

Seeking Fresh Opportunities from New Contenders

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Over the past few years, the U.S. equity market has been dominated by a relatively small number of mega-cap stocks, whose concentration in broad market benchmarks has reached unprecedented levels. Against this backdrop, we think it's important to remember that, if history is any guide, the best performers of the next decade may look substantially different from the last decade as newer market entrants disrupt large incumbent stocks. The "Magnificent 7" themselves illustrate this point, as only three of these stocks (Apple, Microsoft, and Alphabet) were among the top ten holdings of the S&P 500® Index at the end of 2014.¹ Accordingly, we believe investors should consider overlooked growth opportunities that may be lacking from most broad market benchmarks. In our view, one efficient, scalable strategy to gain exposure to such stocks is the First Trust US Equity Opportunities ETF (FPX), which we highlight below.

The New Listing Conundrum

Companies that have recently gone public via an initial public offering ("IPO") or spin-off provide investors with a distinctive source of potential growth opportunities. These new listings are often absent from broad market benchmarks, which may impose seasoning requirements—such as a minimum trading history—before a new stock may be considered.

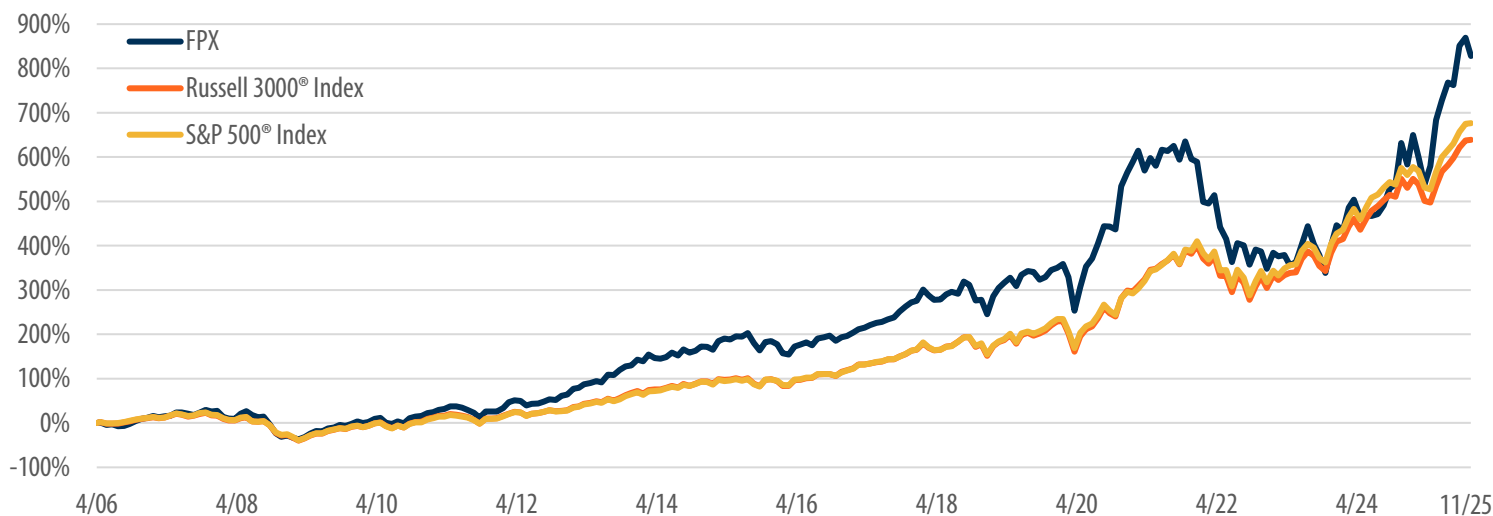
One key characteristic of new listings, however, has been the pronounced positive skew in aftermarket returns. In other words, the average (mean) is significantly higher than the median due to the outsized performance of a relatively small number of exceptional winners. This matters because, excluding the first day of trading, 56% of newly listed stocks globally posted negative returns over the subsequent 12 months, delivering a median return of -7.69%. Over 24 months, the median deteriorated further to -18.59%. In contrast, the average returns for the same universe were +13.43% after 12 months and +20.01% after 24 months (12/31/2004-9/30/2025).²

In our view, this dynamic underscores a critical consideration for investors seeking to capitalize on new listings: greater uncertainty surrounds younger companies, making diversification essential. Historically, the effective "cost" of gaining exposure to the potential upside of "winners" has been to accept the inevitable exposure to "losers" as well, both of which are difficult to predict without the benefit of hindsight.

A Scalable Solution

The First Trust US Equity Opportunities ETF (FPX), which was launched in 2006, is based on the IPOX®-100 U.S. Index and seeks to provide systematic exposure to 100 of the largest and most liquid US-traded IPOs and spin-offs. This rules-based approach has historically allowed the fund to capture significant upside from certain stocks before their inclusion in broad benchmarks like the S&P 500® Index.

FPX Cumulative Total Return Since Fund Inception



Data from 4/12/2006-11/28/2025.

¹Magnificent 7 companies include Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

²IPOX Schuster. Aftermarket performance of an equally-weighted sample of new listings globally from 12/31/2004 – 9/30/2025. Underlying universe includes IPOs, spin-offs and respective mergers and acquisitions ("M&A").

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.

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

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A key driver of FPX's performance has been the contribution from select "winners" that more than offset the drag from underperformers. Prominent historical examples include:

Tesla | IPO on June 29, 2010; not added to the S&P 500® Index for over 10 years.³ From its addition to FPX in July of 2010 through removal in December of 2014, Tesla delivered a 1,179.3% cumulative total return.

Meta Platforms (formerly Facebook) | IPO on May 18, 2012; added to the S&P 500® Index in December of 2013.⁴ From its addition to FPX in September of 2012 through its S&P 500® Index inclusion, the stock returned 141.1%. It remained a significant holding until March of 2017, with an additional strong contribution during that period (cumulative total return 512.4%).

More recent examples of meaningful positive contributions prior to S&P 500® Index addition include:

Palantir | Direct listing on September 30, 2020; added to the S&P 500® Index in September of 2024.⁵ From its addition to FPX in November of 2020 through its S&P 500® Index inclusion, Palantir had a cumulative total return of 155.1%.

AppLovin | IPO on April 15, 2021; added to the S&P 500® Index in September of 2025.⁶ From its addition to FPX in June of 2021 through its S&P 500® Index inclusion, AppLovin had a cumulative total return of 636.3%.

Of course, these gains have been partially offset by weaker performers absent from broad indexes. For instance:

Rivian | IPO on November 10, 2021; not included in the S&P 500® Index, but added to FPX in December of 2021. Since its inclusion in FPX, Rivian's cumulative total return declined by 84.5% through November 30, 2025.

Coinbase | Direct listing on April 14, 2021; added to FPX shortly thereafter. Since its inclusion in FPX, Coinbase's cumulative total return declined by 16.9% through November 30, 2025.

SailPoint | IPO on February 13, 2025; not included in the S&P 500® Index, but added to FPX in May of 2025. Since its inclusion in FPX, SailPoint's cumulative total return declined by 7.1%, through November 30, 2025.

Loar Holdings | IPO on April 25, 2024; not included in the S&P 500® Index, but added to FPX in December of 2024. Since its inclusion in FPX, Loar's cumulative total return declined by 7.4% through November 30, 2025.

New listings represent a distinct universe for sourcing growth opportunities that are often underrepresented in broad market benchmarks. As highlighted above, the return profile of this group is characterized by significant positive skew: a relatively small number of standout winners have historically more than compensated for the underperformance of others. In our view, this dynamic strongly supports a diversified, systematic approach rather than selective stock picking. For investors seeking to capture the potential of these emerging contenders while mitigating the inherent risks of individual outcomes, we believe FPX offers a compelling and scalable solution.

³Tesla was first added to the S&P 500® Index on 12/21/2020.

⁴Facebook (now META) was added to the S&P 500® Index after the close of trading on 12/20/2013.

⁵Palantir Technologies was added to the S&P 500® Index prior to open of trading on September 23, 2024.

⁶AppLovin was added to the S&P 500® Index prior to open of trading on September 22, 2025.

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Past performance is not a guarantee of future results.

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FPX Performance Summary (%) as of 9/30/25

Fund Performance*	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Fund Inception
Net Asset Value (NAV)	14.97	39.32	51.20	27.63	11.88	13.68	12.27
Market Price	15.12	39.36	51.24	27.65	11.90	13.71	12.27
Index Performance**							
IPOX® 100 U.S. Index	14.87	39.33	51.38	28.13	12.36	14.20	12.87
Russell 3000® Index	8.18	14.40	17.41	24.12	15.74	14.71	10.69
S&P 500® Index	8.12	14.83	17.60	24.94	16.47	15.30	10.96

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Fund Inception Date: 4/12/2006. Total Expense Ratio: 0.61%. Net Expense Ratio: 0.61%. Expenses are capped contractually at 0.60% per year, at least through April 30, 2026. The fund may have net expenses greater than the expense cap as a result of any acquired fund fees and expenses or other expenses that are excluded from the calculation. Please refer to the fund's current prospectus for a complete description of fees and expenses.

*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 those for periods of less than one year, which are cumulative. The fund's performance reflects fee waivers and expense reimbursements, absent which performance would have been lower.

**Performance information for each listed index 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.

FPX Overall Morningstar Rating™



As of 11/30/2025, among 470 funds in the Mid-Cap Growth category. This fund was rated 5 stars/470 funds (3 years), 3 stars/442 funds (5 years), 4 stars/367 funds (10 years) based on risk adjusted returns.[^]

[^]The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. ©2025 Morningstar, Inc. All Rights Reserved. The Morningstar Rating™ information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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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.

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. For example, changes in governmental fiscal and regulatory policies, disruptions to banking and real estate markets, actual and threatened international armed conflicts and hostilities, and public health crises, among other significant events, could have a material impact on the value of the fund's investments.

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.

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.

The stocks of companies that have recently conducted an initial public offering are often subject to price volatility and speculative trading. These stocks may have exhibited above average price appreciation in connection with the initial public offering prior to inclusion in a fund. The price of stocks included in a fund may not continue to appreciate and their performance may not replicate the performance exhibited in the past.

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.

Mid capitalization companies may experience greater price volatility than larger, more established companies.

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.

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 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 First Trust fund(s). FTA is an affiliate of First Trust Portfolios L.P., the distributor of the fund(s).

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

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

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