The First Trust Horizon Managed Volatility ETFs (the “funds”) are actively managed exchange-traded funds (“ETFs”) which seek to provide capital appreciation by investing primarily in common stocks that the funds' sub-advisor, Horizon Investments, LLC (“Horizon”), believes exhibit low future expected volatility.

WHY FORECASTED VOLATILITY AND ACTIVE MANAGEMENT?

- **Forward Looking vs Backward Looking** – Traditional index-based low volatility funds are generally backward looking, taking a historical snapshot of volatility over a given period. An active forward-looking strategy is able to evaluate current market conditions seeking to deliver a low volatility portfolio based on the prevailing volatility environment.

- **Targeted Exposure** – Volatility forecasts may allow the portfolios to target fewer stocks while balancing country and/or sector tilts. Portfolio concentration may change with market volatility.

- **Active Management** – Active management provides the flexibility to be more responsive to current market conditions and to limit sector concentration, without being limited by static rebalance requirements.

MAKING THE MOST OF THE LOW-VOLATILITY ANOMALY

Economic theory would have you believe that those who take on higher risk should be compensated by the potential for higher expected return. The conventional wisdom is that it pays to take chances. However, counterintuitively, history has shown that portfolios of low-beta and low-volatility stocks have produced higher risk-adjusted returns than portfolios of high-beta and high-volatility stocks, in most major markets studied. This phenomenon is known as the low-volatility anomaly. The low-volatility anomaly is often a product of consistent market mispricing due to the murky role of volatility as a stock characteristic. Mispricings present potential opportunity and as market conditions change, we believe active portfolio management provides the ability to make the most of the opportunities the low-volatility market has to offer.

WHY CONSIDER THE FIRST TRUST HORIZON MANAGED VOLATILITY ETFs?

- The funds seek capital appreciation while attempting to mitigate volatility using a proprietary quantitative and rules-based investment process.

- The goal of the strategy is to capture upside price movements in rising markets and reduce downside risk when markets decline. As the general market continues to experience volatility, the funds may help investors limit downside exposure while retaining the opportunity to participate in the market.

- Horizon is a highly experienced, multi-disciplined portfolio manager with a focus on the global marketplace.

INVESTMENT PROCESS

1. **Starting Universe**
   - Universe of US Equity Securities (HUSV)
   - Universe of Developed Market Securities (HDMV)
   - Begin with a universe of large cap US equity securities for HUSV, and a universe of large and mid-cap developed market equity securities for HDMV.

2. **Forecast Volatility**
   - Use historical price returns over multiple time frames to determine market volatility cycle and volatility scoring for individual equities.

3. **Enhanced Security Selection**
   - Target 50-200 stocks with the lowest forecasted volatility score for HUSV, and 100-400 stocks with the lowest volatility score for HDMV.

4. **Portfolio of Expected Lower Volatility Stocks**
   - Larger weights are given to those securities with lower future expected volatility subject to constraints.
   - Sector, position and country (HDMV only) constraints may be applied to enhance diversification.

HORIZON INVESTMENTS, LLC

Horizon is a registered investment adviser focused on modern goals-based investment management. Founded in 1995, the firm is based in Charlotte, NC, and works in partnership with financial advisors to deliver investment strategies that align clients’ wealth with their life goals. Horizon implements its global and active investment strategies through model accounts, collective investment funds, mutual funds and ETFs. The firm was recognized in 2018 as Asset Manager of the Year (< $25B AUM) by Money Management Institute (MMI) and Barron’s, and 2018 Manager of the Year and Strategist of the Year by Envestnet and Investment Advisor Magazine. The firm has also received numerous other industry commendations for its investment management expertise.
ETF Characteristics

The funds list and principally trade their shares on the NYSE Arca, Inc.

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 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 discount to the fund’s net asset value and possibly face delisting.

Risk Considerations

A fund’s shares will change in value and you could lose money by investing in a fund. The funds are subject to management risk because they are actively managed portfolios. In managing a 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 a fund’s investment objectives will be achieved.

The funds are subject to market risk. Market risk is the risk that a particular security owned by a fund or shares of a 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. A fund may invest in depositary receipts which may be less liquid than the underlying shares in their primary trading market.

If the funds have lower average daily trading volumes, they may rely on a small number of third-party market makers to provide a market for the purchase and sale of shares. Any trading halt or other problem relating to the trading activity of these market makers could result in a dramatic change in the spread between a fund’s net asset value and the price at which a fund’s shares are trading on NYSE Arca which could result in a decrease in value of the fund’s shares.

The fund invests in equity securities and the value of the shares will fluctuate with changes in the value of these equity securities. Equity securities prices fluctuate for several reasons, including changes in investors’ perceptions of the financial condition of an issuer or the general condition of the relevant stock market.

A fund may invest in small capitalization and mid capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

As the use of Internet technology has become more prevalent in the course of business, the funds have become more susceptible to potential operational risks through breaches in cyber security. Such events could cause the funds to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss.

A significant number of countries in Europe are member states in the European Union, and the member states no longer control their own monetary policies. In these member states, the authority to direct monetary policies, including money supply and official interest rates for the Euro, is exercised by the European Central Bank. Furthermore, the European sovereign debt crisis has had, and continues to have, a significant negative impact on the economies of certain European countries and their future economic outlooks.

Changes in currency exchange rates and the relative value of non-U.S. currencies will affect the value of HDMV’s investment and the value of its shares. Currency exchange rates can be very volatile and can change quickly and unpredictably.

High portfolio turnover may result in a fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. Portfolio turnover risk may cause a fund’s performance to be less than expected.

The funds are classified as “non-diversified” and may invest a relatively high percentage of their assets in a limited number of issuers. As a result, the funds 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 adviser to the funds. First Trust Advisors L.P. is an affiliate of First Trust Portfolios L.P., the funds’ 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, 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.