

**SHINING A LIGHT ON THE.....
FIRST TRUST US LARGE CAP CORE ALPHADEx UCITS ETF**

AT A GLANCE

Investment Objective	
The fund aims to provide investors with a total return, taking into account capital and income returns, which reflects the return of an equity index called the NASDAQ AlphaDEX® Large Cap Core Index.	

Inception Date	9 th April 2013
Fund Factsheet Link	http://www.morningstar.co.uk/uk/etf/snapshot/snapshot.aspx?id=0P0000YJY0&ClientFund=0&LanguageId=en-GB&CurrencyId=GBP&UniversId=ETEXG%24XLON&BaseCurrencyId=USD

Management	
Manager Name	Start Date
-	9 th April 2013

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	12.97%
Large	38.13%
Medium	48.89%
Small	0.00%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	375	
Assets in Top 10 Holdings	5.07%	
Name	Sector	% of Assets
Amazon.com Inc	Consumer Cyclical	0.54%
Boeing Co	Industrials	0.52%
Bunge Ltd	Consumer Defensive	0.51%
Netflix Inc	Consumer Cyclical	0.50%
Target Corp	Consumer Defensive	0.50%
Adobe Systems Inc	Technology	0.50%
eBay Inc	Consumer Cyclical	0.50%
Steel Dynamics Inc	Basic Materials	0.50%
QVC Group Class A	Technology	0.50%
Align Technology Inc	Healthcare	0.49%

Volatility Measurements	
3-Yr Std Dev (volatility)	9.98%
3-Yr Mean Return (average)	13.79%

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FUND PERFORMANCE

Performance from 1st January 2014 to 27th February 2018:

	2014	2015	2016	2017	2018
First Trust US Large Cap Core AlphaDEX	20.87%	0.58%	35.74%	11.00%	-0.43%
iShares MSCI North America	20.41%	3.75%	34.26%	10.18%	-0.35%

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
First Trust US Large Cap Core AlphaDEX	5.26%	46.30%	84.99%
iShares MSCI North America	5.26%	49.31%	86.23%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

This fund is a passive instrument with a slight difference. Many passives are distorted by the market so effectively they are crowded into the top holdings and the smaller holdings in the index are so small that any change in price movement has little or no impact on the returns. In the same way as the index is skewed towards the large tech companies the question arises as to whether these can continue to grow at the same pace.

Where the fund is different is that it goes across the index with maximum holdings at around 0.5%. In many passive funds the holdings will be higher than this, for example in the benchmark Apple is 3.55%, Microsoft 2.66%, Alphabet 2.59%, Amazon 2.40% and Facebook 1.65%. The top five for this fund are Amazon, Boeing, Bunge, Netflix and Target.

The fund is rebalanced every quarter with the aim to beat the market, or at worst tie. In a pure growth market, the fund has effectively matched the market and they believe in the long run this will shift. If there is a move away from large cap growth companies, then the market will fall, and this fund will do well.

We discussed with the team that as it stands the cost that investors are paying for this does not match the returns they are getting. It therefore begs the question as to whether investing in a passive fund which retains active principles is worth it. Over three years and since launch this fund is about 2% to 3% behind the index, over 12 months it matches it. Their view is that although the figures are close long term this style of investing will outperform. They have proven this with other strategies and believe this is no different.

In summary, I guess the jury remains out on this; if it can't beat the index then why have the fund? If an investor believes there is too much risk in the index and wants a more balanced exposure, then this might be an option either as a blend or stand alone investment. With any investment the temptation is to go for the best performing asset over the last five years because we have no crystal ball for the

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future. Many investors who have done well have perhaps not always followed what has happened in the past and therefore this may be why this might appeal to some because they believe the next few years will suit this style of investment more.

The source of information in this note has been provided by First Trust and is correct as at February 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.