First Trust Low Duration Opportunities ETF

As of 9/30/19

**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**: 2.21%
- **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:**
  - Jeremiah Charles, Portfolio Manager, Securitized Products Group •
  - Jim Snyder, Portfolio Manager, Securitized Products Group

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  - The global economy,
  - Macro trends in the fixed income market,
  - Ongoing valuations and trends of core mortgage-backed securities sectors.

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**Fund Facts**
- **30-Day SEC Yield**: 2.21%
- **Expense Ratio**: 0.68%

**Performance Summary (%)**

<table>
<thead>
<tr>
<th>Fund Performance*</th>
<th>3 Month</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Fund Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Asset Value (NAV)</td>
<td>1.08</td>
<td>3.81</td>
<td>4.61</td>
<td>2.42</td>
<td>—</td>
<td>—</td>
<td>3.61</td>
</tr>
<tr>
<td>After Tax Held</td>
<td>0.83</td>
<td>2.97</td>
<td>3.49</td>
<td>1.27</td>
<td>—</td>
<td>—</td>
<td>2.39</td>
</tr>
<tr>
<td>After Tax Sold</td>
<td>0.64</td>
<td>2.24</td>
<td>2.73</td>
<td>1.34</td>
<td>—</td>
<td>—</td>
<td>2.22</td>
</tr>
<tr>
<td>Market Price</td>
<td>1.24</td>
<td>3.92</td>
<td>4.81</td>
<td>2.47</td>
<td>—</td>
<td>—</td>
<td>3.66</td>
</tr>
</tbody>
</table>

**Index Performance**
- **ICE BofAML 1-5 year US Treasury & Agency Index**: 0.76, 3.82, 5.60, 1.63, —, —, 1.64

**Calendar Year Total Returns (%)**

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>LMBS</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2.37</td>
<td>6.84</td>
<td>1.76</td>
<td>1.46</td>
<td>3.81</td>
</tr>
<tr>
<td>ICE BofAML 1-5 year US Treasury &amp; Agency Index</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.97</td>
<td>1.08</td>
<td>0.66</td>
<td>1.54</td>
<td>3.82</td>
</tr>
</tbody>
</table>

**3-Year Statistics**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Standard Deviation (%)</th>
<th>Alpha</th>
<th>Beta</th>
<th>Sharpe Ratio</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>LMBS</td>
<td>0.82</td>
<td>0.81</td>
<td>0.37</td>
<td>1.14</td>
<td>0.79</td>
</tr>
<tr>
<td>ICE BofAML 1-5 year US Treasury &amp; Agency Index</td>
<td>1.54</td>
<td>—</td>
<td>1.00</td>
<td>0.05</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**Overall Morningstar Rating™** ★★★★

Among 488 funds in the Short-Term Bond category. This fund was rated 4 stars/488 funds (3 years) based on risk adjusted returns.§

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.

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 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.

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ETF Characteristics
The fund is subject to risk factors that could negatively impact its value. See the Prospectus or Statement of Additional Information for a discussion of these risk factors. The fund invests in mortgage-related securities, which are subject to credit risk and interest rate risk. The fund also invests in high-yield securities, which are subject to greater market fluctuations and risk of loss. 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 the issuer of a security will be unable to make timely payments of principal and interest. 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 not be backed by the full faith and credit of the U.S. government.

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. 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.

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 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.

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 and other regulatory or federal law. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their 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.