# First Trust American Leadership® Index

## INDEX METHODOLOGY

The First Trust American Leadership® Index (the "Index") is designed to measure the performance of four indexes whose constituents are U.S. listed companies that are poised to drive the growth and innovation of the American economy.

The Index provides exposure to U.S. companies demonstrating leadership in technology in the current economy as well as leading companies focused on dividend growth and stability.

The Index seeks to provide equally weighted exposure to the following four underlying constituent indexes (the "Underlying Indexes") with a rebalance to equal weight on a quarterly basis:

- Dow Jones Internet Composite Index℠
- Nasdaq US Rising Dividend Achievers™ Index
- Nasdaq Riskalyze US Large Cap Select Dividend™ Index
- Nasdaq Technology Dividend™ Index

**Below and on the following pages are the methodologies for each of the four Underlying Indexes that comprise the Index:**

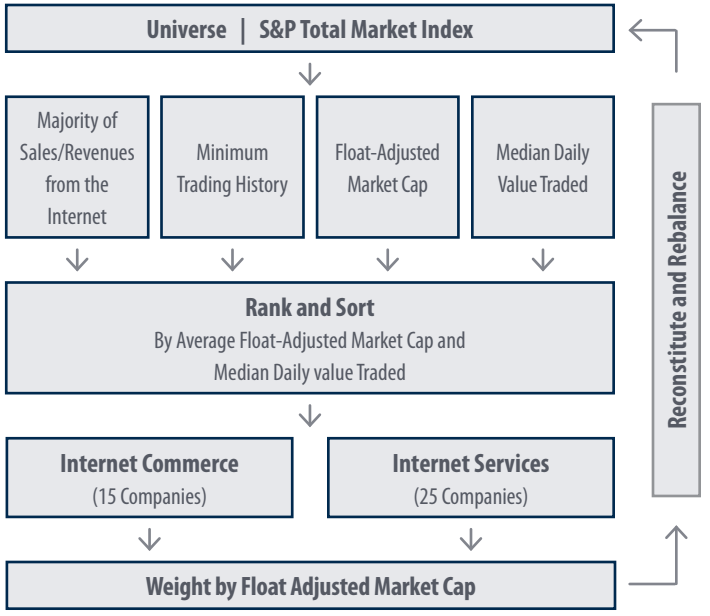
### DOW JONES INTERNET COMPOSITE INDEX℠ CONSTRUCTION PROCESS

**UNIVERSE |** Begin with a universe of all the companies in the S&P Total Market Index.

**ELIGIBILITY CRITERIA |** According to the index provider, to be eligible for inclusion in the index, a security must be issued by a company that generates at least 50% of its sales/revenues from the Internet and meet minimum trading and market capitalization requirements. Eligible securities are ranked first by float-adjusted market capitalization and then by median daily value traded. A final rank is calculated based on an equally weighted average of the float-adjusted market cap and median daily value traded rankings.

**SECURITY SELECTION & CLASSIFICATION |** Companies are sorted by final rank and approximately 40 companies are selected, consisting of 15 classified as Internet Commerce and 25 classified as Internet Services.

**WEIGHTING & REBALANCING |** Securities selected for inclusion are weighted by float-adjusted market capitalization. The index is rebalanced and reconstituted quarterly.




Please see additional methodologies and important information on the following pages.

# First Trust American Leadership® Index

## NASDAQ TECHNOLOGY DIVIDEND™ INDEX CONSTRUCTION PROCESS

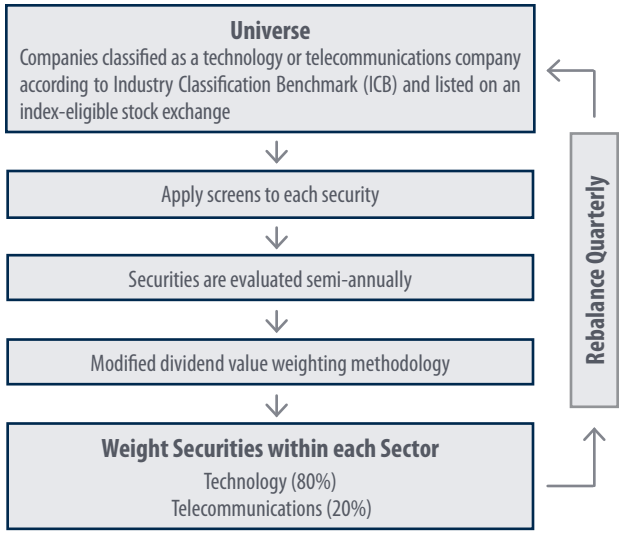
**UNIVERSE** | To be included in the index, the security must be listed on the Nasdaq Stock Market, The New York Stock Exchange, NYSE American or the CBOE Exchange and classified as a technology or telecommunications company according to Industry Classification Benchmark (ICB).

**SCREEN EACH SECURITY** | Each security must have a minimum market capitalization of $500 million, have a minimum three-month average daily dollar trading volume of $1 million, have paid a regular or common dividend within the past 12 months; have a yield of at least 0.5%; have not had a decrease in common dividends per share paid within past 12 months; and may not be issued by an issuer currently in bankruptcy proceedings.

**SECURITY EVALUATION** | The index is evaluated semi-annually in March and September, but if at any time during the year other than the evaluation, an index security no longer meets the eligibility criteria, or is otherwise determined to have become ineligible for inclusion in the index, the security is removed from the index and is not replaced.

**SECURITY SELECTION AND CLASSIFICATION** | The index employs a modified dividend value weighting methodology. At each evaluation, the index securities are classified as technology or telecommunications based on their ICB classification. The technology securities are given a collective weight of 80% and the telecommunications securities are given a collective weight of 20% in the index. The index weighting methodology includes caps to prevent high concentrations among larger stocks.

**REBALANCE** | The index is rebalanced quarterly.




## NASDAQ RISKALYZE US LARGE CAP SELECT DIVIDEND™ INDEX CONSTRUCTION PROCESS

**UNIVERSE** | To be eligible for inclusion in the index, a security must be a member of the Nasdaq US 500 Large Cap Index.

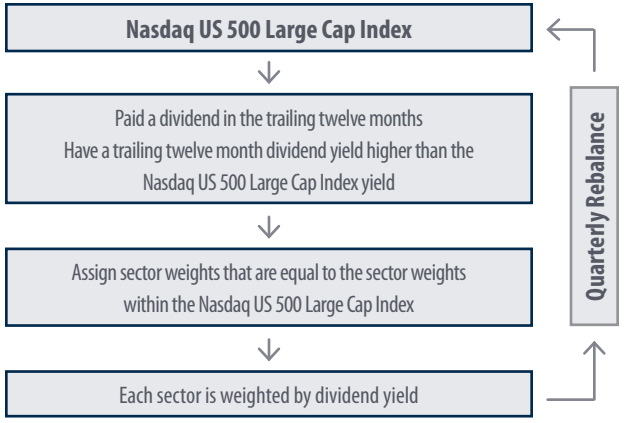
**SCREEN FOR DIVIDENDS** | Each security must meet certain criteria, including:

- having paid a dividend in the trailing twelve months,
- having a trailing twelve month dividend yield higher than the Nasdaq US 500 Large Cap Index yield.

**ASSIGN SECTOR NEUTRAL WEIGHTS** | Sector weights are assigned that are equal to the sector weights within the Nasdaq US 500 Large Cap Index.

**WEIGHT BY DIVIDEND YIELD** | Securities within each sector are weighted by dividend yield.

**INDEX REBALANCING** | The index is rebalanced and reconstituted on a quarterly basis.




Please see additional methodologies and important information on the following pages.

# First Trust American Leadership® Index

## NASDAQ US RISING DIVIDEND ACHIEVERS™ INDEX CONSTRUCTION PROCESS

The Nasdaq US Rising Dividend Achievers™ Index (the "index") is a modified equal-weighted index comprised of companies with a history of raising their dividends and that exhibit the characteristics to continue to do so in the future. The index construction process considers a company's earnings growth, levels of cash compared to debt and the amount of earnings that are paid out as dividends. The index is comprised of four sub-portfolios and each sub-portfolio is reconstituted and rebalanced on a staggered schedule so that one sub-portfolio is rebalanced and reconstituted each quarter and equally weighted.

**Starting Universe at Reconstitution |** The selection process for each sub-portfolio begins with the stocks in the Nasdaq US Benchmark™ Index and eliminates those companies classified as a Mortgage Real Estate Investment Trust or a Real Estate Investment Trust (REIT) by the Industry Classification Benchmark. The starting universe is comprised of the largest 750 companies with a minimum three-month average daily dollar trading volume of $5 million. Companies over 3% at the index level are ineligible for inclusion.

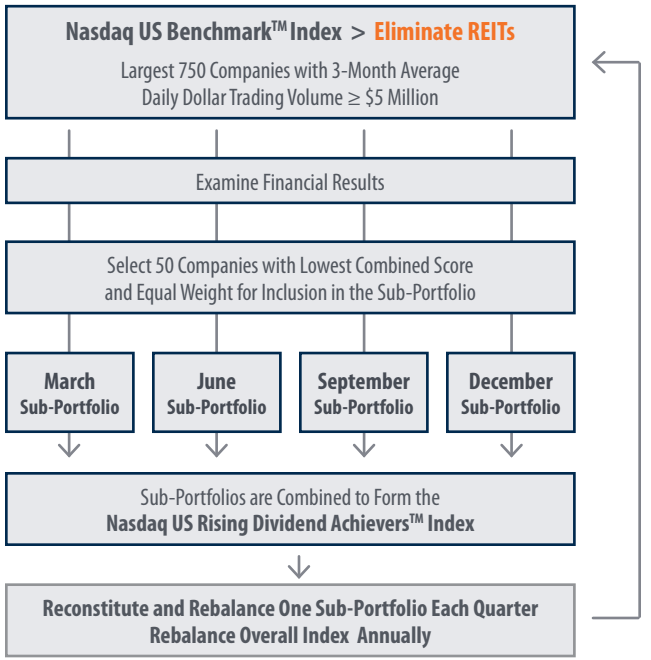
**Examine Historical Financial Results |** According to the index provider, every security must meet stringent eligibility criteria. The following factors are screened:

- **Dividend Growth:** Every company must have paid a dividend in the trailing twelve-month period greater than the dividend paid in the trailing twelve-month period three and five years prior.
- **Positive and Growing Earnings Per Share:** Every company must have positive earnings per share in the most recent fiscal year greater than the earnings per share three fiscal years prior.
- **Cash to Debt Ratio:** Every company must have a cash to debt ratio greater than 50%.
- **Payout Ratio:** Every company must have a trailing twelve-month period payout ratio no greater than 65%.

**Select Companies with the Lowest Combined Score |** Eligible securities are ranked by a combined factor of dollar dividend increase over the previous five-year period, current dividend yield, and payout ratio. Up to 50 securities with the lowest (most favorable) combined ranks are selected for inclusion in the sub-portfolio. At least 33 of the selected companies must be classified as large-cap.

**Quarterly Sub-Portfolio Reconstitution and Rebalance |** One sub-portfolio is reconstituted and rebalanced in March, June, September and December. The reconstituted sub-portfolio is then combined with the sub-portfolios not undergoing a reconstitution to form the index.

**Annual Index Rebalance |** The index is rebalanced annually so that each of the four sub-portfolios is equally weighted among each other, each representing 25% of the total index weight.






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