Attractive Relative Valuations Bolster the Case for Cybersecurity

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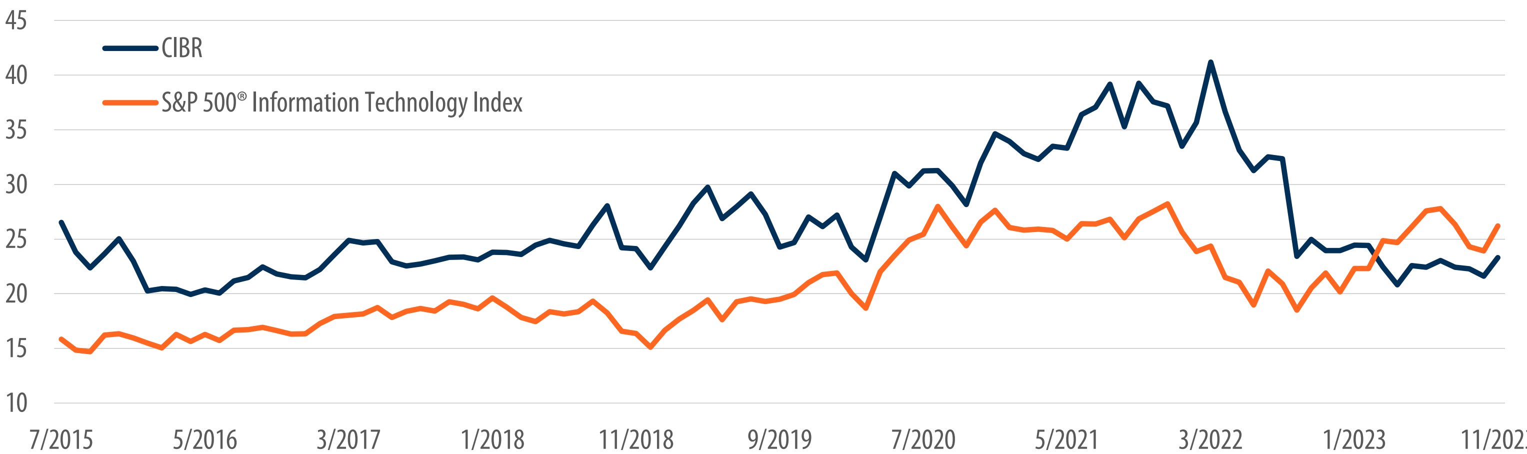
The need for robust cybersecurity has grown more acute as the world has become more digitally interconnected. We can think of very few important secular themes that aren't vulnerable to cyber threats. Artificial intelligence, cloud computing, online shopping, physical infrastructure modernization, and several other themes will depend on cybersecurity for the foreseeable future as a necessary cost of doing business, in our opinion.

Given the focus on growth for most cybersecurity stocks, relatively high valuations have often been expected and generally brushed aside. After all, above average growth usually comes at a cost. But one of the fascinating developments that has occurred in 2023 is that relative valuations for cybersecurity stocks have become meaningfully more attractive, in our opinion, even as stock prices rallied.

Since its launch in July 2015, the First Trust Nasdaq Cybersecurity ETF (CIBR) has traded at a 30% average premium versus the S&P 500® Information Technology Index, based on forward price-to-earnings (P/E).[1] However, as certain technology heavyweights, such as Microsoft, Apple, and NVIDIA Corporation—which together comprise over 60% of the sector—surged this year, the index's forward P/E increased from 20.2 to 26.6.[2] During the same stretch, CIBR's forward P/E decreased slightly, from 24.0 to 23.3, and currently represents an 11% discount to the index[2] (see charts below).

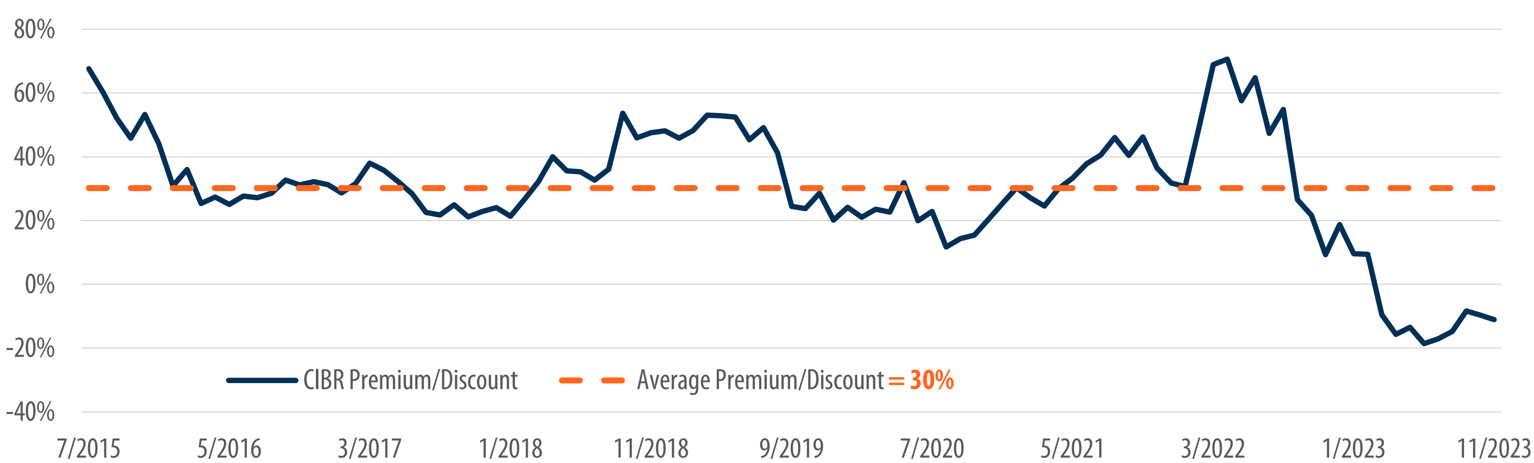
Chart 1: CIBR vs. S&P 500® Information Technology Index Forward P/E



Source: Bloomberg and FactSet. Data from 7/31/15-11/30/23. There is no assurance past trends will continue or forecasts will be achieved.

In our opinion, there are many reasons to be bullish on the long-term prospects for the cybersecurity investment theme, as well as recent developments which may support its near-term growth. For example, increased regulations regarding the disclosure of cyberattacks, heightened geopolitical stressors, and the need to maintain customers' trust amid increasingly sophisticated cyberthreats, to name a few. But one of most compelling aspects of the cybersecurity theme today, in our view, is that relative valuations have rarely been this attractive.

Chart 2: CIBR Average Premium/Discount vs. S&P 500® Information Technology Index based on Forward P/E



Source: Bloomberg and FactSet. Data from 7/31/15-11/30/23. There is no assurance past trends will continue or forecasts will be achieved.

References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable.

[1]Bloomberg and FactSet, based on monthly data from 7/31/15 to 11/30/23.

[2]FactSet, based on monthly data from 12/31/22 to 11/30/23.

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Performance Summary (%) as of 9/29/23

CIBR Performance*	**3 Month**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**Since Fund Inception**
Net Asset Value (NAV)	0.06	17.64	18.29	9.72	10.50	11.13
Market Price	-0.02	17.71	18.28	9.67	10.43	11.12
Index Performance**						
Nasdaq CTA Cybersecurity Index™	0.33	18.44	19.18	10.50	11.31	11.93
S&P Composite 1500® Information Technology Index	-5.72	33.88	40.46	13.37	18.01	20.05
S&P 500® Index	-3.27	13.07	21.62	10.15	9.92	11.31

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.

Inception Date: 7/6/2015. Expense Ratio: 0.60%. The Investment Advisor has implemented fee breakpoints, which reduce the fund's investment management fee at certain assets levels. Please see the fund's SAI for full details.

*__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, except for periods of less than one year, which are cumulative.

**__Performance information for each index listed 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.

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 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.

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.

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.

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. As a means to fight inflation, the Federal Reserve and certain foreign central banks have raised interest rates and expect to continue to do so, and the Federal Reserve has announced that it intends to reverse previously implemented quantitative easing. Recent and potential future bank failures could result in disruption to the broader banking industry or markets generally and reduce confidence in financial institutions and the economy as a whole, which may also heighten market volatility and reduce liquidity. Ongoing armed conflicts between Russia and Ukraine in Europe and among Israel, Hamas and other militant groups in the Middle East, have caused and could continue to cause significant market disruptions and volatility within the markets in Russia, Europe, the Middle East and the United States. The hostilities and sanctions resulting from those hostilities have and could continue to have a significant impact on certain fund investments as well as fund performance and liquidity. The COVID-19 global pandemic, or any future public health crisis, and the ensuing policies enacted by governments and central banks have caused and may continue to cause significant volatility and uncertainty in global financial markets, negatively impacting global growth prospects.

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.

Information technology companies and cyber security companies are generally subject to the risks of 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. Cyber security companies may also be smaller and less experienced companies, with limited product lines, markets, qualified personnel or financial resources.

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.

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.

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.

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.

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.

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.

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 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.

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

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DEFINITIONS

The **Nasdaq CTA Cybersecurity Index™** is designed to track the performance of the most liquid companies engaged in the cybersecurity segment of the technology and industrials sectors.

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

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® Information Technology Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance.

Forward Price-to-Earnings (P/E) is the price of a stock divided by the forecasted earnings per share of the company over the next 12 months.