First Trust

Alternatives Model Portfolio

As of 9/30/26

The First Trust Alternatives Model seeks to diversify traditional asset portfolios and provide financial professionals with exposure to core alternative strategies such as hedged equity, commodities, managed futures and others. The exchange-traded funds (ETFs) included in the model have been selected by the First Trust Advisors Model Investment Committee. The model seeks to accomplish its objectives by allocating among First Trust ETFs, although the model may invest in other ETFs if necessary to enhance returns, improve diversification and manage risk.

Model Allocation

Fund	Ticker	Weight	30-Day SEC Yield[1]
Managed Futures			
First Trust Managed Futures Strategy Fund	FMF	21.5%	1.99%
Commodities			
First Trust Alternative Absolute Return Strategy ETF	FAAR	21.5%	1.99%
First Trust Global Tactical Commodity Strategy Fund	FTGC	8.0%	2.02%
Hedged Equity			
First Trust Long/Short Equity ETF	FTLS	21.5%	N/A
U.S. Treasury			
iShares 7-10 Year Treasury Bond ETF	IEF	7.5%	4.91%
U.S. Mortgage-Backed			
First Trust Low Duration Opportunities ETF	LMBS	10.5%	3.95%
Multistrategy			
Franklin Systematic Style Premia ETF	FLSP	9.5%	N/A
Weighted Average Model Total			**1.80%**

The historical performance for each fund and risks applicable to the funds can be found in the performance table and risk considerations information, respectively, in this document.

[1]The 30-day SEC yield is calculated by dividing the net investment income per share earned during the most recent 30-day period by the maximum offering price per share on the last day of the period and includes the effects of fee waivers and expense reimbursements, if applicable.

The model portfolio primarily includes ETFs advised by First Trust Advisors L.P. ("FTA"), which presents a conflict of interest as FTA is paid a portion of the expense ratio of the FTA-advised ETFs which includes an advisory fee paid to FTA. Income earned by FTA would be lower, and the returns generated by implementing one or more model portfolios might be higher, if the model portfolios were to be constructed using ETFs not managed by FTA.

This information is not personalized investment advice, research or an investment recommendation from any First Trust entity regarding (i) the funds that make up the model portfolio, (ii) the use of the model portfolio in a client's best interest, or (iii) any security in particular, and is intended for use only by a third party financial professional, with other information, as a resource to help build a portfolio or as an input in the development of investment advice for its own clients. Financial professionals are responsible for making their own independent judgment as to how to use this information in its client's best interest. Only an investor and their financial professional know enough about their circumstances to make an investment decision. First Trust does not have investment discretion over, nor does it place trade orders for, any non-First Trust portfolios or accounts derived from this information. Performance of any account or portfolio derived from this information may vary materially from the performance shown herein. There is no guarantee that any investment strategy illustrated will be successful or achieve any particular result.

Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns.

This information is subject to change and does not guarantee future results. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether or not allocations are appropriate for their clients.

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Performance Summary

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception[3]
Alternatives Model	1.54%	3.31%	11.54%	13.11%	10.44%	7.53%	—	5.70%
First Trust Multi-Strategy Alternative ETF*	1.52%	3.26%	11.30%	12.84%	10.21%	—	—	8.56%
ICE BofA 3-Month U.S. Treasury Bill Index[2]	0.27%	0.89%	2.65%	3.65%	4.49%	3.70%	—	2.60%

Calendar Year Total Returns	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Alternatives Model	—	—	-3.60%	6.19%	0.08%	9.86%	3.66%	1.60%	8.94%	10.90%
First Trust Multi-Strategy Alternative ETF*	—	—	—	—	—	—	—	—	8.76%	10.70%
ICE BofA 3-Month U.S. Treasury Bill Index[2]	—	—	1.87%	2.28%	0.67%	0.05%	1.46%	5.01%	5.25%	4.18%

*First Trust Multi-Strategy Alternative ETF (LALT) performance since fund inception on 1/31/23.

[2]On December 31, 2024, the benchmark changed from the Credit Suisse AllHedge Index to the ICE BofA 3-Month U.S. Treasury Bill Index This change was applied retroactively from the model's inception date. This change was made to move to a broad-based benchmark that measures the model's performance relative to a risk-free rate.

[3]Inception date of the Alternatives model is 8/31/17.

The Credit Suisse AllHedge Index is an asset-weighted hedge fund index derived from the market leading Credit Suisse Hedge Fund Index. The Credit Suisse AllHedge Index provides a rules-based measure of an investable portfolio. Index performance data is published monthly and constituents are rebalanced semi-annually according to the sector weights of the Credit Suisse Hedge Fund Index. The ICE BofA 3-Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. In order to qualify for inclusion, securities must be auctioned on or before the third business day before the last business day of the month and settle before the following calendar month end. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.

Important Information Regarding Performance

Performance shown is for illustrative purposes only and represents the performance of a First Trust seed account (the "Account") which does not pay advisory fees. The performance is net of the fees paid by the ETFs in the model and trading commissions paid by the Account of $0.03 per share on all trades through December 31, 2019. From January 1, 2020 to April 30, 2020, Account performance results did not include the effect of commissions. As of May 1, 2020, Account performance results reflect commissions of $0.01 per share on all trades. Advisory fees and trading costs paid by investors who follow the model could be higher, which could affect individual performance results.

The First Trust Multi-Strategy Alternative ETF (the "Fund") is an exchange traded fund advised by FTA and follows the same investment strategy that the Account follows. The Fund pays an advisory fee of 0.20%, as well as other expenses associated with the Fund's trading, operations, and underlying fund investments. Effective November 1, 2022, the management fee the Fund pays FTA will be discounted as the Fund's net assets reach certain predefined levels. Please read the Fund's prospectus for more information about the Fund's fees and risks.

Past performance is no guarantee of future results. Returns for periods of less than one year are cumulative total returns and for periods longer than one year are average annualized total returns. Please see the performance table on the following page for standardized performance of the ETFs which are included in the model.

In evaluating the performance information, a reader should consider the following:

- The Account purchased the ETFs in the model at their market price which reflects any premium or discount of an ETF's market price to its net asset value (NAV). Performance is based on each ETF's closing market price.
- Performance of the Account assumes dividends received from the ETFs are held in cash and are reinvested when the model is rebalanced.
- This ETF model strategy is only available to retail investors through unaffiliated third-party advisors that offer account management and other services to retail investors.
- Performance of the Account does not represent the results of any retail investor account following the model strategy.
- There is no guarantee that an investment following the model strategy will achieve performance similar to that presented and may vary significantly from the performance shown.
- The actual performance results of an investor utilizing a third-party advisor for account management would be lower as a result of the management fees, trading costs and custodial fees charged by third party firms. Additionally, actual trading fees may be higher than the commissions rates described above.
- The returns of the Fund are based on its NAV at the time of calculation. Fund shares are purchased and sold on an exchange at their market price rather than NAV, which may cause the shares to trade at a price greater than NAV (premium) or less than NAV (discount).

Please Note: Performance figures do not include the fees and expenses of an investor's financial professional, custodian or other investment professionals.

Standardized Fund Performance

		Expense Ratios		1 Year Returns		5 Year Returns		10 Year Returns		Since Inception	
Ticker	Inception Date	Net	Total	NAV	Market Price	NAV	Market Price	NAV	Market Price	NAV	Market Price
FMF	08/01/13	N/A	0.98%	13.03%	13.06%	5.95%	5.72%	3.00%	3.01%	2.19%	2.19%
FAAR	05/18/16	N/A	0.98%	17.49%	17.55%	7.45%	7.45%	4.92%	4.93%	4.45%	4.46%
FTGC	10/22/13	N/A	0.98%	40.51%	40.30%	13.99%	13.96%	8.80%	8.82%	3.70%	3.69%
FTLS	09/08/14	N/A	1.38%	10.75%	10.80%	10.96%	10.97%	9.72%	9.73%	9.02%	9.03%
IEF[4]	07/22/02	0.15%	0.15%	-3.72%	-3.74%	-2.05%	-2.06%	0.10%	0.09%	3.21%	3.21%
LMBS	11/04/14	N/A	0.66%	1.56%	1.39%	2.80%	2.81%	2.32%	2.31%	2.83%	2.82%
FLSP[4]	12/18/19	0.65%	0.65%	11.50%	10.71%	8.63%	8.55%	—	—	4.51%	4.57%
LALT	01/31/23	N/A	1.18%	12.84%	12.87%	—	—	—	—	8.56%	8.61%

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com, www.ishares.com and www.franklintempleton.com.

NAV returns are based on the fund's net asset value which represents the fund's net assets (assets less liabilities) divided by the fund's outstanding shares. **Market Price** returns are determined by using the midpoint of the national best bid offer price ("NBBO") as of the time that the fund's NAV is calculated. Returns are average annualized total returns.

[4]Source: Morningstar. Please see sponsor's website for complete performance information pertaining to non-First Trust funds.

The Investment Advisor for the First Trust funds LMBS and FTGC has implemented fee breakpoints, which reduce the funds' investment management fee at certain assets levels. Please see the funds' Statement of Additional Information for full details.

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Risk Considerations

You should consider a fund's investment objectives, risks, and charges and expenses carefully before investing. Contact First Trust Portfolios L.P. at 1-800-621-1675 or visit www.ftportfolios.com to obtain a prospectus or summary prospectus which contains this and other information about a First Trust fund. The prospectus or summary prospectus should be read carefully before investing.

You could lose money by investing in a fund. An investment in a fund is not a deposit of a bank and is not insured or guaranteed. There can be no assurance that a fund's objective(s) will be achieved. Investors buying or selling shares on the secondary market may incur customary brokerage commissions. Please refer to each fund's prospectus and Statement of Additional Information for additional details on a fund's risks. The order of the below risk factors does not indicate the significance of any particular risk factor.

Asset-backed securities are a type of debt security and are generally not backed by the full faith and credit of the U.S. government and are subject to the risk of default on the underlying asset or loan, particularly during periods of economic downturn.

Unlike mutual funds, shares of the fund may only be redeemed directly from a fund by authorized participants in very large creation/redemption units. If a fund's authorized participants are unable to proceed with creation/redemption orders and no other authorized participant is able to step forward to create or redeem, fund shares may trade at a premium or discount to a fund's net asset value and possibly face delisting and the bid/ask spread may widen.

Investments in bank loans are subject to the same risks as other debt securities, but the risks may be heightened because of limited public information available and because loan borrowers may be leveraged and tend to be more adversely affected by changes in market or economic conditions. The secondary market for bank loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

During periods of falling interest rates if an issuer calls higher-yielding debt instruments, a fund may be forced to invest the proceeds at lower interest rates, likely resulting in a decline in the fund's income.

A fund that effects all or a portion of its creations and redemptions for cash rather than in-kind may be less tax-efficient.

The failure or bankruptcy of a fund's and the subsidiary's clearing broker could result in substantial loss of fund assets.

Collateralized loan obligations ("CLOs") carry additional risks, including the possibility that distributions from collateral securities will not be adequate to make interest or other payments, the quality of the collateral may decline in value or default, the possibility that the investments in CLOs are subordinate to other classes or tranches, and the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Because the shares of CEFs cannot be redeemed upon demand, shares of many CEFs will trade on exchanges at market prices rather than net asset value, which may cause the shares to trade at a price greater than NAV (premium) or less than NAV (discount). A fund that invests in the shares of CEFs involves additional expenses that would not be present in a direct investment in the underlying funds. In addition, a fund's investment performance and risks will be related to the investment performance and risks of the underlying funds. CEFs may utilize leverage and the fund may be indirectly exposed to leverage.

Commodity prices can have significant volatility, and exposure to commodities can cause the value of a fund's shares to decline or fluctuate in a rapid and unpredictable manner.

Investments linked to the prices of commodities may be considered speculative and subject a fund to greater volatility than investments in traditional securities.

To avoid exceeding position limits set by the Commodity Futures Trading Commission, a fund may have to liquidate commodity contract positions at disadvantageous times or prices which may result in substantial loss of fund assets.

A Commodity Trust is not registered as an investment company under the 1940 Act and therefore, investors in such trusts will not have all the protections offered to investors in registered investment companies.

A fund may invest a significant percentage of its assets in a small number of ETFs. As a result, declines in the value or performance of one or more ETFs could have a significant negative impact on a fund's net asset value and your investment. A fund's performance will be largely dependent on the performance of these ETFs. In addition, if a fund holds a significant percentage of an ETF's outstanding shares, its purchases and sales may affect the ETF's size, market price, liquidity, bid/ask spreads, portfolio turnover, transaction costs, tax efficiency and ability to trade underlying securities advantageously. These risks may be greater for newer ETFs.

The fund may invest in ETPs that are advised by or affiliated with the Advisor providing a financial incentive for the fund to invest in ETPs for which it also serves as investment advisor. The Advisor may invest in an affiliated ETP even in circumstances where an unaffiliated ETP may have lower fees or better performance over certain time periods.

A convertible security is exposed to risks associated with both equity and debt securities. The value of convertibles may rise and fall with the market value of the underlying stock or vary with changes in interest rates and credit quality of the issuer.

A fund may be subject to the risk that a counterparty will not fulfill its obligations which may result in significant financial loss to a fund.

An issuer or other obligated party of a debt security may be unable or unwilling to make dividend, interest and/or principal payments when due and the value of a security may decline as a result.

An investment in credit default swaps involves greater risks than if a fund had invested in the reference obligation directly. These risks include general market, liquidity, counterparty, credit and leverage risks.

Ratings assigned by a credit rating agency are opinions of such entities, not absolute standards of credit quality and they do not evaluate risks of securities. Any shortcomings or inefficiencies in the process of determining credit ratings may adversely affect the credit ratings of the securities held by a fund and their perceived or actual credit risk.

Changes in currency exchange rates and the relative value of non-US currencies may affect the value of a fund's investments and the value of a fund's shares.

Investments linked to the prices of currencies may be considered speculative and subject a fund to greater volatility than investments in traditional securities.

Current market conditions risk is the risk that a particular investment, or shares of the fund in general, may fall in value due to current market conditions. For example, changes in governmental fiscal and regulatory policies, disruptions to banking and real estate markets, actual and threatened international armed conflicts and hostilities, and public health crises, among other significant events, could have a material impact on the value of the fund's investments.

A fund is susceptible to operational risks through breaches in cyber security. Such events could cause a fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss.

Investments in debt securities subject the holder to the credit risk of the issuer and the value of debt securities will generally change inversely with changes in interest rates. In addition, debt securities generally do not trade on a securities exchange making them less liquid and more difficult to value.

Depositary receipts may be less liquid than the underlying shares in their primary trading market and distributions may be subject to a fee. Holders may have limited voting rights, and investment restrictions in certain countries may adversely impact their value.

The use of derivatives instruments involves different and possibly greater risks than investing directly in securities including counterparty risk, valuation risk, volatility risk, and liquidity risk. Further, losses because of adverse movements in the price or value of the underlying asset, index or rate may be magnified by certain features of the derivatives.

Investments in emerging market securities are generally considered speculative and involve additional risks relating to political, economic and regulatory conditions.

Energy companies are subject to certain risks, including volatile fluctuations in price and supply of energy fuels, international politics, terrorist attacks, reduced demand, the success of exploration projects, natural disasters, clean-up and litigation costs relating to oil spills and environmental damage, and tax and other regulatory policies of various governments. Oil production and refining companies are subject to extensive federal, state and local environmental laws and regulations regarding air emissions and the disposal of hazardous materials and may be subject to tariffs. In addition, oil prices are generally subject to extreme volatility.

Equity securities may decline significantly in price over short or extended periods of time, and such declines may occur in the equity market as a whole, or they may occur in only a particular country, company, industry or sector of the market.

A fund may invest in the shares of other ETFs, which involves additional expenses that would not be present in a direct investment in the underlying funds. In addition, a fund's investment performance and risks may be related to the investment performance and risks of the underlying funds.

Exchange-traded notes ("ETNs") are unsecured debt obligations whose valuation may be impacted by a downgrade in the issuer's credit rating. Additionally, the value of the ETN may be affected by time to maturity, the level of supply and demand for the ETN, volatility and lack of liquidity of the underlying market, changes in interest rates, and other economic or political events that affect the underlying market or assets.

Extension risk is the risk that, when interest rates rise, certain obligations will be paid off by the issuer (or other obligated party) more slowly than anticipated, causing the value of these debt securities to fall. Rising interest rates tend to extend the duration of debt securities, making their market value more sensitive to changes in interest rates.

Floating rate securities are structured so that the security's coupon rate fluctuates based upon the level of a reference rate. As a result, the coupon on floating rate securities will generally decline in a falling interest rate environment, causing a fund to experience a reduction in the income it receives from the security. A floating rate security's coupon rate resets periodically according to the terms of the security. Consequently, in a rising interest rate environment, floating rate securities with coupon rates that reset infrequently may lag behind the changes in market interest rates.

Trading on foreign commodity markets is not regulated by any U.S. government agency and may involve risks not applicable to U.S. exchanges.

The market for forward contracts is substantially unregulated and can experience lengthy periods of illiquidity, unusually high trading volume and other negative impacts, such as political intervention. Forward contracts can increase a fund's risk exposure to underlying references and their attendant risks, such as credit risk, currency risk, market risk, and interest rate risk, while also exposing a fund to counterparty risk, liquidity risk and valuation risk, among others.

The frequent trading of commodity futures contracts may increase the amount of commissions or mark-ups that a fund pays when it buys and sells contracts which may detract from a fund's performance.

The risk of a position in a futures contract may be very large compared to the relatively low level of margin a fund is required to deposit and a relatively small price movement in a futures contract may result in immediate and substantial loss relative to the size of margin deposit.

A commodity price may change substantially between periods of trading due to adverse news announcements.

High yield securities, or "junk" bonds, are less liquid and are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, are considered to be highly speculative.

A fund's income may decline when interest rates fall or if there are defaults in its portfolio.

A fund may be a constituent of one or more indices or models which could greatly affect a fund's trading activity, size and volatility.

As inflation increases, the present value of a fund's assets and distributions may decline.

Information technology companies are subject to certain risks, including rapidly changing technologies, short product life cycles, fierce competition, aggressive pricing and reduced profit margins, loss of patent, copyright and trademark protections, cyclical market patterns, evolving industry standards and regulation and frequent new product introductions.

The yield on an interest-only security is extremely sensitive to the rate of principal payments on the underlying mortgage assets and a rapid payment rate may have an adverse effect on a fund's yield to maturity from these securities. Conversely, principal-only securities tend to decline in value if prepayments are slower than anticipated.

Interest rate risk is the risk that the value of the debt securities in a fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term debt securities and higher for longer-term debt securities.

Inverse floating rate securities are a type of debt instrument that has a coupon rate that varies inversely with a benchmark rate. Inverse floaters create effective leverage and will typically be more volatile and involve greater risk than the fixed rate municipal bonds underlying the inverse floaters.

Large capitalization companies may grow at a slower rate than the overall market.

Leverage may result in losses that exceed the amount originally invested and may accelerate the rates of losses. Leverage tends to magnify, sometimes significantly, the effect of any increase or decrease in a fund's exposure to an asset or class of assets and may cause the value of a fund's shares to be volatile and sensitive to market swings.

Certain fund investments may be subject to restrictions on resale, trade over-the-counter or in limited volume, or lack an active trading market. Illiquid securities may trade at a discount and may be subject to wide fluctuations in market value.

The portfolio managers of an actively managed portfolio will apply investment techniques and risk analyses that may not have the desired result.

Market risk is the risk that a particular security, or shares of a fund in general may fall in value. Securities are subject to market fluctuations caused by such factors as general economic conditions, political events, regulatory or market developments, changes in interest rates and perceived trends in securities prices. Shares of a fund could decline in value or underperform other investments as a result. In addition, local, regional or global events such as war, acts of terrorism, spread of infectious disease or other public health issues, recessions, natural disasters or other events could have significant negative impact on a fund.

A fund faces numerous market trading risks, including the potential lack of an active market for fund shares due to a limited number of market makers. Decisions by market makers or authorized participants to reduce their role or step away in times of market stress could inhibit the effectiveness of the arbitrage process in maintaining the relationship between the underlying values of a fund's portfolio securities and a fund's market price.

Investments in companies that are the subject of a publicly announced transaction carry the risk the transaction is renegotiated, takes longer to complete than originally planned and that the transaction is never completed. Any such event could cause a fund to incur a loss. The risk/reward payout of merger arbitrage strategies typically is asymmetric, with the losses in failed transactions often far exceeding the gains in successful transactions.

Master limited partnerships ("MLPs") are subject to certain risks, including price and supply fluctuations caused by international politics, energy conservation, taxes, price controls, and other regulatory policies of various governments. In addition, there is the risk that MLPs could be taxed as corporations, resulting in decreased returns from such MLPs.

The benefit a fund derives from its investment in MLPs is largely dependent on their being treated as partnerships for U.S. federal income tax purposes. A change in current tax law or a change in the underlying business mix of a given MLP could result in an MLP being treated as a corporation for income tax purposes which would result in the MLP being required to pay income tax at the applicable corporate tax rate.

A fund that holds cash or invests in money market or short-term securities may be less likely to achieve its investment objective and could lose money.

Mortgage-related securities are more susceptible to adverse economic, political or regulatory events that affect the value of real estate.

The values of municipal securities may be adversely affected by local political and economic conditions and developments. Income from municipal securities could be declared taxable because of, among other things, unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of an issuer.

There are no government or agency guarantees of payments in securities offered by non- government issuers, therefore they are subject to the credit risk of the issuer. Non-agency securities often trade "over-the-counter" and there may be a limited market for them making them difficult to value.

A fund classified as "non-diversified" may invest a relatively high percentage of its assets in a limited number of issuers. As a result, a fund may be more susceptible to a single adverse economic or regulatory occurrence affecting one or more of these issuers, experience increased volatility and be highly concentrated in certain issuers.

Securities of non-U.S. issuers are subject to additional risks, including currency fluctuations, political risks, withholding, lack of liquidity, lack of adequate financial information, and exchange control restrictions impacting non-U.S. issuers.

A fund and a fund's advisor may seek to reduce various operational risks through controls and procedures, but it is not possible to completely protect against such risks. The fund also relies on third parties for a range of services, including custody, and any delay or failure related to those services may affect the fund's ability to meet its objective.

The prices of options are volatile and the effective use of options depends on a fund's ability to terminate option positions at times deemed desirable to do so. There is no assurance that a fund will be able to effect closing transactions at any particular time or at an acceptable price.

High portfolio turnover may result in higher levels of transaction costs and may generate greater tax liabilities for shareholders.

Preferred securities combine some of the characteristics of both common stocks and bonds. Preferred stocks are typically subordinated to other debt instruments in terms of priority to corporate income, and therefore will be subject to greater credit risk than those debt instruments.

The market price of a fund's shares will generally fluctuate in accordance with changes in the fund's net asset value ("NAV") as well as the relative supply of and demand for shares on the exchange, and a fund's investment advisor cannot predict whether shares will trade below, at or above their NAV.

Prepayment risk is the risk that the issuer of a debt security will repay principal prior to the scheduled maturity date. Debt securities allowing prepayment may offer less potential for gains during a period of declining interest rates, as a fund may be required to reinvest the proceeds of any prepayment at lower interest rates.

Real Estate Investment Trusts ("REITs") are subject to the risks of investing in real estate, including, but not limited to, changes in the real estate market, vacancy rates and competition, volatile interest rates and economic recession. Increases in interest rates typically lower the present value of a REIT's future earnings stream and may make financing property purchases and improvements more costly. The value of a fund will generally decline when investors in REIT stocks anticipate or experience rising interest rates.

If a fund's counterparty defaults on its obligations and a fund is delayed or prevented from recovering collateral, or if the value of the collateral is insufficient, a fund may realize a loss.

A fund may be unable to sell a restricted security on short notice or only sell them at a price below current value.

Companies that issue loans tend to be highly leveraged and thus are more susceptible to the risks of interest deferral, default and/or bankruptcy. Loans are usually rated below investment grade but may also be unrated. As a result, the risks associated with these loans are similar to the risks of high-yield fixed income instruments. The senior loan market has seen a significant increase in loans with weaker lender protections which may impact recovery values and/or trading levels in the future.

Short selling creates special risks which could result in increased gains or losses and volatility of returns. Because losses on short sales arise from increases in the value of the security sold short, such losses are theoretically unlimited.

A fund with significant exposure to a single asset class, country, region, industry, or sector may be more affected by an adverse economic or political development than a broadly diversified fund.

Securities of small- and mid-capitalization companies may experience greater price volatility and be less liquid than larger, more established companies.

Investments in sovereign bonds involve special risks because the governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due. In times of economic uncertainty, the prices of these securities may be more volatile than those of corporate debt or other government debt obligations.

Subsidiary investment risk applies to a fund that invests in certain securities through a wholly-owned subsidiary of the fund that is organized under the laws of the Cayman Islands ("Subsidiary"). Changes in the laws of the U.S. and/or Cayman Islands could result in the inability of a fund to operate as intended. The Subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Thus, a fund that is an investor in the Subsidiary will not have all the protections offered to investors in registered investment companies.

Swap agreements may involve greater risks than direct investment in securities and could result in losses if the underlying reference asset does not perform as anticipated. In addition, many swaps trade over-the-counter and may be considered illiquid.

If a fund does not qualify as a RIC for any taxable year and certain relief provisions were not available, a fund's taxable income would be subject to tax at the fund level and to a further tax at the shareholder level when such income is distributed. Further, there may be other tax implications to a fund based on the type of investments in a fund.

Trading on an exchange may be halted due to market conditions or other reasons. There can be no assurance that a fund's requirements to maintain the exchange listing will continue to be met or be unchanged.

Securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.

A fund may hold securities or other assets that may be valued on the basis of factors other than market quotations. This may occur because the asset or security does not trade on a centralized exchange, or in times of market turmoil or reduced liquidity. Portfolio holdings that are valued using techniques other than market quotations, including "fair valued" assets or securities, may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used. There is no assurance that a fund could sell or close out a portfolio position for the value established for it at any time.

A fund may invest in securities that exhibit more volatility than the market as a whole.

The purchase of securities on a when-issued, TBA ("to be announced"), delayed delivery or forward commitment basis may give rise to investment leverage and increase a fund's volatility and exposure to default.

"Whipsaw" markets in which significant price movements develop but then repeatedly reverse, may cause substantial losses for a fund.

Zero coupon bonds do not pay interest on a current basis, they may be highly volatile, and they do not produce cash flow. A fund could be forced to liquidate zero coupon bond securities at an inopportune time to generate cash to distribute to shareholders as required by tax laws.

First Trust Advisors L.P. is registered as a commodity pool operator and commodity trading advisor and is also a member of the National Futures Association.

First Trust Advisors L.P. (FTA) is the adviser to the First Trust funds. FTA is an affiliate of First Trust Portfolios L.P., the First Trust funds' distributor.

Please visit www.ftportfolios.com for the holdings of each First Trust fund and to read a full description of each fund's specific risks before investing.