

### » Fund Objectives

This actively managed exchange-traded fund seeks to provide income that is exempt from regular federal income taxes and California income taxes. Long-term capital appreciation is a secondary objective.

### » Fund Facts

Fund Ticker	FCAL
CUSIP	33739P863
Intraday NAV	FCALIV
Fund Inception Date	6/20/17
Gross Expense Ratio	0.65%
Net Expense Ratio <sup>^</sup>	0.50%
30-Day SEC Yield <sup>†</sup>	2.76%
Unsubsidized 30-Day SEC Yield <sup>#</sup>	2.61%
Taxable Equivalent 30-Day SEC Yield <sup>‡</sup>	6.01%
Primary Listing	Nasdaq

### » Fund Description

- » The First Trust California Municipal High Income ETF is an actively managed exchange-traded fund. Under normal market conditions, the fund will seek to achieve its investment objectives by investing at least 80% of its net assets (including investment borrowings) in municipal debt securities that pay interest that is exempt from regular federal income taxes and California income taxes.
- » The portfolio managers practice rigorous credit analysis of individual issuers coupled with a thorough understanding of the major opportunities and risks within municipal sectors.
- » The investment process focuses on each of the following components:
  - **Total Return Scenario Analysis:** Evaluate individual bonds and portfolios of securities that are quantitatively exposed to interest rate, yield curve, and credit spread movements or "shocks".
  - **Sector Analysis:** Perform a top-down review of core sectors based on bottom-up analysis of individual credits to determine which municipal sectors to overweight, neutral weight, and underweight.
  - **New Issue Credit Analysis:** Evaluate new bond offerings to determine portfolio suitability based on fundamental credit research on each borrower and individual bond security features.
  - **Trading:** Analysis of how a bond might trade in the secondary market. Review includes total bond issuance size, underwriter willingness to make secondary markets, along with bond structural features such as coupon, maturity, call dates, and sinking fund payments.
  - **Surveillance:** Analyze holdings on a systematic basis to monitor any changes in credit trends. Credit rating momentum is monitored for each bond.
  - **Performance Attribution:** Perform a granular total return analysis by reviewing key portfolio attributes such as duration, credit rating and sector.

### » Fund Advisor

- » First Trust Advisors L.P. is the advisor to the fund and manages the fund's portfolio:
  - The portfolio managers use a disciplined approach that focuses on a combination of quantitative analysis and fundamental research.
  - Their actively managed approach applies extensive research on each individual bond selection.
  - They seek to take advantage of the inefficiencies within the municipal market to find higher-yielding undervalued bonds.
- » Daily investment decisions are made by:
  - Tom Futrell, CFA; Senior Vice President, Senior Portfolio Manager
  - Johnathan N. Wilhelm, Senior Vice President, Senior Portfolio Manager

### » Performance Summary (%)

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Fund Performance*</b>							
Net Asset Value (NAV)	0.25	0.08	1.67	—	—	—	2.59
After Tax Held	-0.08	-0.89	0.37	—	—	—	1.35
After Tax Sold	0.14	0.04	0.94	—	—	—	1.41
Market Price	0.15	-0.33	1.81	—	—	—	2.71
<b>Index Performance**</b>							
Bloomberg Barclays 10 Year California Exempt Index	0.08	-0.30	0.18	—	—	—	0.36

*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>First Trust has contractually agreed to waive management fees of 0.15% of average daily net assets until June 16, 2019.

<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 and includes the effects of fee waivers and expense reimbursements.

<sup>#</sup>The unsubsidized 30-day SEC yield is calculated the same as the 30-day SEC yield, however it excludes contractual fee waivers and expense reimbursements.

<sup>‡</sup>The taxable equivalent yield is for illustrative purposes only. This information illustrates approximately what you would have to earn on taxable investments to equal the tax-exempt yield using the highest federal and California state tax brackets for 2018. This information is based on present law as of the date of publication and does not account for any proposed changes in tax rates. This information does not account for limitations on deductions, the alternative minimum tax or taxes other than Federal and California state personal income tax.

<sup>\*</sup>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. The fund's performance reflects fee waivers and expense reimbursements, absent which performance would have been lower. 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.

<sup>\*\*</sup>The Bloomberg Barclays 10 Year California Exempt 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	85
Net Weighted Average Effective Duration (Includes Short Positions) <sup>1</sup>	6.66 Years
Weighted Average Effective Duration (Long Positions) <sup>1</sup>	7.09 Years
Weighted Average Modified Duration <sup>1</sup>	5.43 Years
Weighted Average Maturity	11.15 Years
Weighted Average Price	\$108.28
Short Position - US Treasury Futures	-6.10%

## » Maturity Exposure (%)

3 - 3.99 Years	0.16
4 - 4.99 Years	1.02
5 - 5.99 Years	2.95
6 - 6.99 Years	3.36
7 - 7.99 Years	7.29
8 - 8.99 Years	4.22
9 - 9.99 Years	3.87
10 - 14.99 Years	40.73
15 - 19.99 Years	27.50
20 - 24.99 Years	2.46
25 - 29.99 Years	2.65
Cash	3.79

## » Top Holdings (%)

LOS ANGELES CA DEPT OF ARPTS 5%, due 05/15/2031	3.99
CALIFORNIA ST CMNTY CLG FING AUTH 5%, due 05/01/2030	2.88
CALIFORNIA STWD CMNTYS DEV AUTH 5%, due 12/01/2030	2.78
CALIFORNIA ST HLTH FACS FING AUTH REV ADVENTIST HLTH SYS/WEST-SER A, 4%, due 03/01/2033	2.73
EL DORADO CA IRR DIST REVENUE 4%, due 03/01/2034	2.66
CALIFORNIA ST MUNI FIN AUTH REV N/C, 5%, due 11/15/2027	2.54
CALIFORNIA ST 5%, due 10/01/2035	2.31
TEMECULA VLY UNIF SCH DIST FIN AUTH CA 5%, due 09/01/2034	2.25
GOLDEN ST TOBACCO SECURITIZATION CORP CA 5%, due 06/01/2047	1.82
ANTELOPE VLY CA HLTHCARE DIST 5.25%, due 03/01/2036	1.63

## » Credit Quality (%)<sup>2</sup>

Cash	3.79
AAA	0.58
AA	19.90
A	15.33
BBB	23.71
BB	12.81
B	0.87
NR	23.01

## » Top Sector Exposure (%)

Hospital	15.95
Education	13.47
Special Assessment	11.02
Continuing Care Retirement Communities	7.79
Insured	7.41
Higher Education	7.34
General Obligation-Unlimited	6.09
Student Housing	5.40
Airport	4.07
Tobacco	3.96

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

<sup>2</sup>The credit quality information presented reflects the ratings assigned by one or more nationally recognized statistical rating organizations (NRSROs), including Standard & Poor's Ratings Group, a division of the McGraw Hill Companies, Inc., Moody's Investors Service, Inc., Fitch Ratings or a comparably rated NRSRO. For situations in which a security is rated by more than one NRSRO and ratings are not equivalent, the highest ratings are used. Sub-investment grade ratings are those rated BB+/Ba1 or lower. Investment grade ratings are those rated BBB-/Baa3 or higher. 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. 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. 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. The values of municipal securities held by the fund may be adversely affected by local political and economic conditions and developments. Events in California, including economic or political policy changes, tax base erosion, budget deficits and other financial difficulties, and changes in the credit ratings assigned to municipal issuers of California, are likely to affect the fund's investments and its performance. Because the fund primarily purchases municipal bonds from California and may also purchase municipal bonds from U.S. territories, such as Puerto Rico, it is more susceptible to adverse economic, political or regulatory changes affecting municipal bond issuers in those locations. The Puerto Rican economy is reliant on manufacturing, services and tourism, and its economy and financial operations parallel the economic cycles of the United States. Current economic difficulties in the United States are likely to have an adverse impact on the overall economy of Puerto Rico. The fund will be less diversified geographically than a fund investing across many states.

Municipal bonds are subject to numerous additional risks, including credit risk, income risk, interest rate risk, call risk and zero coupon bond 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 securities in the fund will decline because of rising market interest rates. Call risk is the risk that performance could be adversely impacted if an issuer calls higher-yielding debt instruments held by the fund. Zero coupon bond risk is the risk that zero coupon bonds may be highly volatile as interest rates rise or fall because they do not pay interest on a current basis.

The payment of principal and interest of a pre-refunded bond is funded from securities held in a designated escrow account where such securities are obligations of and carry the full faith and credit of the U.S. Treasury. The securities held in the escrow fund do not guarantee the price of the bond.

Private activity bonds, issued by municipalities or other public authorities, can have a substantially different credit profile than the municipality or public authority and may be negatively impacted by conditions affecting either the general credit of the use of the private activity project or the project itself.

Income from municipal bonds could be declared taxable because of, among other things, unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state

tax authorities, or noncompliant conduct of a bond issuer. The fund has no limit as to the amount that can be invested in alternative minimum tax bonds. All or a portion of the fund's otherwise exempt-interest dividends may be taxable to those shareholders subject to the federal and state alternative minimum tax.

Investments in inverse floaters create effective leverage. In addition, distributions paid to the fund on its inverse floaters will be reduced or even eliminated as short-term municipal interest rates rise and will increase as short-term municipal interest rates fall.

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. Distressed municipal securities are speculative and involve substantial risks in addition to the risks of investing in high yield securities that are not in default.

Inventories of municipal securities have decreased in recent years, lessening the ability to make a market in these securities. This reduction in market making capacity has the potential to decrease the fund's ability to buy or sell municipal securities, and increase price volatility and trading costs.

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

If the fund has lower average daily trading volumes, it 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 the fund's net asset value and the price at which the fund's shares are trading.

Participation interests in municipal leases pose special risks because many leases and contracts contain "non-appropriation" clauses that provide that the governmental issuer has no obligation to make future payments under the lease or contract unless money is appropriated for this purpose by the appropriate legislative body.

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.

The fund currently has fewer assets than larger funds, and like other relatively new funds, large inflows and outflows may impact the fund's market exposure for limited periods of time.

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

The **Bloomberg Barclays 10 Year California Exempt Index** is the subset of bonds of the Bloomberg Barclays Municipal Bond Index that were issued by California issuers and have 10 years to maturity.