



First Trust
CLIENT RESOURCE KIT
FALLING RATES

First Trust Portfolios L.P. | Member SIPC | Member FINRA | 1-800-621-1675 | www.ftportfolios.com

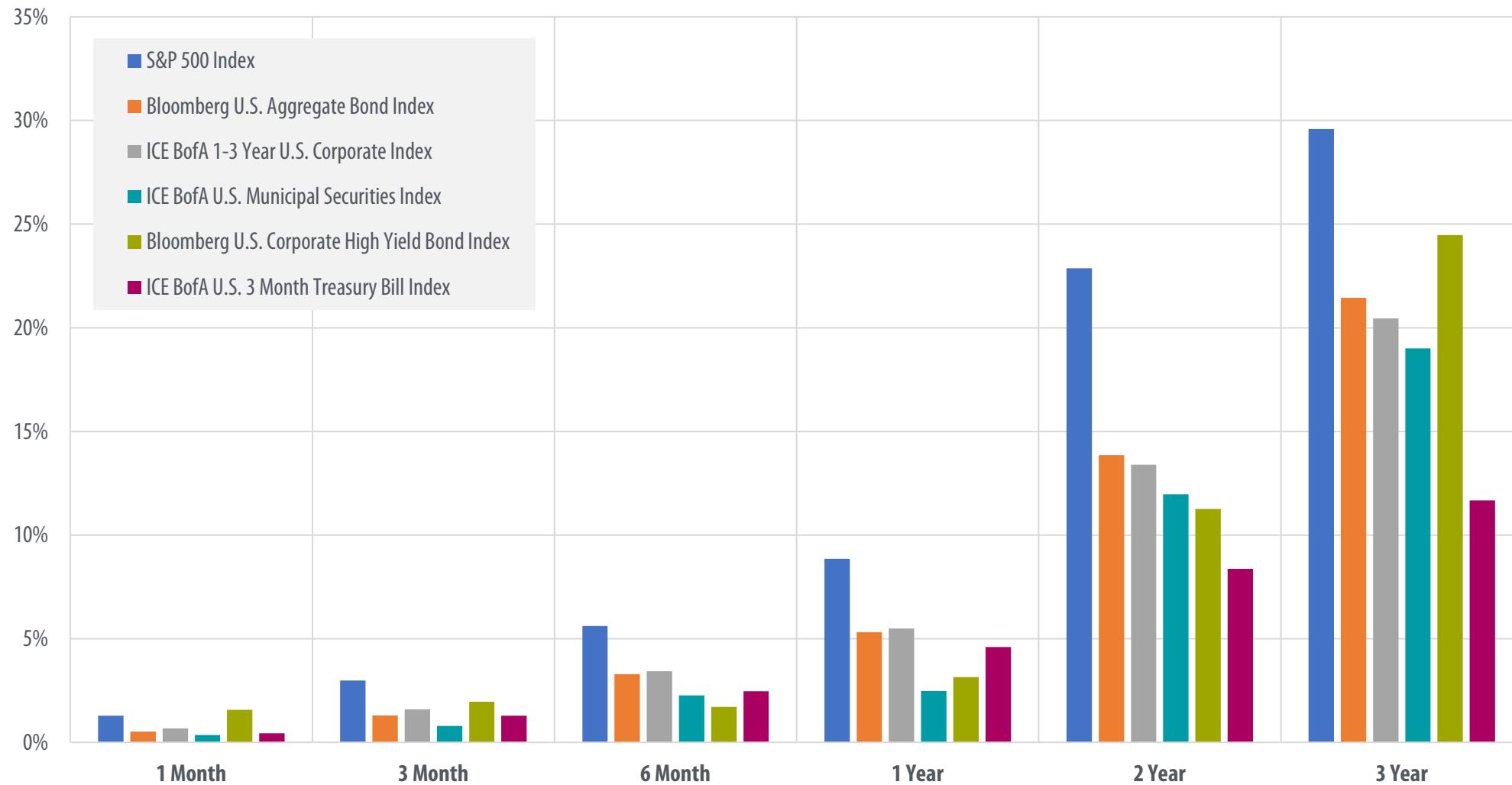


The Federal Reserve cut interest rates at its December 2025 meeting, but it's unclear whether additional cuts will occur in 2026. Lowering interest rates reduces borrowing costs, which can stimulate economic growth by encouraging consumers and businesses to spend and invest, ultimately supporting job creation. Observing how stocks and bonds have responded to rate cuts in past cycles can provide valuable historical perspective.

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.

Asset Class Performance Following First Rate Cut in Last 7 Cycles

First Trust

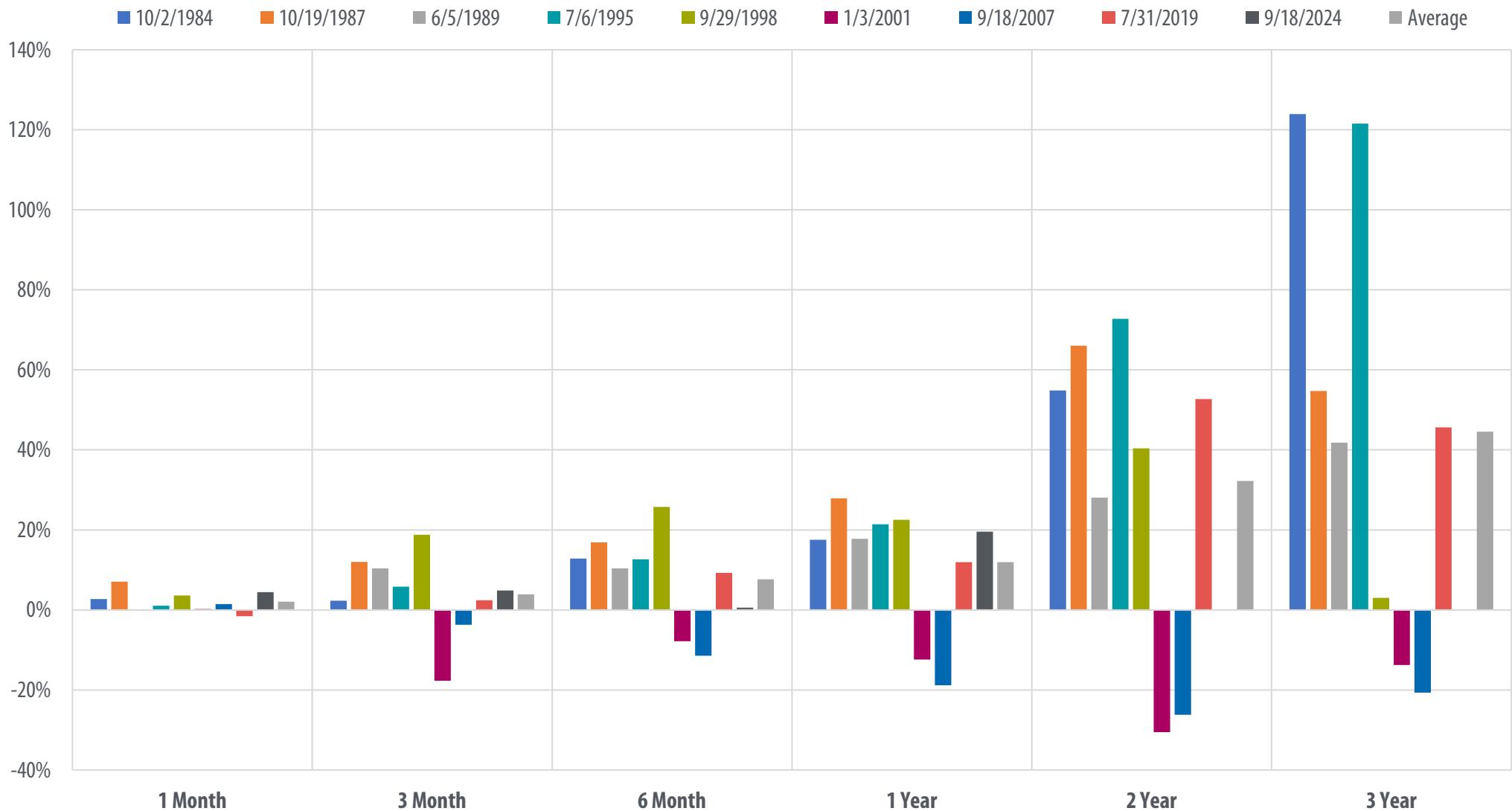


Source: First Trust, Bloomberg. As of 12/31/2025. **Past performance is no guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. These indices are shown over the 1-month, 3-month, 6-month, 1-year, 2-year, and 3-year periods following the first Federal Funds interest rate cuts in the previous 7 cycles by the U.S. Federal Reserve. The start date of the periods are 6/5/89, 7/6/95, 9/29/98, 1/3/01, 9/18/07, 7/31/19, and 9/18/24. **S&P 500 Index** - An index of 500 companies used to measure large-cap U.S. stock market performance. **Bloomberg U.S. Aggregate Bond Index** - Measures the investment grade, USD-denominated, fixed-rate taxable bond market. **ICE BofA 1-3 Year U.S. Corporate Index** - Tracks the performance of USD-denominated investment grade debt publicly issued in the U.S. domestic market, including U.S. Treasury, U.S. agency, foreign government, supranational and corporate securities. **ICE BofA U.S. Municipal Securities Index** - Tracks the performance of USD-denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. **Bloomberg U.S. Corporate High Yield Bond Index** - Measures the USD-denominated, high yield, fixed-rate corporate bond market. **ICE BofA U.S. 3 Month Treasury Bill Index** - Measures the performance of a single issue of outstanding treasury bill which matures closest to, but not beyond, three months from the rebalancing date. Indexes are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

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.

S&P 500 Index Performance Following First Rate Cut

First Trust



Source: First Trust, Bloomberg. As of 12/31/2025. **Past performance is no guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. These indices are shown over the 1-month, 3-month, 6-month, 1-year, 2-year, and 3-year periods following the first Federal Funds interest rate cuts in the previous 9 cycles by the US Federal Reserve. The start date of the periods are 10/2/84, 10/19/87, 6/5/89, 7/6/95, 9/29/98, 1/3/01, 9/18/07, 7/31/19, and 9/18/24. **S&P 500 Index** - An index of 500 companies used to measure large-cap U.S. stock market performance. Indexes are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

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.

Federal Reserve Interest Rate Cut Cycles and the S&P 500 Index



Cycle	Easing Cycle	First Rate Cut	Last Rate Cut	Low Date	Days to Low	Drawdown to Low	Days to End	Annualized Total Return During Cycle*	# of Cuts	Total Cut %
1	1989-1992	6/5/1989	9/4/1992	10/11/1990	493	-8.25%	1,187	11.89%	27	-6.75%
2	1995-1996	7/6/1995	1/31/1996	7/19/1995	13	-0.54%	209	16.29%	3	-0.75%
3	1998	9/29/1998	11/17/1998	10/8/1998	9	-8.54%	49	8.81%	3	-0.75%
4	2001-2003	1/3/2001	6/25/2003	10/9/2002	644	-42.36%	903	-10.89%	22	-5.50%
5	2007-2008	9/18/2007	12/16/2008	11/20/2008	429	-50.49%	455	-31.99%	20	-5.00%
6	2019	7/31/2019	10/30/2019	8/14/2019	14	-4.69%	91	2.73%	3	-0.75%
7	2024	9/18/2024	—	—	—	—	—	—	7	-1.75%**
Average				267	-19.15%	482	-0.53%			

Source: First Trust, Bloomberg. *Returns less than 1 year are not annualized. 1/1/1989 - 12/31/2025. **Total cut TBD. # of cuts is based on increments of 25 basis points. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment.

S&P 500 Index - An unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Indexes are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

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.

Federal Reserve Interest Rate Cut Cycles and Bonds



Cycle	Easing Cycle	First Rate Cut	Last Rate Cut	Low Date	Days to Low	Drawdown to Low	Days to End	Annualized Total Return During Cycle*	# of Cuts	Total Cut %
1	1989-1992	6/5/1989	9/4/1992	6/5/1989	0	0.00%	1,187	11.94%	27	-6.75%
2	1995-1996	7/6/1995	1/31/1996	8/11/1995	36	-1.83%	209	5.98%	3	-0.75%
3	1998	9/29/1998	11/17/1998	11/6/1998	38	-1.20%	49	-0.40%	3	-0.75%
4	2001-2003	1/3/2001	6/25/2003	1/3/2001	0	0.00%	903	9.23%	22	-5.50%
5	2007-2008	9/18/2007	12/16/2008	9/20/2007	2	-0.68%	455	5.67%	20	-5.00%
6	2019	7/31/2019	10/30/2019	7/31/2019	0	0.00%	91	1.81%	3	-0.75%
7	2024	9/18/2024	—	—	—	—	—	—	7	-1.75%**
Average						13	-0.62%	482	5.71%	

Source: First Trust, Bloomberg. *Returns less than 1 year are not annualized. 1/1/1989 - 12/31/2025. **Total cut TBD. # of cuts is based on increments of 25 basis points. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment. Bonds represented by the **Bloomberg U.S. Aggregate Bond Index** which measures the investment grade, USD-denominated, fixed-rate taxable bond market. Indexes are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

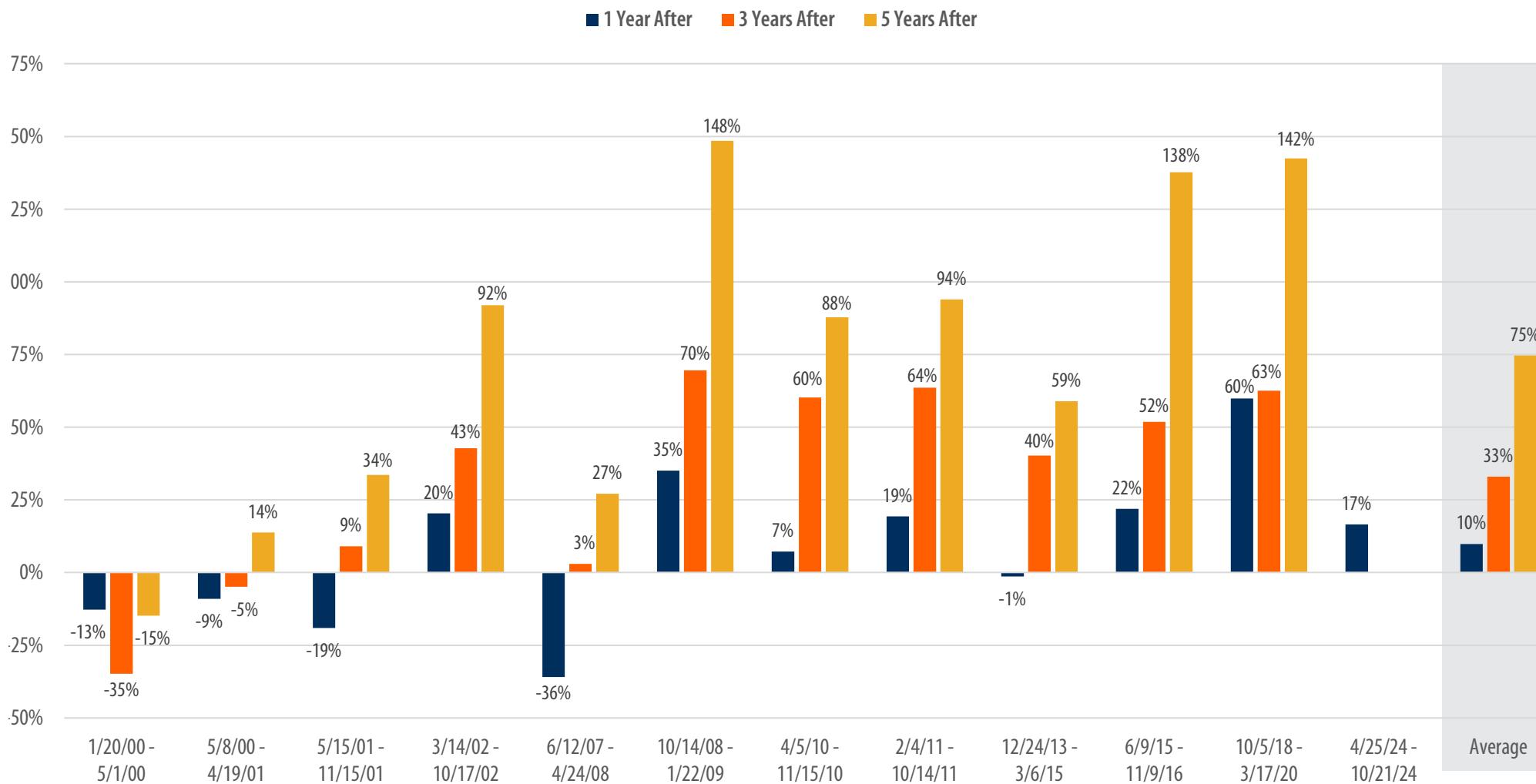
The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory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

Many investors wonder how a fall in interest rates might impact U.S. stocks and various asset class returns. Since January 20, 2000, there have been 13 periods where the yield on the benchmark 10-year U.S. Treasury Note fell by 1% or more without rising by 0.5%. The following charts and tables consider periods of falling rates and can help provide some historical perspective.

Falling Rate Period	Trough Date	Change In Rates (From Start to Trough)
1/20/00 - 5/1/00	4/10/00	-1.02%
5/8/00 - 4/19/01	3/22/01	-1.80%
5/15/01 - 11/15/01	11/7/01	-1.33%
3/14/02 - 10/17/02	10/9/02	-1.84%
6/12/07 - 4/24/08	3/17/08	-1.99%
10/14/08 - 1/22/09	12/30/08	-2.02%
4/5/10 - 11/15/10	10/7/10	-1.60%
2/4/11 - 10/14/11	9/22/11	-1.92%
12/24/13 - 3/6/15	1/30/15	-1.34%
6/9/15 - 11/9/16	7/8/16	-1.08%
10/5/18 - 3/17/20	3/9/20	-2.69%
10/19/23 - 2/13/24	12/27/23	-1.20%
4/25/24 - 10/21/24	9/16/24	-1.09%

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.

STOCK MARKET CUMULATIVE TOTAL RETURNS FOLLOWING INTEREST RATE DECLINES



Source: First Trust, Bloomberg. As of 12/31/2025. Returns are calculated from the falling interest rate period end. Falling interest rate periods are defined as periods where the yield on the benchmark 10-year U.S. Treasury Note fell by 1% or more without rising by 0.5%. **Past performance is not a guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. Stocks are represented by the **S&P 500 Index** which is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Indexes are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

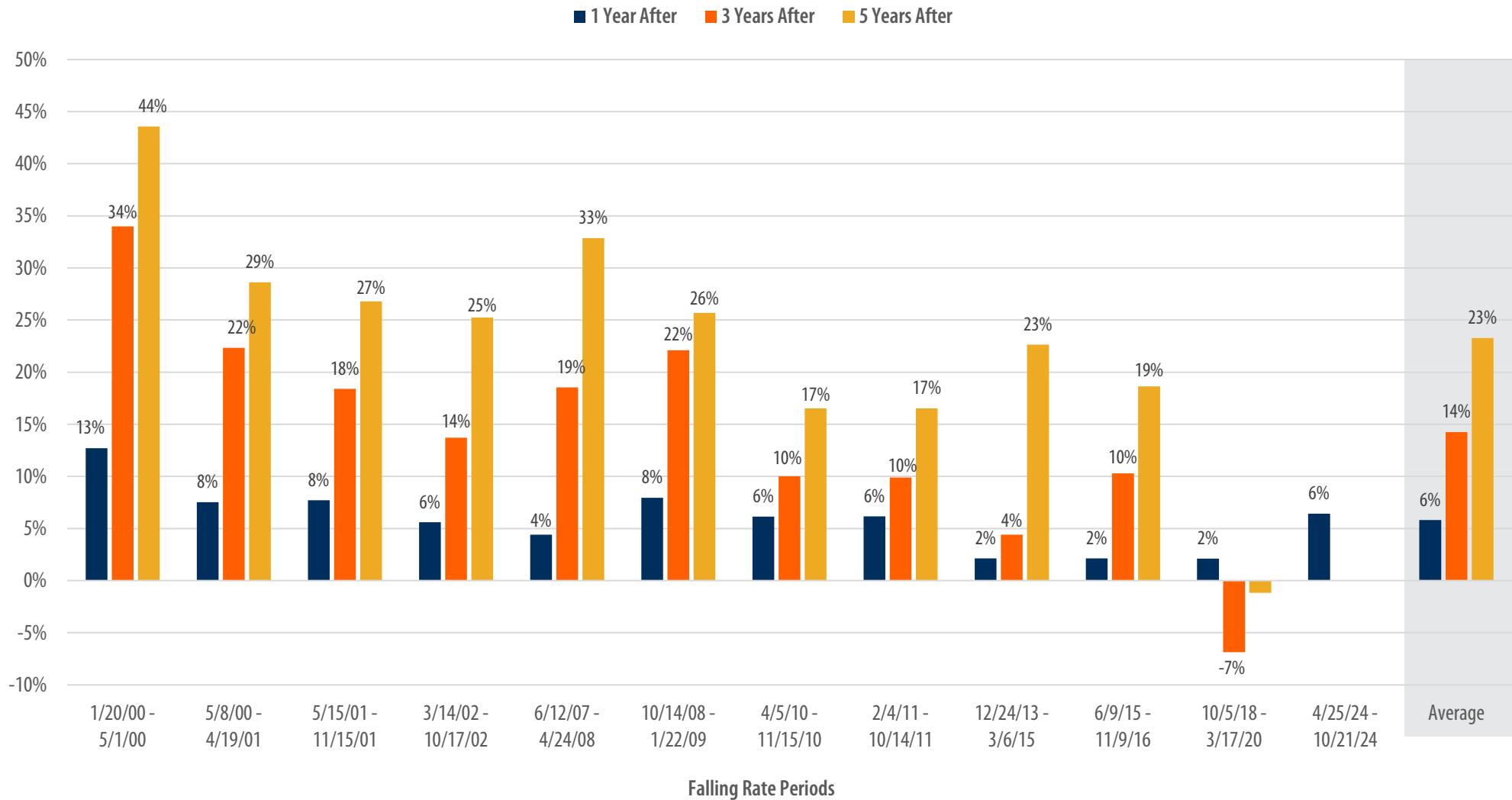
The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory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

Falling Rates & Bond Returns

Bloomberg U.S. Aggregate Bond Index

First Trust

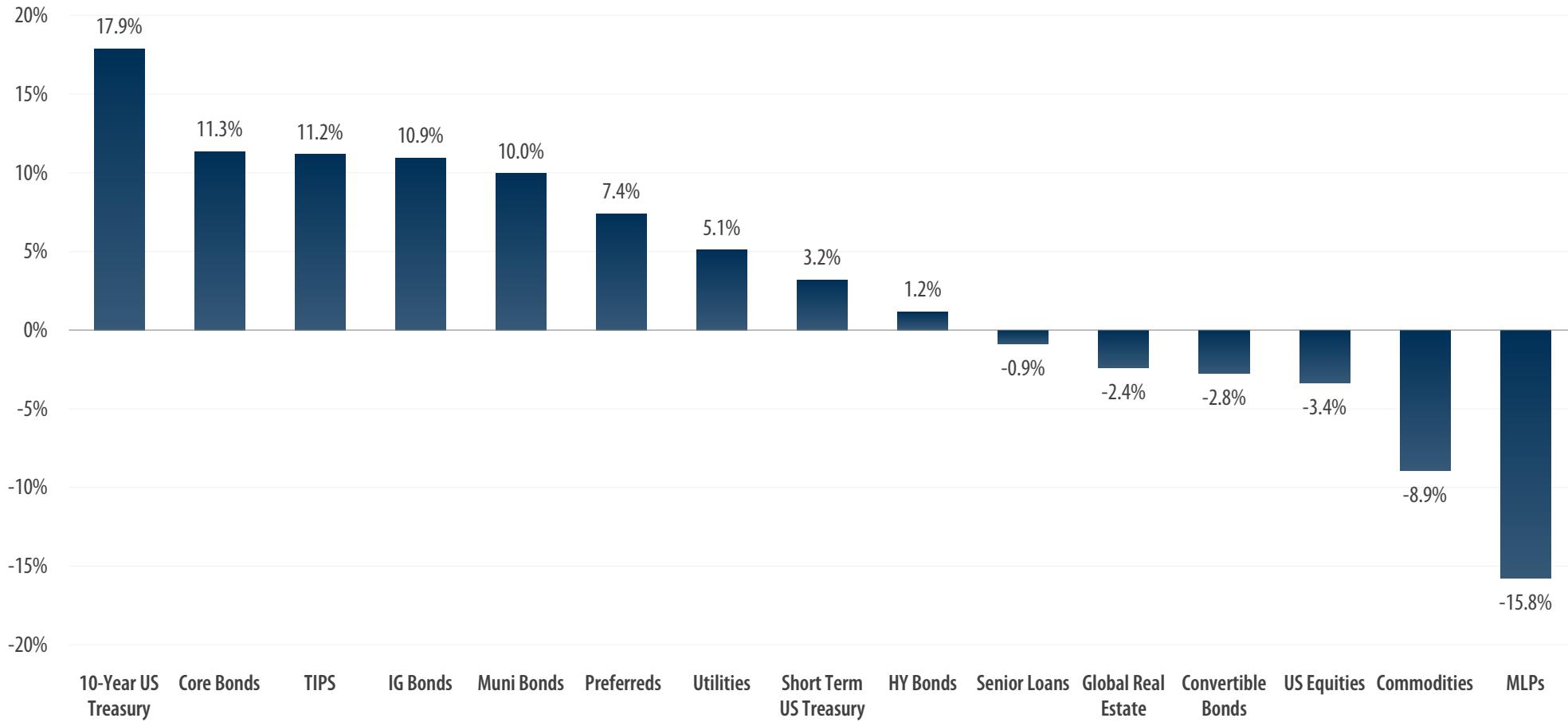
BOND CUMULATIVE TOTAL RETURNS FOLLOWING INTEREST RATE DECLINES



Source: First Trust, Bloomberg. As of 12/31/2025. Returns are calculated from the falling interest rate period end. Falling interest rate periods are defined as periods where the yield on the benchmark 10-year U.S. Treasury Note fell by 1% or more without rising by 0.5%. **Past performance is not a guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. Bonds are represented by the **Bloomberg U.S. Aggregate Bond Index** which measures the investment grade, USD-denominated, fixed-rate taxable bond market. Indexes are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

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.

AVERAGE ANNUAL TOTAL RETURNS DURING FALLING INTEREST RATE PERIODS



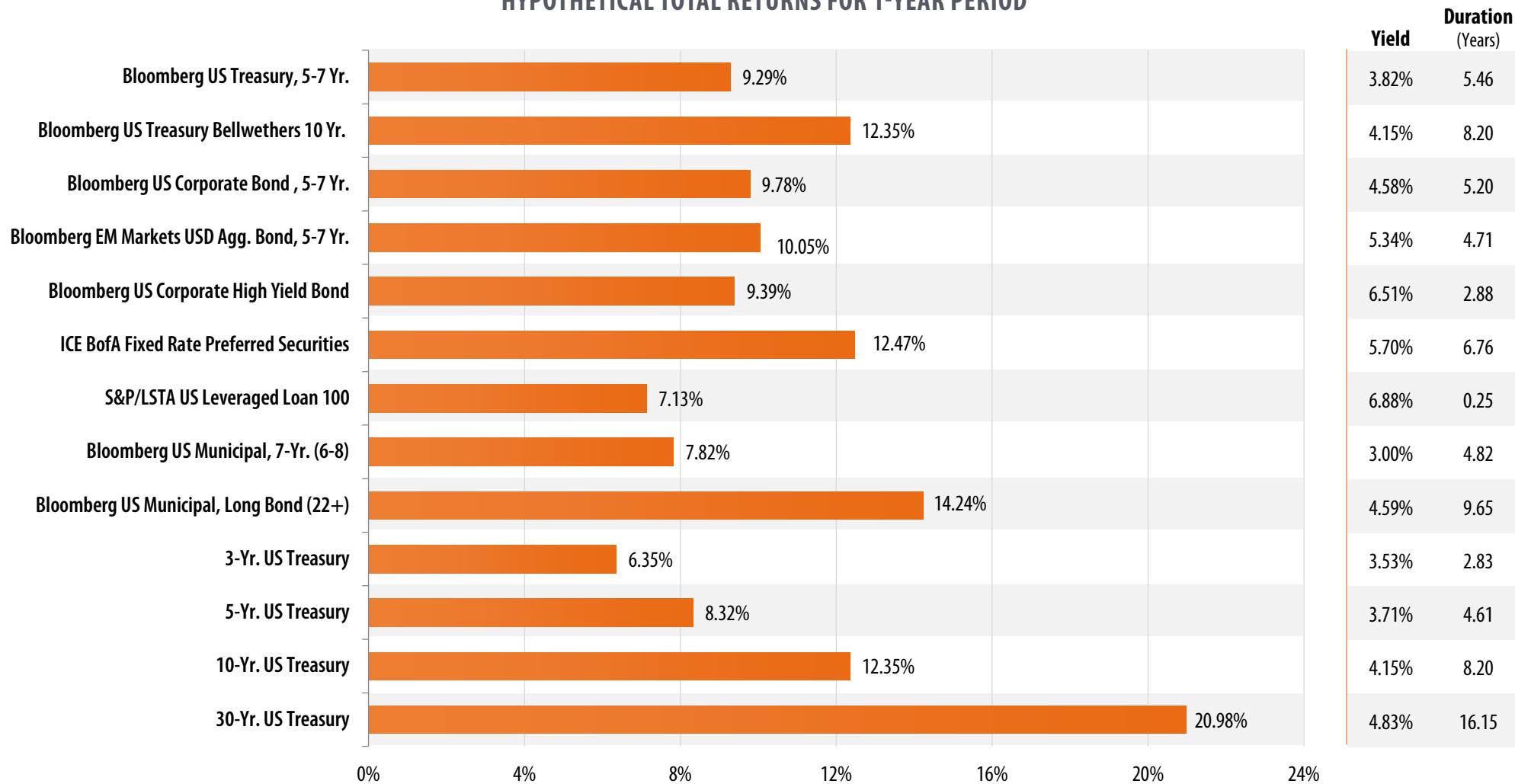
Source: First Trust, Bloomberg. Data includes falling rate periods from 1/20/2000 - 12/31/2025. Falling interest rate periods are defined as periods where the yield on the benchmark 10-year U.S. Treasury Note fell by 1% or more without rising by 0.5%. **Past performance is not a guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. **10-Yr. U.S. Treasury** - Bloomberg U.S. Treasury Bellwethers 10 Year TR Index Value Unhedged USD is a universe of Treasury bonds and used as a benchmark against the market for long-term maturity fixed-income securities. **Commodities** - The Bloomberg Commodity Index provides broad-based exposure to commodities and is designed to be a highly liquid and diversified benchmark. **Convertible Bonds** - ICE BofA US Convertible Index tracks the performance of publicly issued U.S. dollar (USD) denominated convertible securities of U.S. companies. **Core Bonds** - Bloomberg U.S. Aggregate Bond Index measures the investment grade, USD-denominated, fixed-rate taxable bond market. **Global Real Estate** - The MSCI World Real Estate Index is a free float-adjusted market capitalization index that consists of large and mid-cap equity across 23 developed markets countries. **High Yield Bonds** - ICE BofA U.S. High Yield Constrained Index tracks the performance of USD-denominated below investment-grade corporate debt publicly issued in the U.S. domestic market but caps issuer exposure at 2%. **Investment Grade (IG) Bonds** - ICE BofA U.S. Corporate Index tracks the performance of USD-denominated investment-grade corporate debt publicly issued in the U.S. domestic market. **Master Limited Partnerships (MLPs)** - Alerian MLP Total Return Index is a capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities. **Municipal (Muni) Bonds** - Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. **Preferred Securities** - ICE BofA Fixed Rate Preferred Securities Index tracks the performance of fixed rate, denominated, investment-grade preferred securities in the U.S. domestic market. **Senior Loans** - The Morningstar LSTA US Leveraged Loan Index is a market-value weighted index designed to measure the performance of the US leveraged loan market. **Short Term U.S. Treasury** - ICE BofA 0-1 Year US Treasury Index tracks the performance of USD-denominated sovereign debt publicly issued by the U.S. government in its domestic market with maturities less than one year. **TIPS** - The Bloomberg U.S. Treasury Inflation Notes Value Unhedged Index measures the unhedged performance of the U.S. Treasury Inflation Protected Securities (TIPS) market. **U.S. Equities** - The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. **Utilities** - S&P 500 Utilities Total Return Index comprises those companies included in the S&P 500 Index that are classified as members of the GICS® utilities sector. Indexes are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

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.

The Effect of a 1% Fall in Interest Rates



HYPOTHETICAL TOTAL RETURNS FOR 1-YEAR PERIOD



Source: First Trust, Bloomberg, ICE BofA, S&P LSTA. Data as of 12/31/2025. **Past performance is not a guarantee of future results.** The table illustrates hypothetical examples and does not represent the return on any particular investment. Effective duration is used for the preferred index and modified adjusted duration for all others. Duration is a measure of a bond's sensitivity to interest rate changes that reflects the change in a bond's price given a change in yield. Given that senior loans typically pay a floating rate of interest, they tend to have an effective duration of approximately zero. As such, we estimate the duration for senior loans to be approximately 0.25 years. **Bloomberg U.S. Treasury, 5-7 Year Index** - Measures USD-denominated, fixed-rate, nominal debt issued by the US Treasury with 5-6.9999 years to maturity. **Bloomberg U.S. Treasury Bellwethers 10 Yr. Index** - An unmanaged index representing the most recently issued U.S. Treasury bonds with 10 years' maturity. **Bloomberg U.S. Corporate Bond Index** - Measures the investment grade, fixed-rate, taxable corporate bond market. **Bloomberg Emerging Markets (EM) USD Aggregate (Agg) Bond Index, 5-7 Year** - A flagship hard currency EM debt benchmark that includes fixed and floating-rate USD-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. **Bloomberg U.S. Corporate High Yield Bond Index** - Measures the USD-denominated, high yield, fixed-rate corporate bond market. **ICE BofA Fixed Rate Preferred Securities Index** - Tracks the performance of fixed rate USD-denominated preferred securities issued in the US domestic market. **S&P/LSTA US Leveraged Loan 100 Index** - Designed to reflect the performance of the largest facilities in the leveraged loan market. **Bloomberg U.S. Municipal Index** - Covers the USD-denominated long-term tax-exempt bond market of the following maturities: 7 Year (6-8) and Long Bond (22+). **3-, 5-, 10- and 30-Year U.S. Treasuries** - The most recently issued U.S. Treasury bonds or notes of a particular maturity. Indexes are unmanaged and an investor cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges.

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.