

JUNE 2016

NASDAQ INTERNATIONAL MULTI-ASSET DIVERSIFIED INCOME INDEX

The Nasdaq International Multi-Asset Diversified Income Index is designed to provide a low volatility exposure to high yielding instruments from a diverse spectrum of the investable marketplace in a single instrument. Launched on Aug 22, 2013, the Index serves as the underlying index for YDIV, First Trust's International Multi-Asset Diversified Income Index Fund.

The Nasdaq International Multi-Asset Diversified Income TR Index includes five asset class segments: equities, real estate investment trusts (REITs), infrastructure securities, preferred stocks, and fixed income (currently represented by EMB, the iShares J.P. Morgan USD Emerging Markets Bond Fixed Income).

With the exception of fixed income, the asset class segments are generally derived from broad global benchmarks that exclude U.S. securities.

The asset class segment target weights of the index at each quarterly rebalance are shown in Graph 1.

DIVERSIFICATION /

The Nasdaq International Multi-Asset Diversified Income TR Index incorporates several diversification features in the methodology.

First, the mix of asset class segments provides diversification via their low correlation with one another.

GRAPH 1

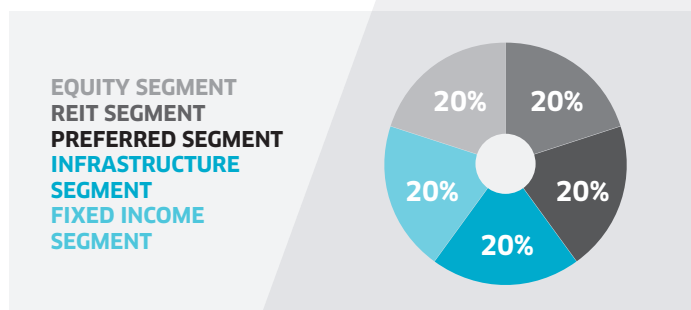


TABLE 1

	Equity Segment	REIT Segment	Preferred Segment	Infrastructure Segment	Fixed Income Segment
Equity Segment	1.00				
REIT Segment	0.84	1.00			
Preferred Segment	0.67	0.65	1.00		
Infrastructure Segment	0.87	0.84	0.66	1.00	
Fixed Income Segment	0.62	0.60	0.52	0.66	1.00

Table 1 contains the cross-correlations of daily changes for the year ending June 30, 2016, among the five asset class segments. The segments exhibit a correlation ranging from a low of +0.52 (between preferred and Fixed Incomes) to a high of +0.87 (between Infrastructure and Equity), with most falling around +0.7.

Second, the segments are regularly rebalanced in such a way to prevent any one segment from growing too large relative to the other, which would otherwise work to reduce the benefits of low correlation.

In combination, the low correlation among the asset classes and quarterly rebalancing back to target weights helps maximize the diversification potential of the index.

LOW VOLATILITY /

The diversification features go a long way to deliver low index volatility, but the Nasdaq International Multi-Asset Diversification TR Income Index also incorporates a volatility screen to help mitigate the risks often found when “reaching for yield.”

Specifically, the individual asset class segments (with the exception of fixed income) each exclude any security whose trailing one-year realized volatility is 15 percentage points or more above that of its more broadly defined benchmark universe.

For example, if the one-year realized volatility of the equity benchmark universe is 20%, then any single stock eligible for inclusion whose one-year realized volatility is 35% or more, irrespective of its yield or other factors, cannot be included in the index.

The benefits of the diversification features are highlighted in Table 2. Here we see that the overall volatility of Nasdaq International Multi-Asset Diversification Income TR Index is lower than three of the five of the individual asset class segments.

Table 2

	Equity Segment	REIT Segment	Preferred Segment	Infrastructure Segment	Fixed Income Segment	Nasdaq International Multi-Asset Diversified Income TR Index
2007	15.4%	18.8%	10.6%	11.0%	6.4%	10.8%
2008	33.5%	36.9%	22.9%	27.6%	22.6%	25.1%
2009	23.4%	34.5%	16.1%	21.4%	17.3%	19.5%
2010	16.0%	15.8%	11.3%	16.9%	8.5%	12.5%
2011	23.5%	20.9%	11.4%	20.8%	7.3%	16.0%
2012	15.3%	11.6%	7.4%	15.9%	4.9%	9.9%
2013	10.6%	11.4%	6.5%	9.8%	9.6%	8.0%
2014	9.2%	9.1%	5.9%	9.7%	6.2%	6.3%
2015	14.0%	13.2%	11.9%	13.1%	8.7%	10.2%
2016	19.5%	16.8%	21.4%	18.0%	10.5%	15.4%
Overall	19.4%	21.3%	13.3%	17.4%	11.6%	14.5%

Further, the volatility of Nasdaq International Multi-Asset Diversification Income TR Index is consistently lower than that of the broad Nasdaq Global Ex United States TR Index as shown in Table 3.

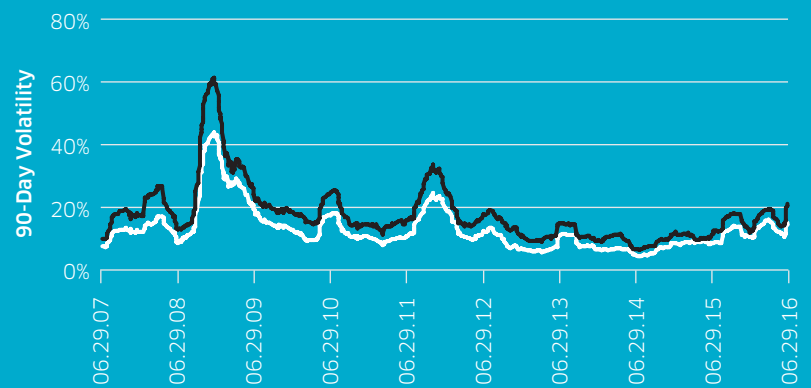
Table 3

	Nasdaq International Multi-Asset Diversified Income TR Index	Nasdaq Global EX United States TR Index
2007	10.8%	15.5%
2008	25.1%	35.5%
2009	19.5%	24.5%
2010	12.5%	17.7%
2011	16.0%	22.0%
2012	9.9%	14.7%
2013	8.0%	11.1%
2014	6.3%	9.2%
2015	10.2%	13.1%
2016	15.4%	20.2%
Overall	14.5%	19.9%

Graph 2 compares the rolling 90-day volatilities of the Nasdaq International Multi-Asset Diversification Income TR Index vs. the Nasdaq Global Ex United States TR Index. Over the entire time frame, the volatilities were 14.5% and 19.9%, respectively, with the volatility of the Nasdaq International Multi-Asset Diversification Income TR Index consistently at or below that of the broader benchmark.

GRAPH 2

**NASDAQ INTERNATIONAL MULTI-ASSET DIVERSIFIED INCOME TR INDEX
NASDAQ GLOBAL EX UNITED STATES TR INDEX**



HIGH YIELD /

Table 4 shows the annualized yield of the Nasdaq International Multi-Asset Diversification Income TR Index, as proxied by the difference in performance between the total return index less the price return index, as 5.3% over the full period. Comparable yield calculations for each segment over the full period and each calendar year sub-period are also provided. Although the Index's yield is a blend of the individual segments in any given year, and therefore falls roughly in the middle, the effect over the full period is to nearly push the Index's yield to match that of the best performing segment.

Table 4

	Equity Segment	REIT Segment	Preferred Segment	Infrastructure Segment	Fixed Income Segment	Nasdaq International Multi-Asset Diversified Income TR Index
2007	5.0%	6.9%	5.8%	7.3%	7.0%	6.4%
2008	3.8%	3.2%	4.6%	5.8%	5.3%	4.5%
2009	11.5%	15.2%	11.0%	7.3%	6.8%	10.0%
2010	7.2%	9.1%	6.3%	7.0%	5.6%	7.2%
2011	6.7%	5.8%	6.4%	5.1%	5.2%	5.9%
2012	7.7%	8.2%	5.9%	6.4%	5.1%	6.5%
2013	5.1%	4.5%	5.3%	4.7%	4.1%	4.7%
2014	4.4%	6.5%	5.2%	6.9%	4.6%	5.4%
2015	5.0%	5.3%	3.7%	5.7%	4.4%	4.7%
2016	6.6%	7.7%	5.6%	9.3%	5.0%	6.8%
Overall	5.5%	5.5%	4.1%	5.3%	5.4%	5.3%

PERFORMANCE /

So how does the Index perform? Graph 3 illustrates that over the full period, the Nasdaq International Multi-Asset Diversification Income TR Index has performed very well, outperforming the Nasdaq Global Ex United States TR Index by a wide margin (and did so with lower risk, as indicated above).

GRAPH 3

NASDAQ INTERNATIONAL MULTI-ASSET DIVERSIFIED INCOME TR INDEX NASDAQ GLOBAL EX UNITED STATES TR INDEX



Graph 4 and Table 5 below highlight the Nasdaq International Multi-Asset Diversification Income TR Index performance vs. the individual asset class segments. Naturally, the index performance falls relatively in the middle of the five segments. Over the complete period, the Index outperforms all but two of the asset class segments and significantly outperforms the broader Nasdaq Global Ex United States TR Index benchmark.

GRAPH 4

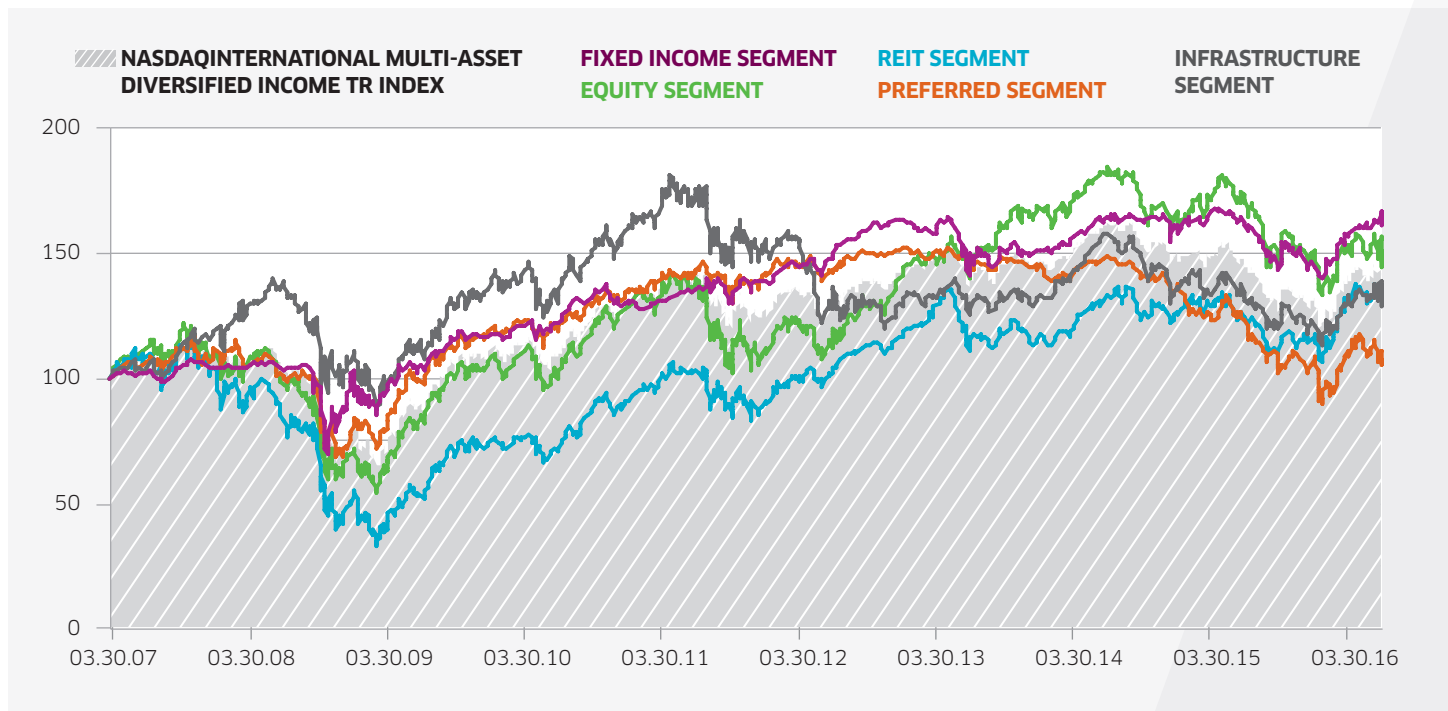


Table 5

	Equity Segment	REIT Segment	Preferred Segment	Infrastructure Segment	Fixed Income Segment	Nasdaq International Multi-Asset Diversified Income TR Index	Nasdaq Global Ex United States TR Index
2007	11.3%	4.8%	11.6%	17.6%	3.8%	10.3%	13.9%
2008	(37.8%)	(52.6%)	(29.5%)	(9.5%)	(2.1%)	(29.3%)	(45.8%)
2009	54.9%	50.3%	51.2%	28.0%	15.4%	41.5%	45.7%
2010	20.0%	23.2%	13.5%	17.2%	10.8%	17.8%	14.3%
2011	(14.6%)	(2.8%)	4.2%	(4.4%)	7.6%	(3.1%)	(14.1%)
2012	28.7%	30.7%	7.0%	(15.7%)	16.9%	13.0%	20.1%
2013	20.2%	0.5%	(3.9%)	3.4%	(7.8%)	3.5%	15.8%
2014	(1.9%)	7.3%	(5.1%)	2.2%	6.0%	1.4%	(3.0%)
2015	(9.7%)	(8.2%)	(20.9%)	(9.1%)	(9.1%)	(12.1%)	(3.8%)
2016	0.4%	17.9%	(0.8%)	11.2%	15.1%	8.5%	(0.4%)
Overall - Annualized	4.5%	3.4%	0.8%	3.5%	5.7%	3.9%	1.4%

NOTES /

1. All overall calculations used data from 3/30/2007 – 6/30/2016, with internally back-tested data by Nasdaq.
2. Volatility is calculated as the standard deviation of daily returns.
3. 2007 and 2016 returns and yields in the tables have been annualized only where indicated.

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