First Trust Energy Sector ETF Primer

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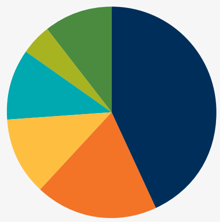
Spurning the boom-and-bust cycle of the energy industry over the last decade, many investors have reduced their exposure to energy stocks in recent years. However, a post-pandemic rebound in demand for oil and natural gas, relatively tight supply, and geopolitical events have contributed to higher fossil fuel prices this year, fueling a rally in both earnings and stock performance for the energy sector. In this report, we review the methodologies of four First Trust ETFs that provide exposure to different facets of energy. To see the latest research and long-term outlook for energy stocks, see the Q3 2022 Inside First Trust ETFs newsletter.

First Trust Energy AlphaDEX® Fund (FXN)

Chart 1



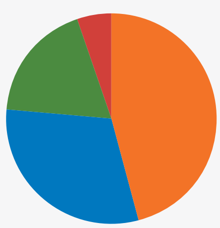
FXN is comprised of energy stocks selected from the Russell 1000® Index based on favorable factor characteristics. The AlphaDEX methodology begins by ranking constituent stocks from the Russell 1000® Index on growth factors (price appreciation over 3, 6, and 12 months, sales to price ratio, and one-year sales growth), and value factors (book value to price ratio, cash flow to price ratio, and return on assets). After eliminating the bottom scoring 25% (while keeping a minimum of 40 stocks), the portfolio is divided into quintiles. Higher scoring quintiles are assigned a larger weight in the portfolio, and within each quintile, stocks are equally weighted. This process is repeated on a quarterly basis.

The AlphaDEX methodology seeks to favor stocks with stronger investment merit while avoiding the top-heavy concentration often found in market-cap weighted benchmarks. For example, the top five holdings for the S&P 500 Energy sector accounted for 64% of its weight, as of 7/31/22. On the other hand, FXN's top five holdings accounted for 24.5%, and the fund had more exposure to mid- and small-cap stocks (47.4%, as of 7/31/22) than the S&P 500 energy sector (10.1% exposure to mid-caps and no exposure to small-caps, as of 7/31/22).

FXN provides exposure to several energy sub-industries (Chart 1). As of 7/31/22, the ETF's largest allocations were to oil & gas exploration & production (43.3%), oil & gas storage & transportation (18.7%), integrated oil & gas (12.0%), and oil & gas refining and marketing (10.8%).

First Trust North American Energy Infrastructure Fund (EMLP)

Chart 2



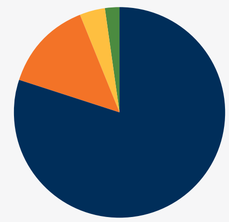
EMLP is an actively-managed ETF that invests in US and Canadian energy infrastructure stocks and publicly-traded MLPs. Energy Income Partners, LLC (EIP) has been the sub-advisor for EMLP since its launch on 6/22/2012. The ETF targets companies that operate in the non-cyclical segment of the energy industry, which derive most of their revenue from operating or providing services for energy infrastructure assets such as pipelines, oil and gas storage, and electric power transmission.

EMLP seeks to invest in companies operating fee-based (non-cyclical) energy infrastructure assets, with monopoly-like characteristics, inflation escalators or cost pass-throughs, and high payout ratios. Potential holdings are further analyzed to identify those with high quality assets, strong managements teams, and consistent returns on invested capital. Portfolio allocations are determined by EIP's analysis of each company's expected internal rate of return, discounted by various risk factors.

As of 7/31/22, EMLP provided exposure to several sub-industries (Chart 2), including oil & gas storage & transportation (46.8%), electric utilities (16.9%), multi-utilities (13.5%), and gas utilities (7.6%).

First Trust Natural Gas ETF (FCG)

Chart 3

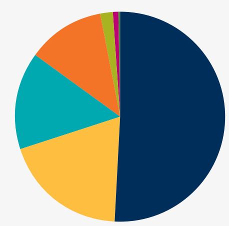


FCG targets US-listed companies that derive a substantial portion of their revenues from the exploration and production of natural gas. The underlying index methodology requires crude oil and natural gas producers to have 30% or greater of their proved reserves in natural gas. After screening for size and liquidity, the index selects all eligible securities issued by non-master limited partnerships (MLPs), as well as the 10 largest MLPs. 85% of the portfolio is allocated to non-MLPs, and 15% is allocated to MLPs. Within each group, a linear-based market cap weighting methodology is applied, capping the weight of any individual holding at 4.5%. Finally, the index is rebalanced and reconstituted on a quarterly basis.

As of 7/31/2022, FCG's top sub-industry allocations (Chart 3) included oil & gas exploration & production (80.1%), oil & gas storage & transportation (13.9%), and integrated oil & gas (3.9%).

First Trust Nasdaq Oil & Gas ETF (FTXN)

Chart 4



FTXN tracks an index of oil and natural gas stocks, with weightings assigned based on certain factor exposures. Starting with the Nasdaq US Benchmark Index, FTXN identifies the 50 most liquid companies involved in oil and gas exploration, drilling, production, or refining, as well as pipeline operators and suppliers of equipment and services for oil production. These stocks are scored based on low volatility (trailing 12-month share price fluctuation), value (cash flow to price ratio), and growth (3, 6, 9 and 12-month price return) factors. Higher scoring stocks are assigned the greatest weight in the index, and the maximum weight of an individual stock is capped at 8%. Finally, the index is rebalanced quarterly and reconstituted annually.

As of 7/31/2022, FTXN's largest sub-industry allocations (Chart 4) included oil & gas exploration & production (50.9%), integrated oil & gas (19.3%), oil & gas refining & marketing (14.9%), and oil & gas storage & transportation (12.0%).

Chart Legend

- Oil & Gas Exploration & Production
- Oil & Gas Storage & Transportation
- Integrated Oil & Gas
- Oil & Gas Refining & Marketing
- Oil & Gas Equipment & Services
- Oil & Gas Drilling
- Utilities
- Renewable Electricity
- Other

Source: Fact Set.

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.

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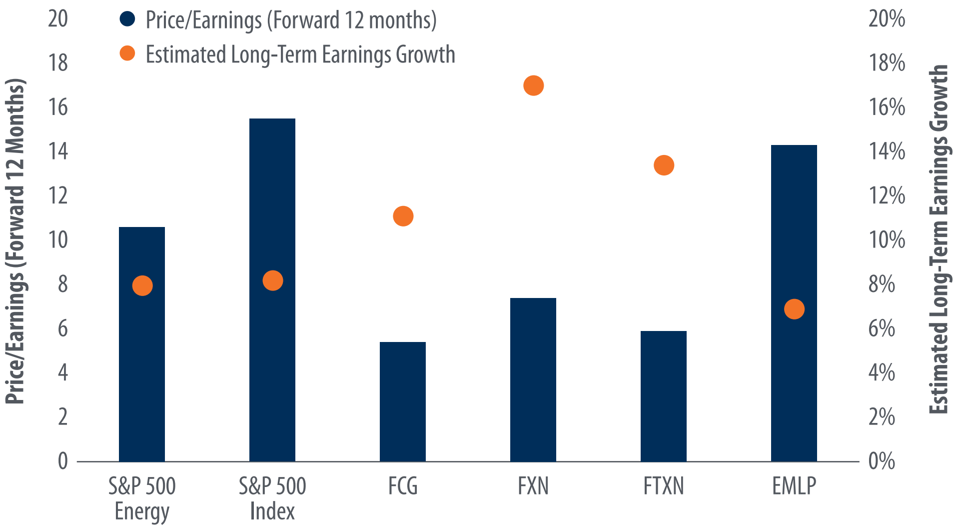
Attractive Earnings Growth Expectations at Discounted Valuations



Source: Bloomberg, as of 7/29/22.

Performance Summary (%) as of 6/30/22	Expense Ratio Gross	Net	Inception Date	1 Year	5 Year	10 Year	Since Fund Inception
EMLP Performance*							
Net Asset Value (NAV)	N/A	0.95%	6/20/2012	8.68	5.05	6.29	6.45
Market Price				8.72	5.06	6.27	6.46
Index Performance**							
S&P 500 Index				-10.62	11.31	12.96	12.98
Blended Benchmark				10.38	6.94	6.68	6.83
FCG Performance*							
Net Asset Value (NAV)	0.61%	0.60%	5/8/2007	37.14	3.73	-10.65	-8.21
Market Price				37.05	3.75	-10.66	-8.21
Index Performance**							
ISE-Revere Natural Gas™ Index				38.03	3.35	-10.82	-8.11
S&P Composite 1500 Energy Index				38.07	6.30	3.58	3.07
Russell 3000® Index				-13.87	10.60	12.57	8.27
FTXN Performance*							
Net Asset Value (NAV)	N/A	0.60%	9/20/2016	30.45	7.69	N/A	4.87
Market Price				30.43	7.69	N/A	4.87
Index Performance**							
Nasdaq US Smart Oil & Gas Index™				31.30	8.41	N/A	5.54
Nasdaq US Benchmark Energy Index				33.21	6.66	N/A	5.45
Nasdaq US Benchmark Index				-14.23	10.65	N/A	11.88
FXN Performance*							
Net Asset Value (NAV)	0.64%	0.64%	5/8/2007	31.94	4.53	0.00	-0.62
Market Price				31.97	4.51	-0.03	-0.62
Index Performance**							
StrataQuant® Energy Index				33.12	5.21	0.57	0.00
Russell 1000® Energy Index				36.30	6.79	3.79	N/A
Russell 1000® Index				-13.04	11.00	12.82	8.42
S&P 500 Energy Index				39.99	7.00	4.29	3.56

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.

FCG and FXN's performance reflect fee waivers and expense reimbursements, absent which performance would have been lower.

FXN's expenses are capped contractually at 0.70% per year, at least through November 30, 2022. FCG's expenses are capped contractually at 0.60% per year, at least through April 30, 2023. Please see the Fees and Expenses of the Fund section in each fund's prospectus for more details.

Definitions

The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance.

Blended Benchmark - The Benchmark consists of the following two indexes: 50% of the PHLX Utility Sector Index which is a market capitalization-weighted index composed of geographically diverse public U.S. utility stocks; and 50% of the Alerian MLP Total Return Index which is a float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities. The Blended Benchmark returns are calculated by using the monthly return of the two indices during each period shown above. At the beginning of each month the two indices are rebalanced to a 50-50 ratio to account for divergence from that ratio that occurred during the course of each month. The monthly returns are then compounded for each period shown above, giving the performance for the Blended Benchmark for each period shown above.

The **ISE-REVERE Natural™ Gas Index** is comprised of exchange-listed companies that derive a substantial portion of their revenues from the exploration and production of natural gas.

The **S&P Composite 1500 Energy Index** is a capitalization-weighted index of companies classified by GICS as energy within the S&P Composite 1500 Index.

The **Russell 3000® Index** is comprised of the 3000 largest and most liquid stocks based and traded in the U.S.

The **Nasdaq US Smart Oil & Gas IndexTM** is a modified factor weighted index created and administered by Nasdaq, Inc. ("Nasdaq") designed to provide exposure to US companies within the oil and gas industry.

The **Nasdaq US Benchmark Energy Index** is a float adjusted market capitalization-weighted index which includes securities in the US Benchmark Index that are classified in the Oil & Gas Industry according to the Industry Classification Benchmark.

The **Nasdaq US Benchmark Index** is a float adjusted market capitalization-weighted index designed to track the performance of securities assigned to the United States.

The **StrataQuant® Energy Index** is an "enhanced" index developed, maintained and sponsored by ICE Data Indices, LLC or its affiliates ("IDI") which employs the AlphaDEX® stock selection methodology to select stocks from the Russell 1000® Index.

The **Russell 1000® Index** is an unmanaged index used to measure the large-cap U.S. equity universe.

The **Russell 1000® Energy Index** is an unmanaged indexes which include the stocks in the energy sector of the Russell 1000® Index.

The **S&P 500 Energy Index** is an unmanaged index which includes the stocks in the energy sector of the S&P 500 Index.

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 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.

The Canadian economy is heavily dependent on the demand for natural resources and agricultural products. Canada is a major producer of certain commodities and any conditions that affect the supply and demand of these products could have a negative impact on the Canadian market as a whole and any a fund that invests in the securities of Canadian issuers.

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.

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.

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.

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.

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.

Energy infrastructure companies may be directly affected by energy commodity prices, especially those companies which own the underlying energy commodity. A decrease in the production or availability of commodities or a decrease in the volume of such commodities available for transportation, processing, storage or distribution may adversely impact the financial performance of energy infrastructure companies. In addition, energy infrastructure companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, which may negatively impact their financial performance.

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.

Stocks with growth characteristics tend to be more volatile than certain other stocks and their prices may fluctuate more dramatically than the overall stock market.

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.

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 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 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.

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

A portfolio comprised of low volatility stocks may not produce investment exposure that has lower variability to changes in such stocks' price levels. Low volatility stocks are likely to underperform the broader market during periods of rapidly rising stock prices.

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

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, 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.

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.

Companies in the natural gas industry are subject to certain risks, including price and supply fluctuations, increased interest rates, fuel prices which will vary with supply and demand factors including weather and general economic and political conditions, and prices of alternative fuels.

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.

General problems of the oil & gas industry include volatile fluctuations in price and supply of energy fuels, international politics, terrorist attacks, reduced demand as a result of increases in energy efficiency and energy conservation, the success of exploration projects, 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. Friction with certain oil producing countries, and between the governments of the United States and other major exporters of oil to the United States, or policy shifts by governmental entities and intergovernmental entities such as OPEC, could put oil exports at risk. In addition, falling oil and gas prices may negatively impact the profitability and business prospects of certain energy companies. Further, global concerns of civil unrest in foreign countries may also affect the flow of oil from such countries.

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.

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 positions in declining markets.

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

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.

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.

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.

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

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.

Utilities companies are subject to imposition of rate caps, increased competition, difficulty in obtaining an adequate return on invested capital or in financing large construction projects, limitations on operations and increased costs attributable to environmental considerations and the capital market's ability to absorb utility debt. Utilities companies may also be affected by taxes, government regulation, international politics, price and supply fluctuations, volatile interest rates and energy conservation.

Value characteristics of a stock may not be fully recognized for a long time or a stock judged to be undervalued may actually be appropriately priced at a low level.

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.

Not FDIC Insured | Not Bank Guaranteed | May Lose Value