HYLS
First Trust Tactical High Yield ETF
As of 12/31/19

» Fund Objective
This exchange-traded fund seeks to provide current income by investing primarily in a diversified portfolio of high-yield debt securities which are rated below investment grade or unrated. Capital appreciation is a secondary objective.

» Fund Facts
Fund Ticker: HYLS
CUSIP: 33738D408
Intraday NAV: HYLSIV
Fund Inception Date: 2/25/13
30-Day SEC Yield*: 3.61%
Primary Listing: Nasdaq

» Fees and Expenses
Management Fees: 0.95%
Borrow Costs: 0.21%
Total Annual Expenses: 1.16%

» Portfolio Managers
William Housey, CFA; Managing Director of Fixed Income
Scott D. Pries, CFA; Senior Vice President
Orlando Purpora, CFA, CMT; Senior Vice President

» Performance Summary (%)

<table>
<thead>
<tr>
<th></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>2.42</td>
<td>13.93</td>
<td>13.93</td>
<td>5.87</td>
<td>5.16</td>
<td>—</td>
<td>5.33</td>
</tr>
<tr>
<td>After Tax Held</td>
<td>1.92</td>
<td>11.51</td>
<td>11.51</td>
<td>3.52</td>
<td>2.75</td>
<td>—</td>
<td>2.86</td>
</tr>
<tr>
<td>After Tax Sold</td>
<td>1.43</td>
<td>8.19</td>
<td>8.19</td>
<td>3.44</td>
<td>2.84</td>
<td>—</td>
<td>2.94</td>
</tr>
<tr>
<td>Market Price</td>
<td>2.35</td>
<td>14.64</td>
<td>14.64</td>
<td>5.95</td>
<td>5.21</td>
<td>—</td>
<td>5.35</td>
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</tbody>
</table>

Index Performance**

» Calendar Year Total Returns (%)

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</tr>
</thead>
<tbody>
<tr>
<td>HYLS</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2.43</td>
<td>-0.15</td>
<td>8.56</td>
<td>6.06</td>
<td>-1.79</td>
<td>13.93</td>
</tr>
<tr>
<td>ICE BofA US High Yield Constrained Index</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2.51</td>
<td>-4.61</td>
<td>17.49</td>
<td>7.47</td>
<td>-2.25</td>
<td>14.41</td>
</tr>
</tbody>
</table>

» 3-Year Statistics

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<tr>
<th></th>
<th>Standard Deviation (%)</th>
<th>Alpha</th>
<th>Beta</th>
<th>Sharpe Ratio</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HYLS</td>
<td>3.95</td>
<td>0.01</td>
<td>0.90</td>
<td>1.04</td>
<td>0.96</td>
</tr>
<tr>
<td>ICE BofA US High Yield Constrained Index</td>
<td>4.19</td>
<td>—</td>
<td>1.00</td>
<td>1.08</td>
<td>1.00</td>
</tr>
</tbody>
</table>

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.

130-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.

**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.

* "Long" and "short" are investment terms used to describe ownership of securities. To buy securities is to “go long.” The opposite of going long is “selling short.” Short selling is an advanced trading strategy that involves selling a borrowed security. Short sellers make a profit if the price of the security goes down and they are able to buy the security at a lower amount than the price at which they sold the security short.

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First Trust Tactical High Yield ETF

As of 12/31/19

Portfolio Information

- Number Of Holdings: 300
- Net Weighted Average Effective Duration (Includes Short Positions): 1.48 Years
- Weighted Average Effective Duration (Long Positions): 1.59 Years
- Weighted Average Maturity (Long Positions): 5.24 Years
- Weighted Average Price: $101.64
- Long Positions: 99.25%
- Short Position - U.S. Treasury Securities: -1.28%
- Option-Adjusted Spread: 252 bps
- 3-Month LIBOR: 1.91%

Top Issuers (%)

- Tenet Healthcare, Corp.: 3.31
- Bausch Health Companies Inc. (Valeant): 3.17
- HUB International Limited: 3.05
- Arrowsn Group, Inc.: 2.81
- Sinclair Television Group, Inc.: 2.54
- Cablevision (aka CSC Holdings, LLC): 2.44
- Gray Television, Inc.: 2.22
- Diamond 1/2 Finance Corp (Del): 2.10
- Micro Focus International (MA Financeco, LLC): 1.80
- Multiplan Inc (MPH): 1.78

Credit Quality (%)

- BBB-: 2.85
- BB+: 2.19
- BB: 12.10
- BB+: 15.58
- B+: 16.87
- B: 26.12
- B-: 16.70
- CCC+: 8.38
- CCC: 1.01
- CCC-: 0.18
- D: 0.02

Top Industry Exposure (%)

- Media: 15.75
- Health Care Providers & Services: 14.98
- Hotels, Restaurants & Leisure: 12.22
- Insurance: 8.61
- Software: 7.34
- Pharmaceuticals: 7.11
- Diversified Financial Services: 3.77
- Diversified Telecommunication Services: 3.19
- Real Estate Management & Development: 2.64
- Containers & Packaging: 2.41

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. 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 assurance that the fund’s investment objectives will be achieved.

The fund is subject to market risk. Market risk is the risk that a particular security owned by the fund or shares of the fund in general may fall in value.

- 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. 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.

- Market values of convertible bonds tend to decline as interest rates increase and, conversely, to increase as interest rates decline. A convertible bond’s market value also tends to reflect the market price of the common stock of the issuing company.

- The fund may invest in distressed securities and many distressed securities are illiquid or trade in low volumes and thus may be more difficult to value.

- In times of unusual or adverse market, economic, regulatory or political conditions, the fund may not be able, fully or partially, to implement its short selling strategy. Short selling creates special risks which could result in increased volatility of returns and may result in greater gains or greater losses.

- The fund invests in securities of non-U.S. issuers which are subject to higher volatility than securities of U.S. issuers.

- Because the fund’s NAV is determined on the basis of U.S. dollars and the fund invests in non-U.S. securities, you may lose money if the local currency of a non-U.S. market depreciates against the U.S. dollar.

- 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.

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 BofA US High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market but caps issuer exposure at 2%.