

Spotlight ETF of the Month

Quick Facts

First Trust Small Cap Growth AlphaDEX® ETF (FYC)

Morningstar --- ☆☆☆☆☆

Category --- US Fund Small Growth

Total Assets --- \$741.7 Million



Why We Like This ETF

The **First Trust Small Cap Growth AlphaDEX® ETF (FYC)** seeks long-term capital appreciation through exposure to small-cap equity securities in the United States. NASDAQ, Inc. administers an “enhanced” index of small-cap stocks selected from the Nasdaq US 700 Small Cap Growth Index that meet certain criteria identified by the AlphaDEX stock selection methodology. From there, the fund identifies and ranks equities based on a variety of technical and fundamental growth factors before selecting the top-ranking growth companies for addition to the portfolio, which is rebalanced quarterly. Critical factors for ranking growth include price momentum, sales-to-price ratio, and one-year sales growth. The result is a true growth portfolio of financially sound companies with proven profitability. The ETF, launched in 2011, has garnered an impressive track record ranking in the top decile versus competitors on trailing 1-, 3-, and 5-year bases, and the top quartile on a trailing 10-year basis. The fund has also generated strong risk-adjusted returns as measured by alpha over the same trailing time periods. Strong performance and consistent philosophy and process have earned the fund a 5-star Morningstar rating.

Where to Use

The **First Trust Small Cap Growth AlphaDEX® ETF** is a strong candidate for investors looking to diversify overvalued, domestic large-cap equity exposure while maintaining a growth focus in the portfolio. Smaller companies largely financed with floating-rate debt stand to benefit significantly as the Federal Reserve continues to cut interest rates. A degree of volatility should be expected from exposure to the small-cap growth asset class, but strong returns, and particularly high risk-adjusted returns, make the strategy worth the volatility.

What are the Top-Rated Funds Lists?

The Top-Rated Mutual Funds and Exchange Traded Funds (ETF) Lists are resources that feature a list of equity, fixed income, and alternative mutual funds or ETFs that are selected by Osaic Research using proprietary screening criteria and selection methodology. The lists are designed to help you narrow the wide universe of funds available to a more manageable selection of higher-quality funds. Spectrums of asset class categories are covered. In most categories, you will find at least one risk-averse fund option and one option where the focus is geared more toward alpha generation, with the potential for higher volatility.

You can access the Top-Rated Funds Lists by visiting the Market Research page through Vision2020 or by reaching out to Research@Osaic.com.

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The spotlight ETF of the month reflects the Osaic Investment Research Team's screening process and does not constitute a personalized recommendation. Advisors should assess suitability based on client investment objectives and risk tolerances and should carefully read the prospectus to consider the investment objectives, risks, charges, and expenses of a fund.

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