

FDN Reaches a New Milestone: Lessons Learned Over 15 Years

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One of First Trust's largest and most popular exchange-traded funds (ETFs), the First Trust Dow Jones Internet Index Fund (FDN), reached its 15th anniversary on June 19, 2021. Since its launch, FDN has produced an admirable track record, offering investment professionals an attractive investment option for their clients, with a cumulative total return of 1,086%, compared to 878% for the S&P 500 Information Technology Index, and 358% for the S&P 500 Index (see chart below). As we consider other thematic growth opportunities that lie on the horizon, we believe there are important lessons that can be learned by looking back at FDN over the past decade and a half.

Volatility is the price of performance.

To benefit from FDN's outperformance over the past 15 years, investors had to accept volatility. Since inception, FDN has had seven drawdowns greater than 20%.¹ On average, that's nearly one every other year. In other words, most investors had ample opportunities to think they had bought at the wrong time. Volatility may lead many investors to move money out of the market and "sit on the sidelines" until things "calm down." We believe the wiser course of action is to review your plan with your financial professional and from there, decide if any action is indeed necessary. History has shown that those who chose to stay the course were rewarded for their patience more often than not.

Yesterday's winners are usually not tomorrow's.

While FDN's holdings currently represent more than 14% of the S&P 500 Index's market capitalization, with three stocks in the index's top 10 holdings, this wasn't the case 15 years ago when FDN's holdings were just 0.8% of the S&P 500 Index.² For much of the past 15 years, investors didn't have much exposure to internet stocks by simply owning a fund linked to the S&P 500 Index. We believe thematic investing may help investors gain exposure to the growth potential of trends that may be tomorrow's winners, but are not well represented in broad market indices today.

Valuations are important, but not the only factor to consider.

Disruptive, high growth themes like the internet can remain "expensive" for long periods of time. As of 6/30/06, FDN traded at 24x forward one-year earnings estimates. That may sound "cheap" today, but on that same day, the S&P 500 Index traded at just 16x forward one-year earnings estimates, making FDN almost 50% more expensive. While relative (and absolute) valuations have fluctuated significantly since 2006, on average, FDN has been approximately 54% more expensive than the S&P 500 Index. Looking back, FDN was "cheaper" than the S&P 500 Index in just one out of the past 60 quarters (on 6/30/2008).² In other words, those that were waiting for a bargain to buy internet stocks probably never got in.

As FDN celebrates its 15th birthday, more and more investment professionals have come to recognize the potential of thematic investing. According to Morningstar, assets in thematic funds grew from \$49 billion at the beginning of 2020 to \$160 billion, as of 3/31/21. As investment professionals seek to add value for their clients, we believe thematic ETFs may be effective tools for many years to come.

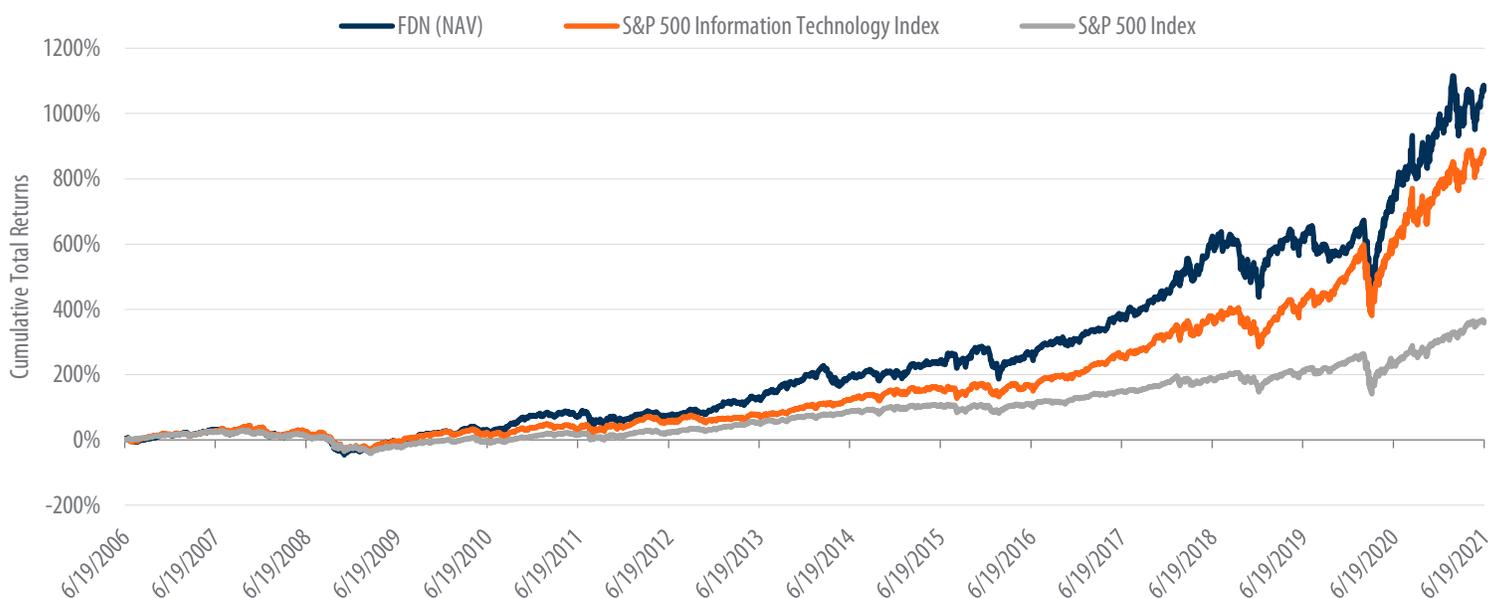
Sources:

¹Bloomberg, as of 6/28/21.

²FactSet. Earnings estimates are based on one-year weighted harmonic average price/earnings.

FDN vs. S&P 500 Information Technology Index and S&P 500 Index Cumulative Total Returns

6/19/2006 - 6/18/2021



Source: Bloomberg, First Trust Advisors.

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.

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Performance Summary (%) as of 3/31/21	1 Year	5 Year	10 Year	Since Fund Inception
FDN Performance*				
Net Asset Value (NAV)	76.26	26.15	19.63	17.57
Market Price	76.37	26.15	19.62	17.58
Index Performance**				
Dow Jones Internet Composite Index SM	77.17	26.85	20.31	18.22
S&P Composite 1500 Information Technology Index	67.88	27.33	20.01	15.93
S&P 500 Information Technology Index	66.61	27.64	20.50	16.15
S&P 500 Index	56.35	16.29	13.91	10.47

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Inception date 6/19/2006. Gross Expense Ratio: 0.51%. Net Expense Ratio: 0.51%. Expenses are capped contractually at 0.60% per year, at least until April 30, 2022.

*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. The fund's performance reflects fee waivers and expense reimbursements, absent which performance would have been lower.

** Performance information for the Dow Jones Internet Composite IndexSM is for illustrative purposes only and does not represent actual fund performance. 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. The **S&P Composite 1500 Information Technology Index** is a capitalization weighted index of companies classified by GICS as information technology within the S&P Composite 1500 Index. The **S&P 500 Index** is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The **S&P 500 Information Technology Index** is an unmanaged index which includes the stocks in the information technology sector of the S&P 500 Index. The **Dow Jones Internet Composite IndexSM** is designed to measure the performance of the 40 largest and most actively traded stocks of U.S. companies in the internet industry.

You should consider the 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 the fund. The prospectus or summary prospectus should be read carefully before investing.

Risk Considerations

The fund lists and principally trades its shares on the NYSE Arca, Inc.

The fund's return may not match the return of the Dow Jones Internet Composite IndexSM. Securities held by the fund will generally not be bought or sold in response to market fluctuations.

Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Market prices may differ to some degree from the net asset value of the shares. Investors who sell fund shares may receive less than the share's net asset value. Shares may be sold throughout the day on the exchange through any brokerage account. However, unlike mutual funds, shares may only be redeemed directly from the fund by authorized participants, in very large creation/redemption units. If the 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 discount to the fund's net asset value and possibly face delisting.

The fund's shares will change in value, and you could lose money by investing in the fund. One of the principal risks of investing in the fund is market risk. Market risk is the risk that a particular stock owned by the fund, fund shares or stocks in general may fall in value. There can be no assurance that the fund's investment objective will be achieved. The outbreak of the respiratory disease designated as COVID-19 in December 2019 has caused significant volatility and declines in global financial markets, which have caused losses for investors. While the development of vaccines has slowed the spread of the virus and allowed for the resumption of "reasonably" normal business activity in the United States, many countries continue to impose lockdown measures in an attempt to slow the spread. Additionally, there is no guarantee that vaccines will be effective against emerging variants of the disease.

The fund may invest in small capitalization and mid capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

The fund invests in information technology companies, which 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 frequent new product introductions. Certain companies may be smaller and less experienced companies, with limited product lines, markets or financial resources. Information technology company stocks, especially those which are Internet related, have experienced extreme price and volume fluctuations that are often unrelated to their operating performance.

The fund is classified as "non-diversified" and may invest a relatively high percentage of its assets in a limited number of issuers. As a result, the 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.

First Trust Advisors L.P. is the adviser to the fund. First Trust Advisors L.P. is an affiliate of First Trust Portfolios L.P., the fund's distributor.

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