

FIRST TRUST DOW JONES INTERNET ETF (FDN)

Risk: **High**

Zacks ETF Rank 2 - Buy

\$226.84 USD



Fund Type	Technology ETFs
Issuer	FIRST TRUST ADVISORS
Benchmark Index	DOW JONES INTERNET COMPOSITE INDEX
Date of Inception	06/19/2006
AUM (million)	\$10,267.00
Number of holdings in the ETF	42
Assets in top ten holdings	51.76%
Expense Ratio	0.51%
Dividend Yield	0.00%

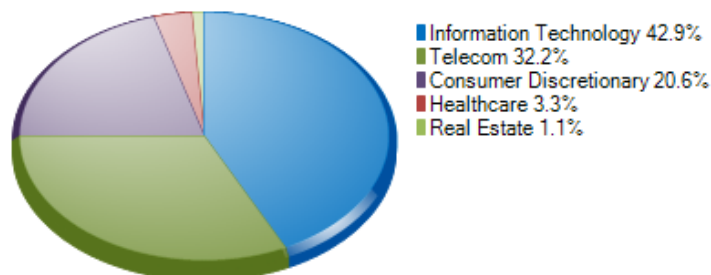
Price Fundamentals of FDN

Current Price	\$226.84
52-Week High	\$252.25
52-Week Low	\$206.49
NAV (11/30/2021)	\$229.75
1Yr ETF Ret (12/17/2021)	4.54%

Risk Statistics

Beta (against S&P 500)	1.04
Standard Deviation	26.73%
R ²	71.22%

FDN Sector Weights



Price Chart



Zacks Opinion

The internet stocks saw a smooth rally this year on acceleration in global digital shift, which has accelerated e-commerce for everything, ranging from remote working to entertainment and shopping. The rapid adoption of cloud computing, big data, Internet of Things, wearables, VR headsets, drones, virtual reality, artificial intelligence, machine learning, digital communication and 5G technology will continue to drive the sector higher. However, rising inflation and Fed taper talks are weighing on the sector.

Key Points

- One of the popular U.S. technology ETFs
- Focus on high-growth Internet securities
- Modest expense ratio and trading cost

Reasons to Buy

- Rising IT consumer spending and a booming Internet market

Reasons to Sell

- Growth stocks are risky investing options in bearish market

The data on the front page and all the charts in the report represent market data as of 12/17/2021, while the report's text is as of 12/21/2021

Holdings Breakdown

The ETF is concentrated on the top 10 holdings with nearly 52% of assets. About 43% of the portfolio is dominated by information technology, followed by telecom (32.2%) and consumer discretionary (20.6%). Healthcare and real estate take minor portions in the basket. While large caps account for 89.4% of the assets, mid caps take the remaining portion in the basket.

FDN Top 5 Holdings	Weight %
Amazon.com, Inc.	9.47%
Facebook, Inc. (Class A)	6.82%
Alphabet Inc. (Class A)	5.18%
salesforce.com, inc.	5.12%
Netflix, Inc.	4.98%

Investment Objective

The fund seeks to match the price and yield of the Dow Jones Internet Composite Index, before fees and expenses. The ETF holds 42 stocks in its basket.

Analysis

This ETF is appropriate for investors seeking broad exposure to the Internet segment of the U.S. technology market. The fund is quite expensive, charging 51 bps in fees per year from investors. Trading in average volume of around 235,000 shares per day, the fund has a relatively tight bid/ask spread.

Performance

Like many other funds in the space, FDN was off to a great start in 2021 but declined sharply in mid February. It regained momentum in April but pulled back again at the end of the month. The fund again showed strength in mid May and again fell in late July. After that, it has been on a roller coaster ride. The fund has gained about 4.6% so far this year.

2-Year Comparative



Fundamentals	FDN	VGT	XLK
Zacks Rank	2	1	1
Price	\$226.84	\$448.65	\$169.76
AUM (million)	\$10,267.00	\$53,704.43	\$50,657.80
Expense Ratio	0.51%	0.10%	0.12%
Dividend Yield	0.00%	0.67%	0.86%
Assets in top 10	51.76%	56.90%	68.09%
Beta	1.04	1.08	1.04
YTD % Price Change	7.91%	29.80%	33.61%

Description

Launched in June 2006, First Trust Dow Jones Internet Index Fund (FDN) is a passively managed fund designed to deliver the returns of the Internet segment of the broad technology sector. With total assets of about \$10 billion, FDN is one of the largest and the popular ETFs in the technology space.

Glossary

ACTIVE MANAGEMENT:	A portfolio management strategy where the manager uses variety of skills and attributes (like top-down approach, bottom-up approach, value investing, growth investing or absolute returns strategy) in the portfolio so that the fund outperforms the benchmark index.
ALPHA:	A measure of outperformance that can be calculated as the return of the fund minus the benchmark's return. A positive alpha indicates the fund has outperformed the benchmark index whereas negative alpha means underperformance.
AMERICAN DEPOSITORY RECEIPT:	A negotiable non-US security that trades in the US financial market.
AUTHORIZED PARTICIPANTS:	An entity chosen by an ETF sponsor to undertake the responsibility of obtaining the underlying assets needed to create an ETF. Authorized participants are typically large institutional organizations, such as market makers or specialists.
AVERAGE YIELD TO MATURITY:	The expected rate of return on a fund's portfolio if it is held until the maturity while reinvesting all coupon payments at the bond yield.
BASKET:	A portfolio of several stocks or securities that are selected for the inclusion in the fund with different weightings.
BETA:	A measure of risk compared to the market benchmark. A beta of less than 1 indicates that the fund is less volatile than the market and vice versa.
BID/ASK SPREAD:	The difference between the highest price that a buyer is willing to pay (often called bid price) for the underlying assets or securities of the fund and the lowest price that a seller is willing to accept (often called as offer or ask price) for it.
CONTRARIAN:	An investment style that goes against prevailing market trends (i.e. against the thinking of many) by buying assets that are performing poorly and then selling when they perform well.
CREATION UNIT:	A set of securities or underlying assets that can be created or redeemed by Authorized Participants for a certain number of ETF shares with the fund or trust. The creation units can vary in size ranging from 25,000 to 600,000 shares each.
DIVIDEND YIELD:	A financial ratio that measures how much a company pays out in dividends each year relative to its share price. It can be calculated as annual dividend per share divided by price per share.
EFFECTIVE DURATION:	A measure of a fund's interest-rate sensitivity. The longer the duration, the more sensitive is the fund to the changes in interest rates.
ENHANCED INDEXING:	An investment idea that attempts to amplify the returns of an underlying asset or the fund with lower tracking error. Enhanced indexing combines elements of both passive and active management.
EXCHANGE TRADED FUND:	The fund represents a basket of securities (that typically track an index), and is listed and trades like stocks on an exchange. ETFs can be traded throughout the day in amounts as little as one share.
EXCHANGE-TRADED NOTE:	The note is a senior, unsecured, unsubordinated debt issued by a major bank. It has a maturity date and is backed only by the credit of the issuer. The ETN however, do not actually hold any security, instead an issuing bank promises to pay to investors the amount reflected by the index's performance (minus fees).
EXPENSE RATIO:	An annual fee that the fund or ETF charge from the investors in order to provide exposure to the underlying asset.
FUND OF FUNDS:	A fund that invests in other funds instead of investing directly in stocks, bonds or other securities.
FUNDAMENTAL INDEXING:	A type of equity index in which stocks or securities are selected based on fundamental metrics such as revenue, dividend rates, earnings or book value.
INDEX:	An imaginary portfolio of securities representing a particular market or a portion of it.
INVERSE ETF:	An ETF that provides opposite (inverse) exposure in the underlying index through use of various financial and money market instruments over a specified period of time. This ETF is similar to holding a short position in order to take profit from the falling prices.
INVESTMENT STYLE:	A different style of investing such as growth, value and blend in a basket of asset.
LEVERAGED ETF:	An ETF that uses various financial instruments to amplify the returns (up to 3 times) of the underlying index over a specified period of time.

LIQUIDITY:	The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity.
MARKET CAPITALIZATION:	Represents the aggregate value of the fund or underlying asset.
NET ASSET VALUE:	Value of an ETF on per share basis and is calculated as total asset minus total liabilities divided by number of shares.
PASSIVE MANAGEMENT:	A portfolio management strategy where the fund is the mirror image of the performance of the benchmark index.
PORTFOLIO TURNOVER:	A percentage of underlying assets bought and sold in a given year.
R-SQUARED:	A measure of correlation with the market benchmark. An R-Squared of 100 indicates perfect correlation of the fund that of market while an R-Squared of 0 indicates no correlation.
SECTOR ROTATION:	A strategy that involves moving from one sector to another by selling the underlying assets or securities of a sector and purchasing securities or assets in another.
SEC YIELD:	A standard yield that the bond funds must pay to its shareholders based on the most recent 30-day period covered by the fund's filings with the SEC.
SHORT ETF:	An investment strategy that offers to take short position in the underlying index through various financial instruments.
STYLE BOX:	A visual representation of the fund, created by Morningstar, to determine risk-return structures of the portfolio. A style box is comprised of nine squares, or categories, that classify securities by size (small, mid and large cap) along the vertical axis and by value, growth and blend characteristics along the horizontal axis.
TARGET DATE FUND:	A fund that invests exclusively in the assets or securities with a certain defined maturity.
TRACKING ERROR:	A measure of how closely a portfolio follows the benchmark index. It is calculated as the difference between the returns of fund portfolio and the benchmark index.
TREASURY INFLATION PROTECTED SECURITIES:	The bonds that are issued by the U.S. Treasury to protect against inflation. These securities pay interest on an inflated-principal amount (principal rises with inflation) and when the securities mature, investors get either the inflation-adjusted principal or the original principal, whichever is greater.
VOLATILITY:	A measure of risk calculated by the annualized daily movement in the fund price. The lower the volatility of the fund the better it is.
VOLUME:	The number of shares traded in the market during a given period of time.
YIELD CURVE:	A line that plots the interest rates of bonds having equal credit quality but differing maturity dates. The yield curve provides an idea of future interest rate change and economic activity. It generally compares the three-month, two-year, five-year and 30-year U.S. Treasury debt
WEIGHTED MATURITY:	The remaining time to maturity of the underlying securities in a portfolio. A fund with a short average maturity is more sensitive to current interest rate fluctuations than one with longer average maturity.

Disclosure

This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date of herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Please read the prospectus carefully.

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