

### >> Fund Objective

This exchange-traded fund seeks to generate current income with a secondary objective of capital appreciation.

### >> Fund Facts

Fund Ticker	LMBS
CUSIP	33739Q200
Intraday NAV	LMBSIV
Fund Inception Date	11/4/14
Expense Ratio	0.68%
30-Day SEC Yield <sup>†</sup>	2.49%
Primary Listing	Nasdaq

### >> Fund Description

- >> The First Trust Low Duration Opportunities ETF is an actively managed exchange-traded fund.
- >> Under normal conditions, the fund will seek to achieve its investment objectives by investing at least 80% of its net assets (including investment borrowings) in investment grade, mortgage-related debt securities and other mortgage-related instruments tied to residential and commercial mortgages.
- >> An investment in the fund may offer the following advantages:
  - Attractive level of current income with an effective duration target of 3 years or less;
  - Limited price sensitivity due to a focus on managing and limiting the average portfolio duration;
  - High asset credit quality with at least 60% of assets in the government-sponsored mortgage sector and less expected price sensitivity to the credit cycle;
  - Large and liquid asset class effectively accommodates efficient portfolio rebalancing.

### >> Fund Advisor

- >> The portfolio is selected and managed by First Trust Advisors L.P.
  - The portfolio management team uses top-down research focused on the global economy, macro trends in the fixed income market as well as ongoing valuations and trends of core mortgage-backed securities sectors.
  - The portfolio managers believe thorough and continuous monitoring of overall housing market fundamentals, quantitative portfolio modeling, and the ability to rebalance the portfolio to stay within the fund's three-year duration target is critical to achieving higher risk-adjusted returns.
- >> Daily investment decisions are made by:
  - Jim Snyder, Portfolio Manager, First Trust Mortgage Securities Team
  - Jeremiah Charles, Portfolio Manager, First Trust Mortgage Securities Team

### >> Performance Summary (%)

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Fund Performance*</b>							
Net Asset Value (NAV)	0.34	0.34	0.90	3.44	—	—	3.50
After Tax Held	0.06	-0.22	-0.26	2.19	—	—	2.24
After Tax Sold	0.20	0.20	0.49	2.07	—	—	2.11
Market Price	0.03	0.34	0.83	3.41	—	—	3.50
<b>Index Performance**</b>							
ICE BofAML 1-5 year US Treasury & Agency Index	0.14	-0.23	-0.33	0.51	—	—	0.69

### >> Calendar Year Total Returns (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD
LMBS	—	—	—	—	—	—	—	2.37	6.84	1.76	0.34
ICE BofAML 1-5 year US Treasury & Agency Index	—	—	—	—	—	—	—	0.97	1.08	0.66	-0.23

### >> 3-Year Statistics

	Standard Deviation (%)	Alpha	Beta	Sharpe Ratio	Correlation
LMBS	1.16	2.80	0.42	2.24	0.41
ICE BofAML 1-5 year US Treasury & Agency Index	1.29	—	1.00	-0.09	1.00

Overall Morningstar Rating™



Among 447 funds in the Short-Term Bond category.  
This fund was rated 5 stars/447 funds (3 years).<sup>§</sup>

*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](http://www.ftportfolios.com).*

<sup>†</sup>30-day SEC yield is calculated by dividing the net investment income per share earned during the most recent 30-day period by the maximum offering price per share on the last day of the period.

\*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. **After Tax Held** returns represent return after taxes on distributions. Assumes shares have not been sold. **After Tax Sold** returns represent the return after taxes on distributions and the sale of fund shares. Returns do not represent the returns you would receive if you traded shares at other times. **Market Price** returns are based on the midpoint of the bid/ask spread on the stock exchange on which shares of the fund are listed for trading 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. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown. The after-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.

\*\*The ICE BofAML 1-5 year US Treasury & Agency Index is the fund's benchmark. 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.

## » Portfolio Information

Number Of Holdings	1528
Weighted Average Effective Duration <sup>1</sup> (Long Positions)	3.98 Years
Weighted Average Effective Duration <sup>1</sup> (Short Positions)	-2.07 Years
Weighted Average Effective Net Duration	1.91 Years
Weighted Average Effective Maturity	3.30 Years

## » Fund Composition (%)

Agency MBS Pass-throughs	48.59
Agency MBS CMOs	25.75
Non-Agency RMBS	15.78
Government ETF	4.13
Cash & Cash Equivalents	2.90
U.S. Treasuries	2.84
Other	0.01

## » Non-Agency RMBS Holdings Characteristics

Number of Holdings	170
Average Holding Size	0.09%
Weighted Average Effective Maturity	2.42 Years
Weighted Average Coupon	3.52%
Weighted Average Price	\$100.08

## » Top Holdings (%)

Fannie Mae TBA, 4.50%, due 09/01/2047	5.50
Fannie Mae TBA, 5%, due 03/01/2036	3.10
Fannie Mae FN BM3980, Variable rate, due 02/01/2043	2.92
U.S. Treasury Note, 1.625%, due 08/31/2019	2.83
iShares 20+ Year Treasury Bond ETF	2.27
Freddie Mac FG G60940, 4%, due 09/01/2046	1.88
Fannie Mae FN CA1576, 5%, due 01/01/2048	1.86
Freddie Mac FH 840359, Variable rate, due 06/01/2046	1.86
iShares 7-10 Year Treasury Bond ETF	1.86
FREDDIEMAC STRIP Series 343, Class F4, Variable rate, due 10/15/2037	1.80

## » Credit Quality (%)<sup>2</sup>

Government and Agency	81.32
Cash & Cash Equivalents	2.90
AAA	2.06
AA+	0.11
AA	0.01
AA-	0.01
A+	0.03
A-	0.02
BBB+	0.01
BBB	0.03
BBB-	0.01
Below IG	1.75
NR	11.74

<sup>1</sup>A measure of a security's sensitivity to interest rate changes that reflects the change in a security's price given a change in yield.

<sup>2</sup>The ratings are by Standard & Poor's. A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO), of the creditworthiness of an issuer with respect to debt obligations. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Investment grade is defined as those issuers that have a long-term credit rating of BBB- or higher. "NR" indicates no rating. The credit ratings shown relate to the creditworthiness of the issuers of the underlying securities in the fund, and not to the fund or its shares. U.S. Treasury, U.S. Agency and U.S. Agency mortgage-backed securities appear under "Government". Credit ratings are subject to change.

*You should consider the 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](http://www.ftportfolios.com) to obtain a prospectus or summary prospectus which contains this and other information about the fund. The prospectus or summary prospectus should be read carefully before investing.*

## ETF Characteristics

The fund lists and principally trades its shares on The Nasdaq Stock Market LLC.

Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Market prices may differ to some degree from the net asset value of the shares. Investors who sell fund shares may receive less than the share's net asset value. Shares may be sold throughout the day on the exchange through any brokerage account. However, unlike mutual funds, shares may only be redeemed directly from the fund by authorized participants, in very large creation/redemption units. If the 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 discount to the fund's net asset value and possibly face delisting.

## Risk Considerations

The fund's shares will change in value, and you could lose money by investing in the fund. One of the principal risks of investing in the fund is market risk. Market risk is the risk that a particular security owned by the fund, fund shares or securities in general may fall in value. The fund is subject to management risk because it is an actively managed portfolio. In managing the fund's investment portfolio, the advisor will apply investment techniques and risk analyses that may not have the desired result. There can be no guarantee that the fund will meet its investment objective.

The fund is subject to credit risk, income risk, interest rate risk and prepayment risk. Credit risk is the risk that an issuer of a security will be unable or unwilling to make dividend, interest and/or principal payments when due and that the value of a security may decline as a result. Income risk is the risk that income from the fund's fixed-income investments could decline during periods of falling interest rates. Interest rate risk is the risk that the value of the fixed-income securities in the fund will decline because of rising market interest rates. Prepayment risk is the risk that the fund may not be able to reinvest proceeds received on terms as favorable as the prepaid security.

Mortgage-related securities, including mortgage-backed securities, are more susceptible to adverse economic, political or regulatory events that affect the value of real estate. Mortgage-related securities are subject to the risk that the rate of mortgage prepayments decreases, which extends the average life of a security and increases the interest rate exposure.

Securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.

If a counterparty defaults on its payment obligations, the fund will lose money and the value of fund shares may decrease. The fund's investment in repurchase agreements may be subject to market and credit risk with respect to the collateral securing the agreements.

High-yield securities, or "junk" bonds, are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, may be highly speculative.

Illiquid securities involve the risk that the securities will not be able to be sold at the time desired by the fund or at prices approximately the value at which the fund is carrying the securities on its books.

The fund will, under most circumstances, effect a portion of creations and redemptions for cash rather than in-kind securities. As a result, the fund may be less tax-efficient.

Shorting may result in greater gains or greater losses. Short selling creates special risks which could result in increased volatility of returns. Because losses on short sales arise from increases in the value of the security sold short, such losses are theoretically unlimited.

The fund is classified as "non-diversified" and may invest a relatively high percentage of its assets in a limited number of issuers. As a result, the 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.

First Trust Advisors L.P. is the advisor to the fund. First Trust Advisors L.P. 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 and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.

## Definitions

**Standard Deviation** is a measure of price variability (risk). **Alpha** is an indication of how much an investment outperforms or underperforms on a risk-adjusted basis relative to its benchmark. **Beta** is a measure of price variability relative to the market. **Sharpe Ratio** is a measure of excess reward per unit of volatility. **Correlation** is a measure of the similarity of performance. the **ICE BofAML 1-5 year US Treasury & Agency Index** measures the performance of US dollar denominated US Treasury and non-subordinated US agency debt.

§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 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. ©2018 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.