The First Trust Target Date Funds’ stock selection process is unique and represents a critical point of differentiation from indexing and other management styles. When selecting stocks, First Trust applies a model which analyzes U.S. large-cap, U.S. mid-cap, U.S. small-cap and non-U.S. developed market stocks to assess valuations based on multiple risk, value and growth factors. The goal is to identify stocks which exhibit the fundamental characteristics that enable them to provide the greatest potential for capital appreciation while attempting to reduce long-term volatility. In selecting equity securities for an investment, First Trust follows a three-step process incorporating this model.

**Step 1: Establish a Universe of Stocks**

First Trust establishes a universe of stocks from which the portfolio will be selected. The universe is divided into seven distinct styles consisting of six U.S. equity asset classes and one non-U.S. developed market asset class. The U.S. equity universe is established by identifying the 3000 largest U.S. stocks and then separating them into large-cap (largest 10%), mid-cap (next 20%) and small-cap (remaining 70%). The stocks in each group are then divided evenly between growth and value by their price-to-book ratios to establish the universe of stocks eligible for selection from within each asset class. In the case of the small-cap universe, only the 250 largest growth and 250 largest value stocks with a minimum average daily trading volume of $1,000,000 are included to provide additional liquidity. The non-U.S. developed market universe consists of the 100 largest companies from developed nations which are either ADRs or directly listed in the U.S.

**Step 2: Rank Stocks on a Multi-Factor Model**

Stocks are then ranked within each of the seven universes based on a multi-factor model. Half of a stock's ranking is based on a risk model and the remaining half is based on a model which is determined by style designation. Value and non-U.S. developed market stocks are ranked on one model while growth stocks are ranked using a separate model.

**Step 3: Choose Best 30 from each Style Class**

The 30 stocks with the best overall ranking from each of the seven style classes are selected for the portfolio, subject to a maximum of six stocks from any one of the ten major market sectors. Stocks are equally-weighted within their style. For the U.S. fixed-income, non-U.S. fixed-income, emerging markets equity and other investment categories of the First Trust Target Date Fund Family, exchange-traded funds (ETFs) and other pooled investment vehicles (PIVs) which invest in appropriate securities for each investment category, are included. Incorporating ETFs and PIVs which invest in a broad range of non-correlating securities results in distinct portfolios with varying risk/reward profiles. ETFs provide investors with several benefits, including diversification, transparency and discipline, all of which align with the principles upon which the portfolios are based.
Plan sponsors and participants should consider each Fund’s investment objective, time horizon, risks, charges and expenses carefully before investing. Contact your financial advisor, visit www.ftportfolios.com, or call First Trust Portfolios L.P. at 877-937-4015 to request an Information Statement, which contains this and other information about the Funds. Read it carefully before you invest.

The First Trust Collective Investment Funds are not mutual funds and their units are not deposits of the Trustee, Hand Benefits & Trust Company, or the Sub-Advisor, and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other agency. The units are securities which have not been registered under the Securities Act of 1933 and the Funds are exempted from investment company registration under the Investment Company Act of 1940. Therefore, participating plans and their participants will not be entitled to the protections under these Acts. Management of the Trust, however, is generally subject to the fiduciary duty and prohibited transaction rules under the Employee Retirement Income Security Act of 1974 (ERISA).

As with any investment, you can lose money by investing in a Fund. The mix of assets in a Fund is intended to diminish the risk of loss, but sometimes stocks, bonds, and other assets in a Fund’s portfolio may lose value simultaneously. While the Funds are managed to reduce equity market exposure and, therefore, equity market risk over time, investment in a Fund is exposed to market risk and other certain risks. The Funds are subject to market risk which is the risk that a particular security owned by the Fund or shares of the Fund in general may fall in value. An investment in a fund containing securities of non-U.S. issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting non-U.S. issuers. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries.

Changes in currency exchange rates and the relative value of non-U.S. currencies may affect the value of a Fund’s investments and the value of a Fund’s shares.

The Funds invest in small- and/or mid-capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

Certain securities held by the Funds are subject to credit risk, income risk, interest rate risk and prepayment risk. Credit risk is the risk that an issuer may default on its obligation to make principal and/or interest payments when due. Credit risk is heightened for senior loan securities. Income risk is the risk that income from the Funds’ fixed income investments could decline during periods of falling interest rates. Interest rate risk is the risk that the value of debt securities will decline because of rising interest rates. Prepayment risk is the risk that, during periods of falling interest rates, an issuer may exercise its right to pay principal on an obligation earlier than expected. This may result in a decline in the Funds’ income. Each of these risks may have an adverse effect on the Funds’ total return.

Companies that issue loans tend to be highly leveraged and thus are more susceptible to the risk of interest deferral, default and/or bankruptcy. Senior floating rate loans, in which a Fund may invest, are usually high-yield securities or “junk” bonds are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, are considered to be highly speculative. These securities are issued by companies that may have limited operating history, narrowly focused operations, and/or other impediments to the timely payment of periodic interest and principal at maturity. The market for high-yield securities is smaller and less liquid than that for investment-grade securities.

The Funds may invest in securities of other investment companies, including ETFs or other pooled investment vehicles PIVs which involves additional expenses that would not be present in a direct investment in the underlying funds. In addition, a fund’s investment performance and risks may be related to the investment performance and risks of the underlying funds. The Funds may invest in Treasury Inflation-Protected Securities ("TIPS"), which are securities issued by the U.S. Government but differ from nominal rate Treasury securities in certain respects. TIPS are issued at fixed coupon rates lower than those of nominal rate Treasury securities, but the principal amount of TIPS fluctuates daily based on a pro-rata portion of the change in the Consumer Price Index as reported three months earlier. Coupon payments are made based on the adjusted principal value of the TIPS. In a falling inflationary environment, both the coupon payments and the value of TIPS will decline. Foreign governments may issue securities with features similar to TIPS.

The value of commodities and commodity-linked instruments typically is based upon the price movements of a physical commodity or an economic variable linked to such price movements. The prices of commodities and commodities-linked instruments may fluctuate quickly and dramatically and may not correlate to price movements in other asset classes. Each of these factors and events could have a significant negative impact on the Fund.

Real estate investment trusts and other real estate related companies are subject to certain risks, including changes in the real estate market, vacancy rates and competition, volatile interest rates and economic recession.

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 advisors 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