

NASDAQ OMX INDEX RESEARCH

NASDAQ OMX CEA Smartphone Index (QFON)

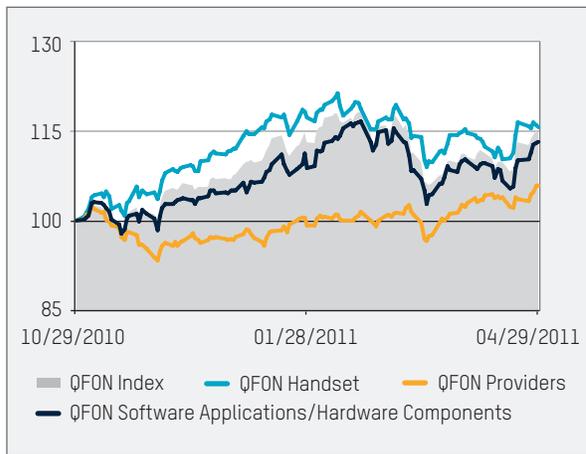
The **NASDAQ OMX CEA Smartphone Index (QFON)** is designed to track the performance of companies engaged in the smartphone segment of the telecom and technology sectors. The Index includes companies primarily involved in the building and design of handsets, hardware, software and mobile networks associated with the development, sale and usage of smartphones. A smartphone is defined as a wireless, mobile communication device offering advanced capabilities and functionalities, including web access, through the use of an identifiable operating system.

Launched in April 2010, QFON delivers diversified exposure to the burgeoning smartphone segment of the technology market. Though the top holdings of the Index are handset providers (see Top 10 Holdings), QFON also offers exposure to the other key segments of the smartphone ecosystem (see QFON Sector Breakdown), ultimately providing users with a transparent view into the broad smartphone market.

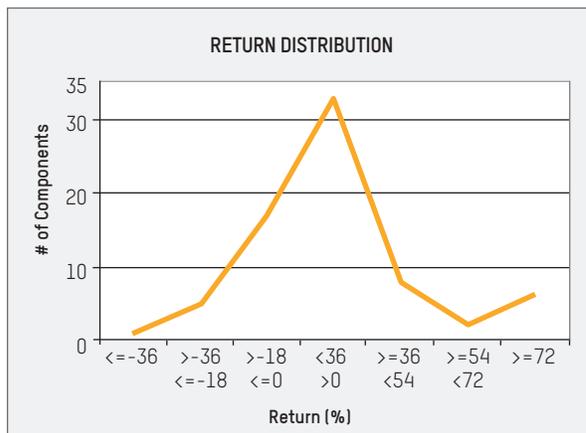
PERFORMANCE

In the six months ending April 29, 2011, the NASDAQ OMX CEA Smartphone Index returned 14.9%. The three sectors in the Index — Handsets, Software Applications/Hardware Components and Providers — each had positive returns of 15.6%, 6.0%, and 13.3%, respectively.

Based on historically back-tested and live index data from December 29, 2006 through April 29, 2011, QFON had a 33.5% return and 24.8% volatility.



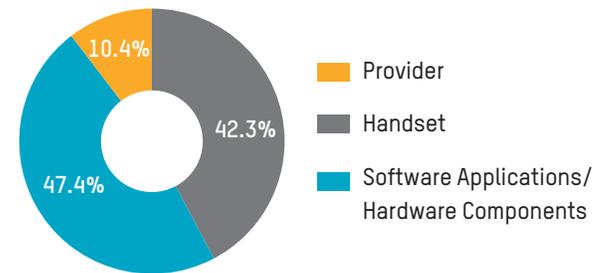
Of the 72 components in the Index that were trading for the past six months, 49 had positive returns and 23 had negative returns. The highest performing component had a 104.5% return and the lowest performing component had a -40.7% return. The average component return was 16.9% and the weighted average return was 14.9%.



VOLATILITY

QFON had an annualized volatility of 15.7%, while the least and most volatile components in the Index had annualized volatilities of 15.1% and 104.4%, respectively. The median volatility was 31.9%.

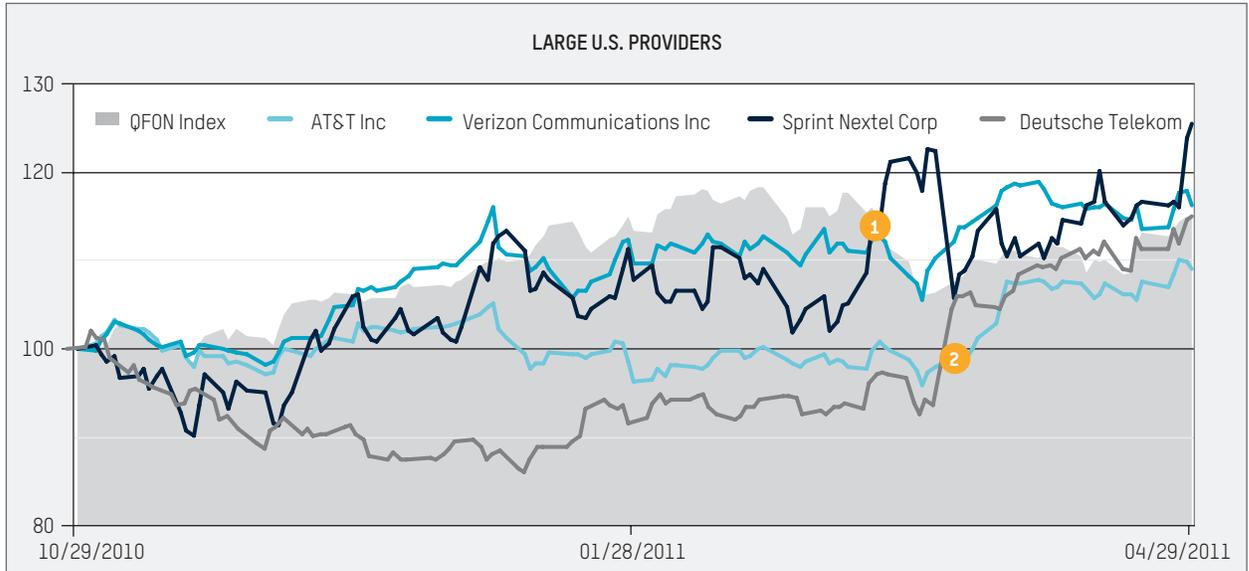
SECTOR BREAKDOWN



TOP TEN HOLDINGS

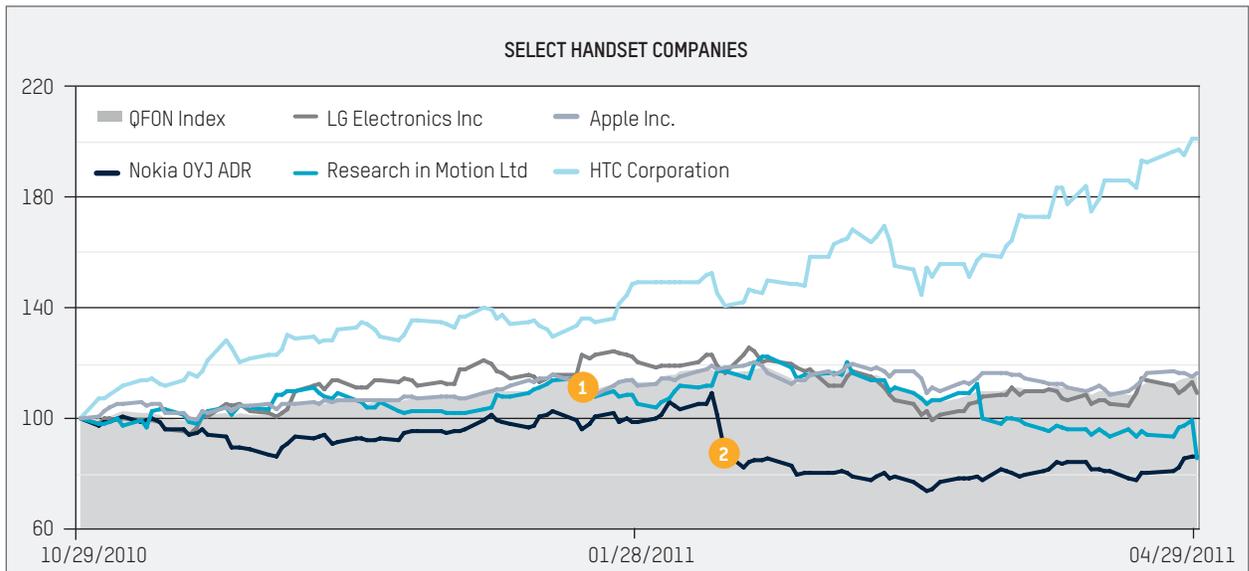
| TICKER | COMPANY | % OF INDEX | SECTOR |
|--------|---------------------------------|------------|---------|
| 2498 | HTC Corporation | 3.11 | Handset |
| NOK | Nokia OYJ ADR | 2.82 | Handset |
| 69710 | Kyocera Corp | 2.79 | Handset |
| 005930 | Samsung Electronics Co | 2.74 | Handset |
| 2356 | Inventec Corp | 2.65 | Handset |
| AAPL | Apple Inc. | 2.59 | Handset |
| 3231 | Wistron Corp | 2.58 | Handset |
| 066570 | LG Electronics Inc | 2.57 | Handset |
| MMI | Motorola Mobility Holdings, Inc | 2.56 | Handset |
| CLS | Celestica Inc | 2.55 | Handset |

COMPONENT PERFORMANCE



1 **March 8, 2011**
Sprint Nextel announced possible merger with T-Mobile

2 **March 20, 2011**
AT&T announced T-Mobile merger, negating T-Mobile's prior talks with Sprint Nextel



1 **Jan 18, 2011**
Apple posted record revenue and earnings for Q1 2011

2 **Feb 11, 2011**
Nokia and Microsoft announced plan for broad strategic partnership to build a new global mobile ecosystem

ASSOCIATED ETF

- > First Trust NASDAQ CEA Smartphone Index Fund (NASDAQ: FONE)

NOTES

- > All data mentioned in this report (other than back-tested) used data from 10/29/2010 – 4/29/2011.
- > As of 4/29/2011 there were 73 components in the Index. Only one of the 73 did not have pricing data as of 10/29/2010: Motorola Mobility Holdings, Inc. As such, it was excluded from all of the component return and volatility calculations herein.
- > The sector breakdown was based on data as of 4/29/2011. The index sectors are rebalanced to 45% Handsets, 45% Software Applications/Hardware Components, and 10% Providers at every index evaluation. For more information on index methodology go to https://indexes.nasdaqomx.com/docs/methodology_QFON.pdf.

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