



INDEX METHODOLOGY

DORSEY WRIGHT DYNAMIC FOCUS FIVE™ INDEX

DWANQDFF™

INDEX DESCRIPTION

The Dorsey Wright Dynamic Focus Five Index is designed to track the performance of five sector- and industry-based exchange-traded funds from the First Trust Portfolios product line that demonstrate powerful Relative Strength characteristics.

SECURITY ELIGIBILITY CRITERIA

Eligibility criteria

A security must be an Exchange-Traded Fund (ETF) sponsored by First Trust Portfolios. It must be either the First Trust Enhanced Short Maturity ETF or one that is designed to target a specific sector or industry group or that has a significant overweight toward a particular sector or industry group. Security eligibility is determined at the sole discretion of Nasdaq Dorsey Wright (NDW), the Index Provider.

INDEX CALENDAR

Reconstitution schedule

The Index Reconstitution is conducted semi-monthly in the second and fourth weeks of the month containing a Friday with the exception of the month of December, wherein the Index holdings are evaluated once, on the second week of the month which contains 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 market holiday, the announcement will be postponed to the next 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 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 Indexes are calculated Monday through Friday, except on days when the US markets are closed.

Index calculation and dissemination schedule

The Indexes are calculated during the trading day based on the Last Sale Price and are disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

CONSTITUENT SELECTION

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 the weakest is Relative Strength.

Relative Strength Ranking Methodology

Point & Figure Charting

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

Point & Figure Relative Strength Chart

Relative Strength is another technical analysis tool that measures a security's performance relative to that of other securities, benchmarks or broad market indexes. Relative Strength is a momentum

technique that relies on unbiased, unemotional, objective data, rather than biased forecasting and subjective research. Relative Strength is a way of recording historical performance patterns, and NDW uses Relative Strength signals as an indicator for current momentum trends of a security vis-à-vis others.

Nasdaq Dorsey Wright builds Relative Strength charts for each security in a defined inventory using the following process:

- On a daily basis, NDW computes the ratio of the closing price of each security i to the closing price of each other security j .

$$\text{Relative Strength Reading}_{i,j} = 100 \times \frac{\text{Closing Price}_i}{\text{Closing Price}_j}$$

- As a result of ongoing calculations, a Point & Figure Relative Strength chart is created for each relationship i, j within the inventory. A Point & Figure Relative Strength chart is a variation of a Point & Figure chart: instead of being individual security prices its input values are the series of price ratios of securities i and j .

Relative Strength Matrix

Nasdaq Dorsey Wright 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 the number of X's in a column of X's exceeds the number in a previous column of X's, the chart indicates a "Buy Signal" (also referred to as positive Relative Strength). Conversely, "Sell Signals" are indicated when the number of O's in a column of O's exceeds the number in a previous column of O's (also referred to as negative Relative Strength).

Nasdaq Dorsey Wright 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 securities i and j , with i representing the Matrix row and j representing Matrix column.

For each security in the defined inventory, 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 security with the highest number of Buy Signals is ranked #1 (first) and appears at the top of the Matrix. The security with the lowest number is ranked last and appears on the bottom of the Matrix.

Constituent selection process

The Index is composed of five ETFs representing at least three broad sectors, defined as the primary weight-holding sector within an ETF, and in certain situations also contains FTSM. Securities are selected for Index inclusion at each reconstitution via Relative Strength Matrix analysis, using all eligible Sector ETFs and a short term fixed income proxy as the Matrix inventory.

FTSM is selected for Index inclusion if the Relative Strength Matrix Ranking of the short term fixed income proxy is among the top 67 per cent of all Matrix Rankings.

Five Sector ETFs are selected for Index inclusion via the following process:

Step 1. Matrix Rank-based exclusion criteria are applied.

- Any Sector ETF is removed from consideration if its Matrix Rank falls outside the first three within its designated sector.
- Any Sector ETF in the Index as of the Reconstitution Reference Date is removed from consideration if its Matrix Rank falls outside the sell threshold rank.
- Any Sector ETF not in the Index as of the Reconstitution Reference Date is removed from consideration if its Matrix Rank falls outside the buy threshold rank.

Step 2. Five Sector ETFs are selected for inclusion using an ordered ranking-based selection process.

The Sector ETFs still eligible after Step 1 are ordered along two dimensions: first by inclusion in the Index as of the Reconstitution Reference Date (yes to no) and second by Matrix Rank (first to last). The five first-ordered Sector ETF are selected for inclusion in the Index.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is a modified equal-weighted index.

Constituent weighting process

The five Sector ETFs are given equal Index market value.

When the Index includes FTSM, FTSM's Target Index Weight is equal to the percentile rank of the short term fixed income proxy's Matrix Ranking, calculated as follows:

$$FTSM\ Target\ Weight = 100\% - \frac{Short\ term\ fixed\ income\ proxy\ Matrix\ Ranking}{Total\ number\ of\ Matrix\ Rankings}$$

The actual Index Weight given to FTSM at rebalance is as close as possible to the Target Index Weight, but is moderated by a 33 percentage point maximum change in weight from one rebalance to the next. In the event that the Target Index Weight is greater than 33 percentage points away from the FTSM Index Weight at the previous rebalance, FTSM is given an Index Weight equal to the previous weight +/- 33 ppts. At the following rebalance, the Index Weight given to FTSM may be changed further to bring it as close as possible to the Target Index Weight.

For additional information about index weighting, see **Nasdaq Index Weight Calculations**.

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**.

APPENDIX: METHODOLOGY CHANGE LOG

Effective Date	Methodology Section	Description or Summary of Changes
March 2, 2022	Constituent selection process	A three-sector representation minimum was introduced.

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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