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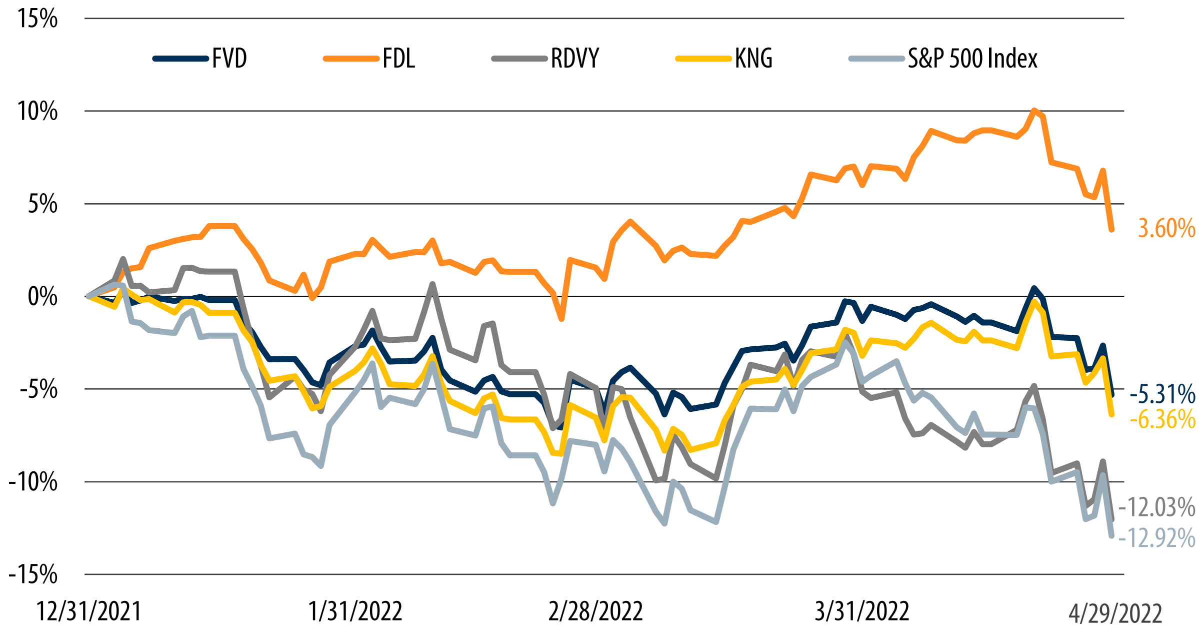
Heightened Volatility Yields a Resurgence for Dividend ETFs

Dividend ETFs seem to have grown in popularity, with net inflows totaling $17.0 billion over the past 3 months and $44.5 billion over the past 12 months, as of 4/29/22. In April, while equity ETFs overall endured $5.9 billion of net outflows, dividend ETFs reported net inflows totaling $7.8 billion[1]. The increase in demand for dividend ETFs can partly be attributed to the strong relative performance many of these ETFs have provided this year. We expect demand to remain robust for those investors seeking exposure to higher quality stocks, alternative sources of income, and potential dividend growth. To achieve these ends, dividend ETFs employ a variety of strategies. Below, we provide a brief overview of four of our dividend ETFs, highlighting some of the key differences between each approach.

Chart 1: First Trust Dividend ETF Year-to-Date Returns (NAV)



Source: Bloomberg 12/31/21- 4/29/22.

Dividend Sustainability – Winning by Not Losing

First Trust Value Line® Dividend Index Fund (FVD)

We believe strategies focused on dividend sustainability should favor high-quality companies operating in relatively stable or mature industries. Through various stages of an economic cycle, these companies may be able to avoid the dreaded dividend cut and potential downside risk that often follows.

The First Trust Value Line® Dividend Index Fund (FVD) is an ETF that seeks dividend paying stocks with strong balance sheets, relatively stable prices, and above average dividend yields. This process begins by utilizing Value Line's® research to identify US-listed stocks ranked 1 or 2 (out of 5) for "Safety". Safety rankings are determined by a stock's price volatility over the prior five years, as well as an assessment of its financial strength. The latter is measured by several quantitative factors, such as debt-to-capital ratios, amount of cash on hand, level and consistency of sales and profits, and returns on capital. The industry in which a company operates and its position and performance within that industry are also considered. This rigorous evaluation of company fundamentals is intended to help avoid stocks whose dividends initially appear attractive but face a higher risk of being cut. Lastly, from this screened universe, the strategy selects stocks that have a market capitalization of at least $1 billion and an indicated dividend yield higher than that of the S&P 500 Index. The portfolio is equally weighted to eliminate single stock risk and the selection process is repeated monthly.

[1]Source: FactSet.

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.

First Trust

High Dividend Yield – An Additional Source of Income

First Trust Morningstar Dividend Leaders Index Fund (FDL)

Strategies focused on high dividend-yielding stocks have been around for many years and have often appealed to investors seeking to augment their investment income. By definition, a high dividend yield implies a stock's price is relatively low compared to its dividend. In some instances, this reflects a perception that dividend cuts could be forthcoming. Consequently, we believe dividend sustainability is key for high dividend yield ETFs.

The First Trust Morningstar Dividend Leaders Index Fund (FDL) is an ETF that selects 100 of the highest dividend-yielding stocks from the Morningstar® US Market Index℠, excluding any securities issuing dividend payments that do not constitute qualifying income (e.g., real estate investment trusts). Stocks that have cut dividend payments over the past five years are excluded from the strategy, as are those whose forecasted earnings per share do not exceed its indicated dividend per share. We believe this provides fundamental support for the prospect of future dividend payments. The portfolio is weighted based on the total dollar value of indicated dividend payments made by its constituents. The weighting of each holding is capped to enhance portfolio diversification. The index is rebalanced quarterly and reconstituted annually.

Dividend Growth – Keeping Up with Inflation

First Trust Rising Dividend Achievers ETF (RDVY)

Dividend growth strategies are often appealing to investors concerned about high inflation eroding the buying power of their investment income. Thus, the focus for such strategies is not necessarily on the highest dividend-yielding stocks today, but rather on total return and dividend-payers that may be well-positioned to raise dividends in the future.

The First Trust Rising Dividend Achievers ETF (RDVY) selects 50 U.S. stocks that have characteristics supportive of dividend growth. Potential holdings must have a history of raising dividends (over the prior three and five years) supported by earnings growth (over the prior three years). Dividend payout ratios must be below 65% to favor companies that are reinvesting profits in pursuit of future growth. Cash to debt ratios must be above 50%, providing a margin of safety for dividend policies. Finally, 50 stocks with the most attractive combination of dividend growth, dividend yield, and payout ratio are selected, subject to a maximum of 30% from any one sector. The stocks are equally weighted initially and on each rebalancing effective date. The portfolio is reconstituted annually and rebalanced quarterly.

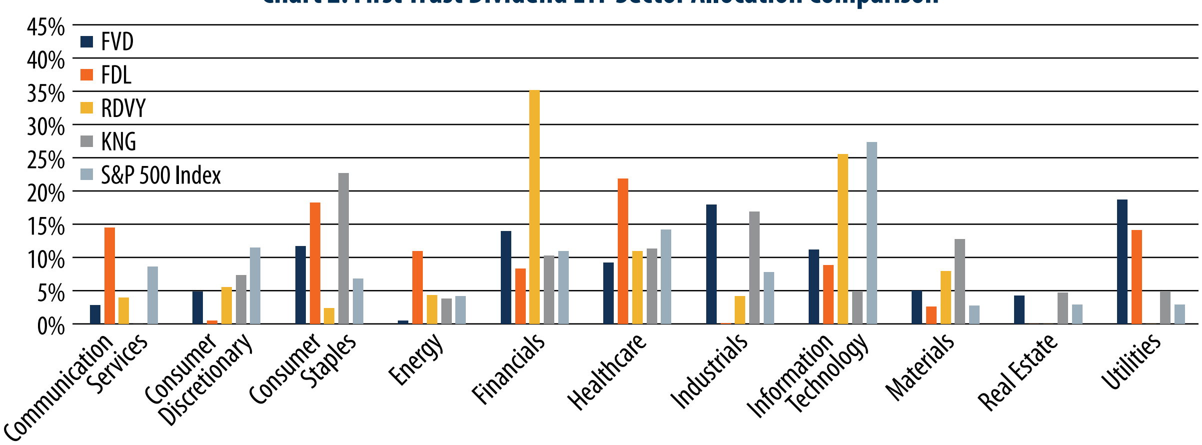
Dividends Plus – Monetizing Volatility with Covered Calls

FT Cboe Vest S&P 500® Dividend Aristocrats Target Income ETF® (KNG)

Investors seeking a higher level of income may also be attracted to dividend ETFs that utilize covered call strategies to bolster distributions. Such strategies generate additional income by selling call options on underlying portfolio holdings. Options premiums are generally higher during periods of increased market volatility.

The FT Cboe Vest S&P 500® Dividend Aristocrats Target Income ETF® (KNG) employs a relatively simple selection process on an annual basis. The portfolio includes stocks from the S&P 500 Index, which have raised dividends for a minimum of 25 consecutive years and meet certain market capitalization and liquidity requirements. As of 4/29/22, there were just 64 stocks that have accomplished this unusual feat. In addition to dividends, this ETF generates income by writing covered calls on a portion of its portfolio, targeting a distribution rate that is approximately 3% higher than the dividend yield of the S&P 500 Index (before fees). While KNG is allowed to write calls on up to 20% of the notional value of each of its individual holdings, its income objective can generally be achieved with a much smaller overwrite percentage. This is important because performance is capped for shares against which a covered call has been written. As of 3/31/22, the option overwrite percentage for KNG was just 5.37%, meaning 94.63% of the portfolio had no constraints on upside participation.

Chart 2: First Trust Dividend ETF Sector Allocation Comparison



Source: Bloomberg and FactSet. As of 4/29/22.

Sector Allocations for Dividend ETFs

Based on their underlying strategies, dividend ETFs provide varying sector exposures (see Chart 2). For example, FVD's focus on high quality and low volatility has led to an overweight in dividend payers from the industrials (17.9%) and utilities (18.7%) sectors. By focusing on high dividend yield, FDL's largest sector exposures are to the health care (21.9%) and consumer staples (18.3%) sectors. RDVY, which invests in stocks believed to have strong prospects for future dividend growth, has its largest allocations to the financials (35.2%) and information technology (25.6%) sectors. Finally, by targeting stocks with a long history of raising dividends, KNG allocates to mature companies from a variety of sectors, with its largest allocations to the consumer staples (22.7%), industrials (16.9%), materials (12.7%) and health care (11.3%) sectors.

This year has brought a renewed focus on dividend ETFs, and we believe this trend is likely to continue. With numerous ETFs from which to choose, there are no "one size fits all" solutions. Rather, different dividend ETFs may help investors achieve a variety of objectives, such as gaining exposure to higher quality stocks, alternative sources of income, or potential dividend growth. As always, we believe that investment professionals play a key role in determining which ETFs best meet investors' needs.

Performance Summary (%) as of 3/31/22	Expense Ratios[2] Gross	Net	Inception Date	1 Year	5 Year	10 Year	Since Fund Inception
FDL Performance*							
Net Asset Value (NAV)	0.46%	0.45%	3/9/2006	18.83	9.63	11.81	8.07
Market Price				18.82	9.64	11.82	8.06
Index Performance**							
Morningstar® Dividend Leaders Index℠				19.56	10.24	12.41	8.62
S&P 500 Index				15.65	15.99	14.64	10.45
FVD Performance*[3]							
Net Asset Value (NAV)	0.67%	0.67%	8/19/2003	13.47	10.23	12.21	10.11
Market Price				13.47	10.23	12.21	10.11
Index Performance**							
Value Line® Dividend Index				14.37	11.14	13.13	N/A
Dow Jones U.S. Select Dividend™ Index				16.30	11.31	12.84	N/A
S&P 500 Index				15.65	15.99	14.64	10.63
KNG Performance*[4]							
Net Asset Value (NAV)	N/A	0.75%	3/26/2018	11.41	N/A	N/A	12.64
Market Price				11.30	N/A	N/A	12.64
Index Performance**							
Cboe S&P 500 Dividend Aristocrats Target Income Index Monthly Series				12.28	N/A	N/A	13.52
S&P 500 Dividend Aristocrats Index				12.62	N/A	N/A	14.12
S&P 500 Index				15.65	N/A	N/A	16.25
RDVY Performance*							
Net Asset Value (NAV)	N/A	0.50%	1/6/2014	8.97	14.82	N/A	13.49
Market Price				8.96	14.82	N/A	13.50
Index Performance**							
Nasdaq US Rising Dividend Achievers™ Index				9.56	15.45	N/A	14.11
Dow Jones U.S. Select Dividend™ Index				16.30	11.31	N/A	11.76

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.

*__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.

****Performance information for the indexes 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.

[2]Pursuant to contract, First Trust has agreed to waive fees and/or pay fund expenses to prevent the net expense ratio of the fund from exceeding 0.45% per year, at least until April 30, 2023 for FDL and from exceeding 0.70% per year, at least until April 30, 2023 for FVD.

[3]On December 15, 2006, FVD acquired the assets and adopted the performance history of the First Trust Value Line® Dividend Fund, a closed-end fund. The investment goals, strategies and policies of the fund are substantially similar to those of the predecessor fund. Performance information for periods prior to December 15, 2006 is based on the performance history of the predecessor fund and reflects the operating expenses of the predecessor fund.

[4]On March 1, 2021, the Cboe Vest S&P 500® Dividend Aristocrats Target Income ETF (the "Target Fund") was reorganized into the FT Cboe Vest S&P 500® Dividend Aristocrats Target Income ETF (the "Acquiring Fund"). Pursuant to the reorganization, the assets of the Target Fund were transferred to, and the liabilities of the Target Fund were assumed by, the Acquiring Fund. The Target Fund was incepted on March 26, 2018. The Acquiring Fund was incepted on February 24, 2021.

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

Risk Considerations

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 SAI 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.

Unlike mutual funds, shares of a 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.

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 success of consumer discretionary companies is tied closely to the performance of the overall U.S. and international economies, interest rates, competition, consumer confidence, disposable household income and consumer spending. Changes in demographics and consumer tastes can also affect the demand for consumer discretionary products.

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.

The writer of a covered call option foregoes any profit from increases in the market value of the underlying security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss if the underlying security declines in value. The Fund will have no control over the exercise of the option by the option holder and may lose the benefit from any capital appreciation on the underlying security.

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.

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.

Companies that issue dividend-paying securities are not required to continue to pay dividends on such securities. Therefore, there is a possibility that such companies could reduce or eliminate the payment of dividends in the future.

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.

Financial services companies are subject to the adverse effects of economic recession, currency exchange rates, government regulation, decreases in the availability of capital, volatile interest rates, portfolio concentration in geographic markets, industries or products, and competition from new entrants in their fields of business.

Health care companies may be affected by government regulations and government health care programs, increases or decreases in the cost of medical products and services and product liability claims, among other factors. Many health care companies are heavily dependent on patent protection, and the expiration of a company's patent may adversely affect that company's profitability. Health care companies are also subject to competitive forces that may result in price discounting, may be thinly capitalized and susceptible to product obsolescence.

An index fund will be concentrated in an industry or a group of industries to the extent that the index is so concentrated. A fund with significant exposure to a single asset class, or the securities of issuers within the same country, state, region, industry, or sector may have its value more affected by an adverse economic, business or political development than a broadly diversified fund.

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.

There is no assurance that the index provider or its agents will compile or maintain the index accurately. Losses or costs associated with any index provider errors generally will be borne by a fund and its shareholders.

Industrials and producer durables companies are subject to certain risks, including the general state of the economy, intense competition, consolidation, domestic and international politics, excess capacity and consumer demand and spending trends. They may also be significantly affected by overall capital spending levels, economic cycles, technical obsolescence, delays in modernization, labor relations, and government regulations.

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.

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.

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, or other events could have significant negative impact on a fund. In February 2022, Russia invaded Ukraine which has caused and could continue to cause significant market disruptions and volatility within the markets in Russia, Europe, and the United States. The hostilities and sanctions resulting from those hostilities could have a significant impact on certain fund investments as well as fund performance. The COVID-19 global pandemic has caused and may continue to cause significant volatility and declines in global financial markets. While the U.S. has resumed "reasonably" normal business activity, many countries continue to impose lockdown measures. Additionally, there is no guarantee that vaccines will be effective against emerging variants of the disease.

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.

An index fund's return may not match the return of the index for a number of reasons including operating expenses, costs of buying and selling securities to reflect changes in the index, and the fact that a fund's portfolio holdings may not exactly replicate the index.

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.

A fund that invests in securities included in or representative of an index will hold those securities regardless of investment merit and the fund generally will not take defensive itions in declining markets.

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

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.

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

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.

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.

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

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 investments are appropriate for their clients.

Definitions

A **call option** is a contract that gives one party the right to purchase shares of a security from another at a specified price and expiration date. The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance.

This material is not intended to be relied upon as investment advice or recommendations.

Not FDIC Insured • Not Bank Guaranteed • May Lose Value