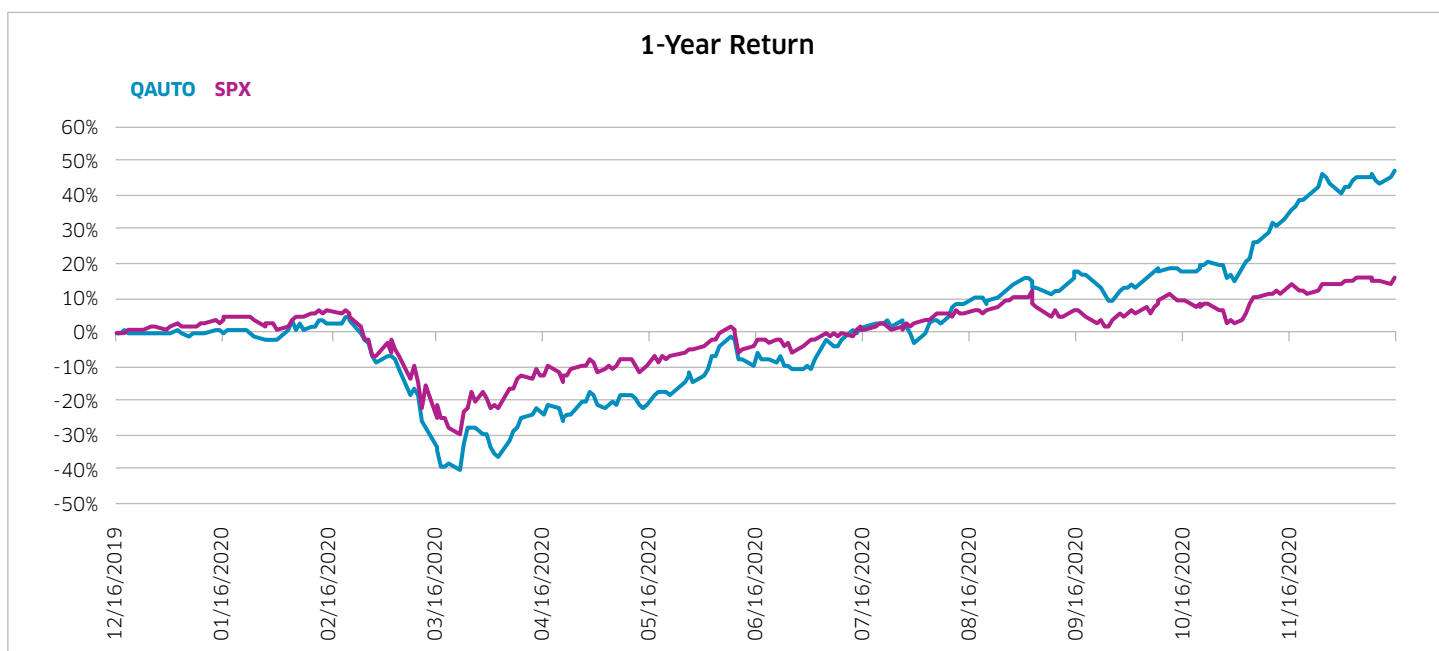


First Trust NASDAQ Global Auto Index Fund (CARZ)

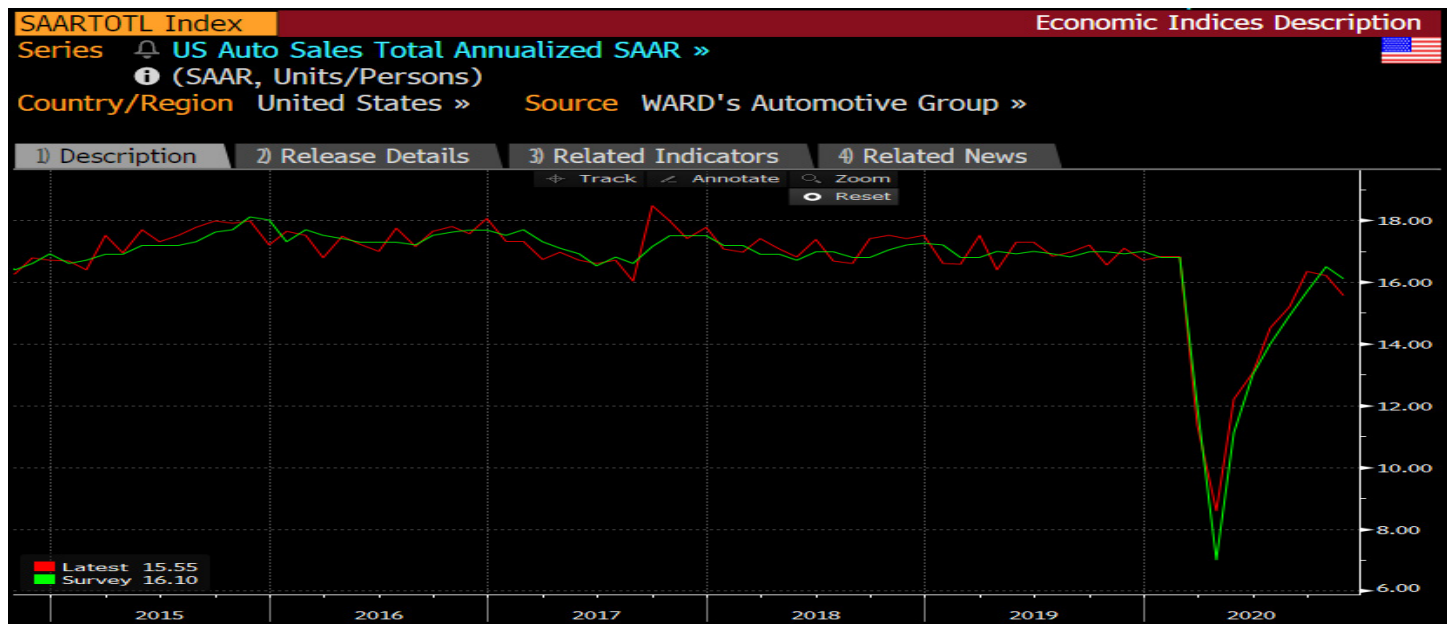
The Only US-listed ETF that is designed to track the Entire Auto Industry, not just Electric or Next Gen Vehicles

The index that the First Trust CARZ ETF tracks is the Nasdaq OMX Global Automobile Index (QAUTO). The names that you'd imagine being at the top of the index from a weighting perspective are all there: Daimler, Honda Motor, Volkswagen, Toyota Motor and Tesla. There are 33 securities in the index and it includes companies listed globally on 11 exchanges from 10 countries. Eligibility criteria include being classified as an automobile according to the Industry Classification Benchmark (ICB), have a minimum market cap of \$500M, have a three-month average daily dollar trading volume of \$1M and have a minimum free float of 20%. The current max weight is 8.6% (Daimler) and lowest weight is UMW (0.06%). Median and average weights of the securities in the portfolio are 2.9% and 3.0%, respectively. The QAUTO index launched in February 2011 followed by the First Trust CARZ ETF in May 2011.

Over the trailing 1-year, QAUTO has outperformed SPX (the S&P 500) by over 31% due to a strong rebound from the market lows in late March. Chart below for reference.



Not surprising to see the sharp performance return here as auto sales dropped heading into the COVID-19 pandemic and have since rebounded in a big way to pre-crisis levels (according to Ward's Automotive Group as expressed on Bloomberg under the SAARTOTL Index ticker).



The QAUTO index has its reconstitution annually in June. The reconstitution goes effective after the close of trading the third Friday in June and the eligibility criteria are applied using market data through the end of May. The index is float adjusted market cap weighted. The index is rebalanced on a quarterly basis after the close of trading the third Friday in March, June, September, December, using market data from the prior end of month. Weights are capped in the following process:

Stage 1: Initial index weights are adjusted to meeting the following Stage 1 constraint, producing the 1 weights:

- No Index Security weight may exceed 8%

Stage 2: Stage 1 weights are adjusted to meet the following Stage 2 constraints, producing the final weights:

- For Index Securities with the five largest market capitalizations, Stage 1 weights are maintained.
- For all other Index Securities, no weight may exceed 4%.

The final weights meet the following constraints:

- No Index Security weight may exceed 8% of the index; five may exceed 4%.

Here is a link with the full reference to the index methodology.

https://indexes.nasdaqomx.com/docs/methodology_QAUTO.pdf

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