



INDEX METHODOLOGY

DORSEY WRIGHT INTERNATIONAL FOCUS FIVE™ INDEX

DWANQIFF™

INDEX DESCRIPTION

The Dorsey Wright International Focus Five Index is designed to measure the performance of five exchange-traded funds from the First Trust Portfolios product line that demonstrate powerful relative strength characteristics.

SECURITY ELIGIBILITY CRITERIA

Eligibility criteria

Eligible ETFs include First Trust ETFs that are designed to target a specific country or region excluding the United States, or that have a significant overweight towards a particular country or region excluding the United States. The eligible ETFs are chosen at the sole discretion of the Index Provider. The Index is designed to provide targeted exposure to the five ETFs that the Index Provider believes offer the greatest potential to outperform the other ETFs in the selection universe. The Index Provider believes that the most adaptive tool to achieve the goal of discerning the strongest trends versus that of the weakest is Relative Strength. Relative Strength is a momentum technique that relies on unbiased, unemotional and objective data, rather than biased forecasting and subjective research. Relative Strength is a way of recording historic performance patterns, and Dorsey, Wright Associates (DWA) uses Relative Strength signals as a trend indicator for current momentum trends of a security versus another security.

INDEX CALENDAR

Reconstitution schedule

The Index Reconstitution is conducted on a semi-monthly basis in the first and third weeks of the month containing a Friday (“Evaluation Week”).

Reconstitution reference dates

The Security Eligibility Criteria and Constituent Selection Process are applied using market data as of the close of trading on Tuesday of the Evaluation Week.

Reconstitution announcement dates

Index Reconstitutions are generally announced on Wednesday of the Evaluation Week. If this day is a US market holiday, the announcement will be postponed to the next US market trading day.

Reconstitution effective dates

Index Reconstitutions generally become effective at market open on the first trading day following the Friday of the Evaluation Week. At least two US market trading days are required between the Reconstitution Announcement and Effective Dates.

Rebalance schedule

The Index is rebalanced in conjunction with the Index Reconstitution by applying the Constituent Weighting Process. The Rebalance Reference, Announcement and Effective dates are the same as those of the Index Reconstitution.

Holiday schedules

The Index is calculated Monday through Friday and does not close for holidays, as it is a Global Index.

Index calculation and dissemination schedule

The Index is calculated five (5) days a week, Monday through Friday, starting with the earliest time zone (Asia/Tokyo) and closing with the latest time zone (America/New York), 12:30:01 Japan Standard Time to 17:16:00 Eastern Time.

CONSTITUENT SELECTION

Constituent selection process

Point & Figure Charting

Dorsey Wright uses Point & Figure charting to record supply and demand within a security, focusing on the price movements of that security. Point-and-Figure charts filter out non-significant price movements by ignoring small price fluctuations, trading volume, and time.

Point & Relative Strength Chart

Relative strength is another technical analysis tool that measures a security's performance relative to other securities in the same industry, competitive industry, benchmark or broad market indices. Relative

strength is a momentum technique that relies on unbiased, unemotional and objective data, rather than biased forecasting and subjective research. Relative strength is a way of recording historic performance patterns, and DWA uses relative strength signals as a trend indicator for current momentum and future performance trends of a security versus another one.

For the purpose of conducting the Dorsey Wright International Focus Five Index methodology, DWA has selected the Index's potential inventory, which is composed of roughly 22 international First Trust ETFs. The price data of these selected First Trust Portfolios ETFs is used to perform relative strength analysis.

DWA builds relative strength charts for each First Trust Portfolios ETF using the following process:

- I. On a daily basis, DWA computes the ratio of the closing price of each First Trust Portfolios ETF to the closing price of each other First Trust Portfolios ETF.

Example: Relative Strength Reading = $(\text{ETF 1 Closing Price} \div \text{ETF 2 Closing Price}) \times 100$

- II. As a result of on-going calculations, a Point & Figure relative strength chart is created for each relationship within the inventory. A Point & Figure Relative Strength chart is a variation of a Point & Figure chart but its input value is computed in the previous step, instead of individual security prices.

Relative Strength Matrix

DWA has implemented a systematic way of analyzing many Point & Figure relative strength charts by aggregating Buy Signals and Sell Signals within a "matrix" format. When a column of X's exceeds a previous column of X's, the chart indicates a "Buy Signal" (also referred to as positive relative strength). Conversely, "Sell Signals" are given when a column of O's exceeds a previous column of O's (also referred to as negative relative strength).

DWA created the relative strength matrix (the "Matrix") to analyze large numbers of charts and to easily display an equally large data set of signals. Each box of the Matrix represents a relative strength contest between one First Trust Portfolios ETF and another, where the numerator is the ETF running down the left hand side of the matrix and the denominator is the ETF from the top of the Matrix.

For each First Trust Portfolios ETF, the total number of relative strength charts that are on a Buy Signal are noted in the column "Buys" of the Matrix. The Matrix is ranked such that the ETF with the highest number of Buy Signals is ranked #1, and appears at the top of the Matrix. The First Trust with the lowest number is ranked last and appears on the bottom of the "Matrix".

The Index is composed of the top five First Trust ETFs in the inventory and the ETFs are only sold when they fall sufficiently out of favor versus the other members of the inventory on a relative strength basis. A new ETF is only added to the Index when an ETF in the Index is sold. When an addition or deletion is made, the Index is rebalanced so that each position is equally weighted. Security additions and deletions are made periodically and will become effective after the close of trading on the Friday following the announced effective date of the changes.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is an equal-weighted index.

Constituent weighting process

The Index employs an equal weighting scheme: all Index Securities are assigned equal Index market value.

For additional information about index weighting, see **Nasdaq Standard Index Weight Adjustment Guidelines**.

INDEX MAINTENANCE

Deletion policy

If, at any time during the year other than the Index Reconstitution(s), an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, it is removed from the Index. This includes circumstances where an ETF is determined to be ineligible for continued inclusion in the Index due to a pending liquidation, delisting, or definitive agreement to merge with another fund.

Replacement policy

Index securities deleted at any time during the year other than the Index Reconstitution(s) are not replaced.

Corporate actions

In the interim periods between scheduled index reconstitution events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. Specific treatment of each type of corporate action or event is described in **Nasdaq Corporate Actions and Events Manual – Equities**, which is incorporated herein by reference.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the “Non-Market Cap Corporate Action Method.”

Index share adjustments

Other than as a direct result of corporate actions, the index does not normally experience share adjustments between scheduled index rebalance and reconstitution events.

ADDITIONAL INFORMATION

Announcements

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaqomx.com>.

For more information on the general Index Announcement procedures, please refer to the **Nasdaq Index Methodology Guide**.

Unexpected market closures

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Guide**.

Calculation types

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Calculation Manual – Equities & Commodities**.

Recalculation and restatement policy

For information on the Recalculation and Restatement Policy, please refer to the **Nasdaq Index Recalculation Policy**.

Data sources

For information on data sources and the classification of dividends and associated tax rates, please refer to the **Nasdaq Index Methodology Guide**.

Contact information

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at indexservices@nasdaq.com.

Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, see the **Nasdaq Index Methodology Guide**.

Website

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.com/>.

FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

GOVERNANCE

All Nasdaq Indexes are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the index determination process. For further details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, please refer to the **Nasdaq Index Methodology Guide**.

DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

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