Fund	QTEC

In 2024, the index exhibited a lower turnover rate than its historical average, with only one reconstitution. As the relative strength of the semiconductor sector waned, the First Trust Nasdaq Semiconductor ETF (FTXL) was removed, and financials were reintroduced via the First Trust Financial AlphaDEX® Fund (FXO), reducing the index's technology allocation to 40%. Year-to-date in 2025 (through April 30th), DWANQFF has experienced two changes. On March 31st, the First Trust Utilities AlphaDEX® Fund (FXU) was added, and the First Trust Consumer Discretionary AlphaDEX® ETF (FXD) was removed, suggesting a more defensive positioning amidst first-quarter market volatility triggered by tariff policy uncertainty, geopolitical tensions and generally more negative investor sentiment. Several weeks later, exposure to the consumer cyclicals sector was initiated through the addition of the First Trust Nasdaq-100 Ex-Technology Sector Index Fund (QQXT), while the First Trust Nasdaq-100 Technology Index Fund (QTEC) was removed, further decreasing the technology allocation to 20%.

As of April 30, 2025, the Dorsey Wright Focus Five Index maintains a 20% allocation each to cyclicals, financials, industrials, technology, and utilities, based on Dorsey Wright’s broad sector classification framework. While the future of these sector trends remains uncertain, the Dorsey Wright Focus Five Index is designed to strategically evaluate, monitor, and adapt to emerging market leaders over the long term, adhering to its relative strength-based rotation methodology.



The Dorsey Wright Focus Five Index employs an "index of funds" approach, constructing its portfolio from five distinct sector-based ETFs rather than individual equities. A fundamental requirement is that these five ETFs must represent at least three broad sectors at all times, ensuring a degree of diversification. The ETF selection process commences with the Relative Strength Matrix (RS Matrix), a proprietary tool that compares and aggregates the daily relative price movements of each of the 20 eligible First Trust sector ETFs. This process generates a ranking of all ETFs from those exhibiting the strongest relative strength to those with the weakest. Sector ETFs that do not rank within the top three of their respective sector group are ineligible for inclusion. Furthermore, ETFs falling below the RS Matrix’s sell threshold (approximately the bottom 50%) are also excluded to ensure the consideration of only the relatively strongest funds across at least three broad sectors. Any ETF not currently held within the Index undergoes an additional screening

based on its RS Matrix Rank, requiring a position in the top 33% (the buy threshold) to be eligible for selection. Once ETFs meet these criteria, they are prioritized first by their current inclusion in the index and second by their RS Matrix rank. The five highest-ranked ETFs are then selected, and upon any change in constituents, the Index is rebalanced to maintain an equal weighting of 20% for each of the five selected ETFs.

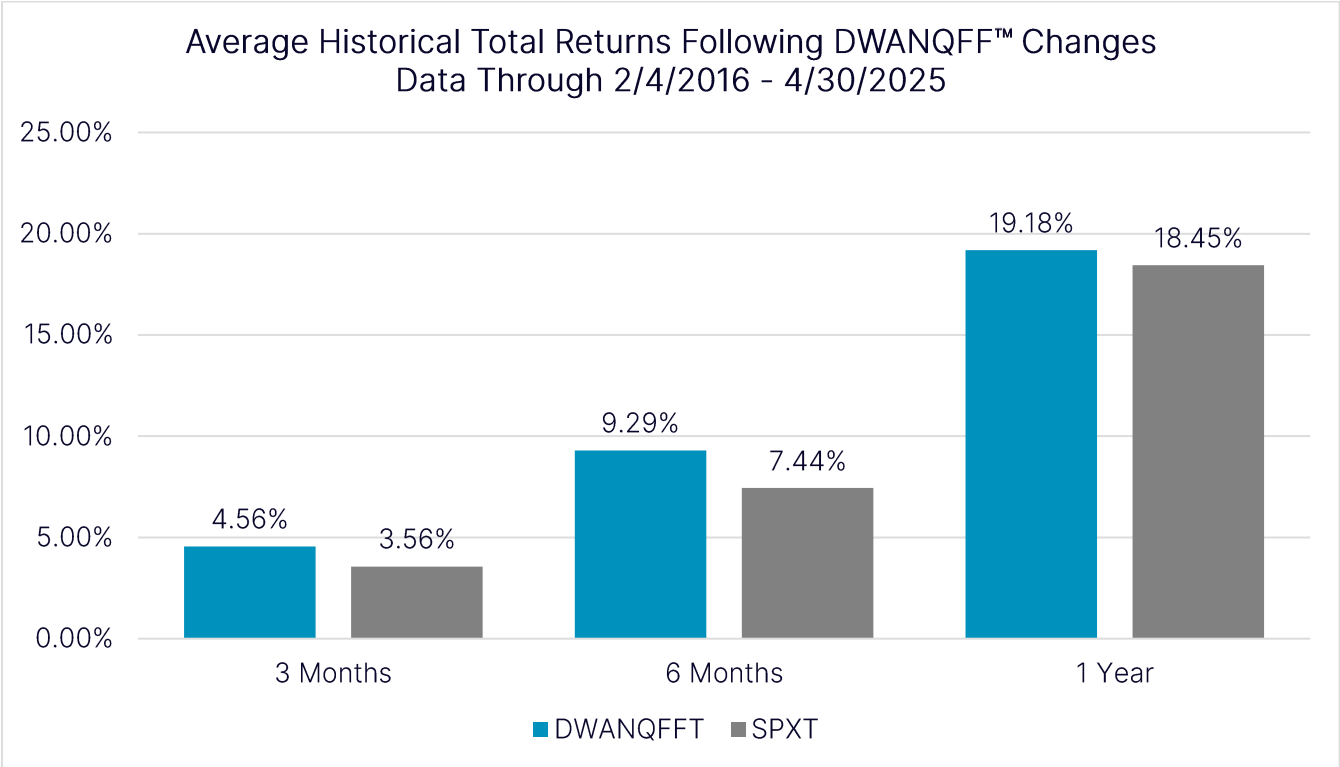
Figure 4: Dorsey Wright Focus Five Index RS Matrix Ranking

Rank	Symbol	ETF Name	Buys	X's	Total
1	FXR	First Trust Industrials/Producer Durables AlphaDEX® Fund	15	14	29
2	FXZ	First Trust Materials AlphaDEX® Fund	15	9	24
3	FTXL	First Trust Nasdaq Semiconductor ETF	14	19	33
4	FXD	First Trust Consumer Discretionary AlphaDEX® Fund	14	12	26
5	QQXT	First Trust Nasdaq-100 Ex-Technology Sector Index Fund	12	15	27
6	FDN	First Trust Dow Jones Internet Index Fund	12	15	27
7	FTXG	First Trust Nasdaq Food & Beverage ETF	12	10	22
8	QTEC	First Trust Nasdaq-100 Technology Index Fund	11	18	29
9	FBT	First Trust NYSE Arca Biotechnology Index Fund	11	12	23
10	FXG	First Trust Consumer Staples AlphaDEX® Fund	10	8	18
11	FTXN	First Trust Nasdaq Oil & Gas ETF	9	5	14
12	FTXH	First Trust Nasdaq Pharmaceuticals ETF	8	8	16
13	FXH	First Trust Health Care AlphaDEX® Fund	8	8	16
14	FTXR	First Trust Nasdaq Transportation ETF	7	10	17
15	FXO	First Trust Financial AlphaDEX® Fund	7	1	8
16	FXU	First Trust Utilities AlphaDEX® Fund	6	6	12
17	FRI	First Trust S&P REIT Index Fund	6	4	10
18	FXN	First Trust Energy AlphaDEX® Fund	6	2	8
19	FXL	First Trust Technology AlphaDEX® Fund	5	14	19
20	FTXO	First Trust Nasdaq Bank ETF	0	0	0

(For Illustrative Purposes Only)

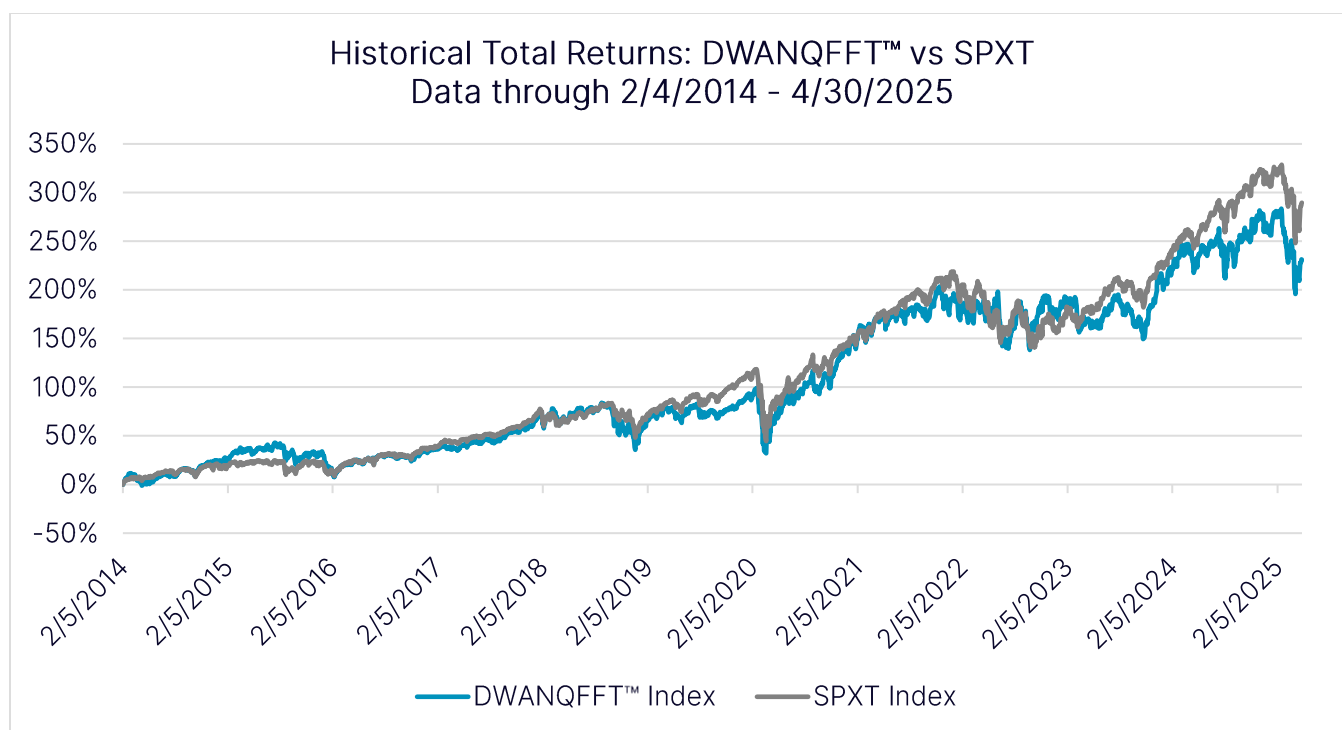
According to the index methodology, the Dorsey Wright Focus Five is reviewed for potential adjustments on a bi-weekly basis. While this allows for a maximum of 26 potential reconstitutions per year, the index has experienced only 24 reconstitutions since its inception in February 2014, resulting in an average of three changes per year. Years with notably higher turnover include 2016, 2020, and 2022, each recording four reconstitutions, driven by increased market volatility and shifting sector leadership. The year 2023 witnessed the highest turnover to date, with a total of five changes. Across the 24 reconstitution events, the index has undergone 27 individual component changes, where each change involves the removal of one sector ETF and the addition of another. Notably, since the U.S. equity market disruption and subsequent recovery in 2020, the index has experienced 17 changes, accounting for approximately 63% of its total historical reconstitutions. As of April 30, 2025, the Dorsey Wright Focus Five Index has recorded two changes for the current calendar year.

Figure 5: Historical Total Returns Following Index Changes



Momentum-based investment strategies, such as the Dorsey Wright Focus Five Index, often experience periods of performance fluctuation during sector rotations, analogous to the temporary deceleration of a manual transmission vehicle during gear shifts. The tactical efficacy of these strategies hinges on their ability to correctly identify and divest from underperforming sectors and allocate to emerging market leaders. Historical analysis indicates that following sector changes, the index has demonstrated average total returns of 4.6% over a three-month horizon, 9.3% over a six-month horizon, and 19.2% over a one-year horizon. In comparison, the S&P 500 Total Return Index posted gains of 3.5%, 7.4%, and 18.5%, respectively, over the corresponding periods. This suggests a recurring ability to generate short-to-medium-term alpha on a tactical basis. In the year-to-date period through April 30, 2025, the Dorsey Wright Focus Five Total Return™ Index (DWANQFFT™) has experienced a decline of -7.9%, underperforming the S&P 500 Total Return Index (SPXT), which has fallen by -4.9%. However, this short-term performance should be considered within the context of a market environment characterized by unusually heightened volatility stemming from tariff announcements and broader economic uncertainties driven by fiscal policy, as opposed to the more typical market volatility spikes tied to weakening economic fundamentals. Historical data suggests that relative strength strategies can generate more compelling results during volatile periods, such as in 2020 when DWANQFFT outperformed SPXT by 10.0%, or in 2022 when it did so by 13.3%. Since its inception on February 4, 2014, through April 30, 2025, the Dorsey Wright Focus Five Total Return Index has delivered an annualized return of 11.2%, slightly trailing the 12.9% annualized return of the S&P 500 Total Return Index.

Figure 6: Index Performance



Summary: The Dorsey Wright Focus Five™ Index (DWANQFF™) provides a dynamic measure of performance for a selection of five First Trust sector ETFs, chosen based on their relative strength characteristics. The index's history demonstrates a notable responsiveness to evolving market leadership, exemplified by its significant allocation to technology between November 2017 and January 2021, its subsequent complete rotation out of the sector by March 2022 due to weakening momentum, and its re-entry into technology following the U.S. equity market rebound in early 2023. The index's current allocation, as of April 30, 2025, reflects an equal weighting across cyclicals, financials, industrials, technology, and utilities. The rules-based methodology and bi-weekly review process underscore the index's commitment to adapting to changing market dynamics.

Accessing the Index: The Dorsey Wright Focus Five Index (DWANQFF) is available to investors through the First Trust Dorsey Wright Focus Five ETF (Nasdaq: FV). For more information on the ETF, visit the First Trust website.

Source: Nasdaq Global Indexes, Nasdaq Dorsey Wright, Bloomberg, FactSet

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