

**FTA/Morningstar
International Core
Strategy**

First Quarter
2018

Firm Profile

First Trust Advisors L.P./First Trust Portfolios L.P.

- Established in 1991; privately owned
- Over 700 employees
- Offices in Wheaton, IL and Austin, TX

Broad Distribution Capabilities

- Over 250 First Trust wholesalers
- Institutional exposure through affiliated companies
- Experienced senior sales and national account managers and staff

Innovative Financial Solutions

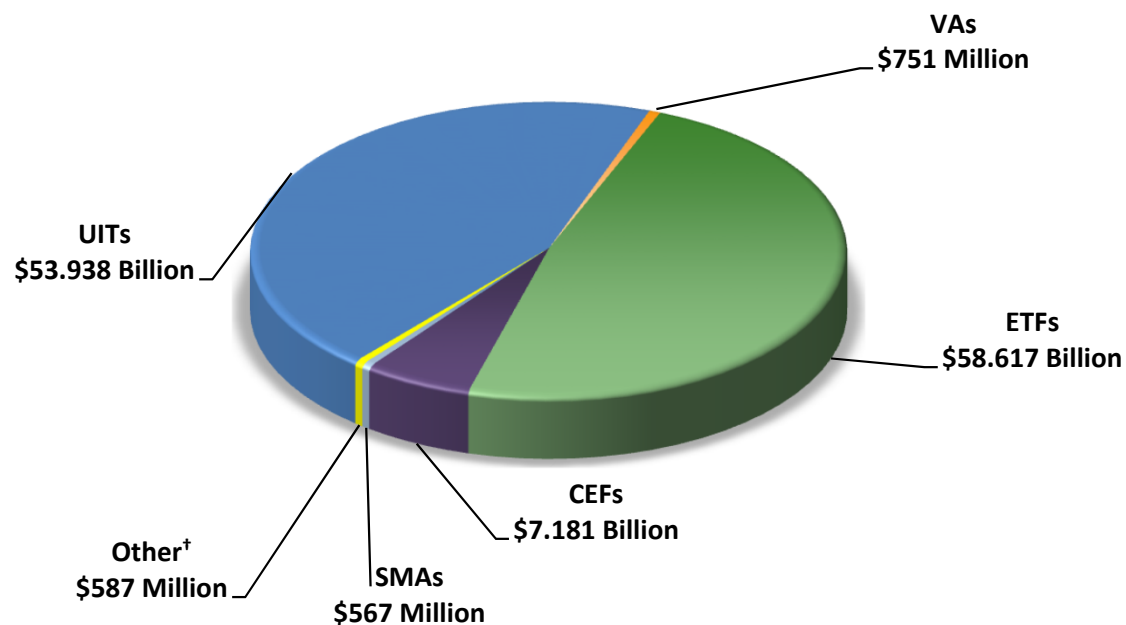
- Unit investment trusts (UITs)
- Variable annuities (VAs)
- Exchange-traded funds (ETFs)
- Closed-end funds (CEFs)
- Mutual funds
- Separately managed accounts (SMAs)
- Collective investment funds for 401(k) accounts

Affiliated Companies

- First Trust Global Portfolios Limited
- FT Portfolios Canada Co.
- BondWave LLC
- Stonebridge Advisors LLC
- Energy Income Partners, LLC

Assets Under Management/Supervision*

\$121.641 Billion (as of 3/29/18)



* Includes \$53.938 billion for which First Trust Advisors L.P. serves as supervisor for unit investment trusts sponsored by First Trust Portfolios L.P. ETF figure includes Domestic, European and Canadian ETFs.

† Includes U.S. Mutual Funds, Canadian Funds, Collective Trust Funds and UCITS Open-Ended Funds.

First Trust Advisors is a long-term, strategic investor. We are a specialist in the investment management industry, with experience in fundamental and quantitative strategies.

Introduction to First Trust Advisors L.P. (“FTA”)

Managed Accounts

First Trust Advisors L.P. (“FTA”) offers managed accounts for Large-Cap, Small-Cap and Multi-Cap investors. These accounts are managed by the firm’s in-house team of analysts and portfolio managers using a disciplined, structured approach to security selection which is designed to help investors meet their investment goals. In addition, FTA utilizes the input of experienced firms such as Morningstar Investment Management LLC to create portfolios based on Morningstar Investment Management’s Asset Allocation Techniques.

Key FTA Differentiators

- Team-based decision making
- Internally-generated research
- Proprietary quantitative tools and models

FTA Investment Personnel

70 Portfolio Managers/Analysts/Traders

21 CFA Charterholders

Portfolio Managers’ average experience: 20+ years

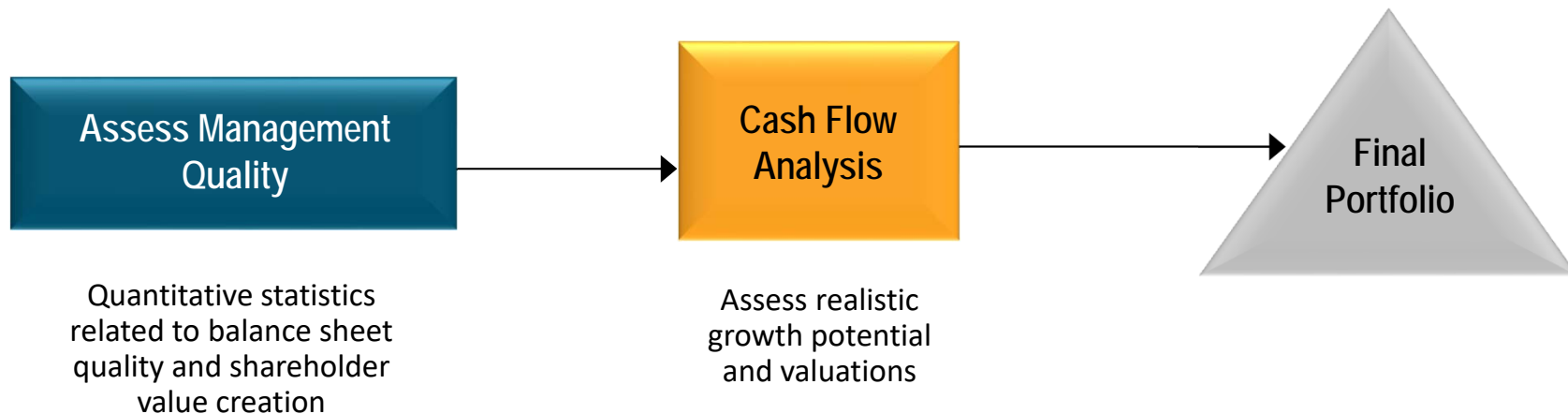
Investment Goals

- Outperform the relevant benchmark over a full market cycle
 - Outperform competitors
 - Generate consistent results
-

Investment Philosophy

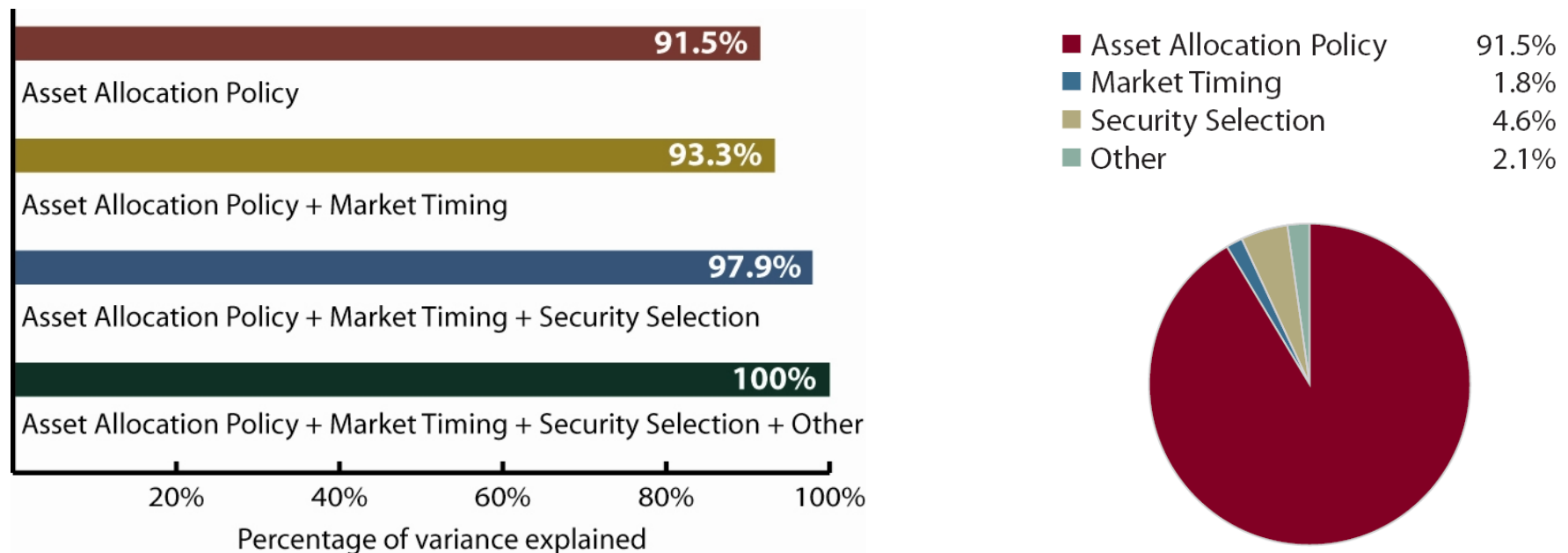
FTA is a bottom-up manager. Our investment philosophy is based on the belief that a company's long-term value is determined by the cash flow it generates. The FTA investment management process utilizes both quantitative and qualitative analysis to assess a company's ability to generate cash flow and its current valuation relative to intrinsic value. FTA believes the disciplined, systematic application of its proprietary process will lead to long-term value creation for its clients.

Investment Management Workflow



Why Asset Allocation?

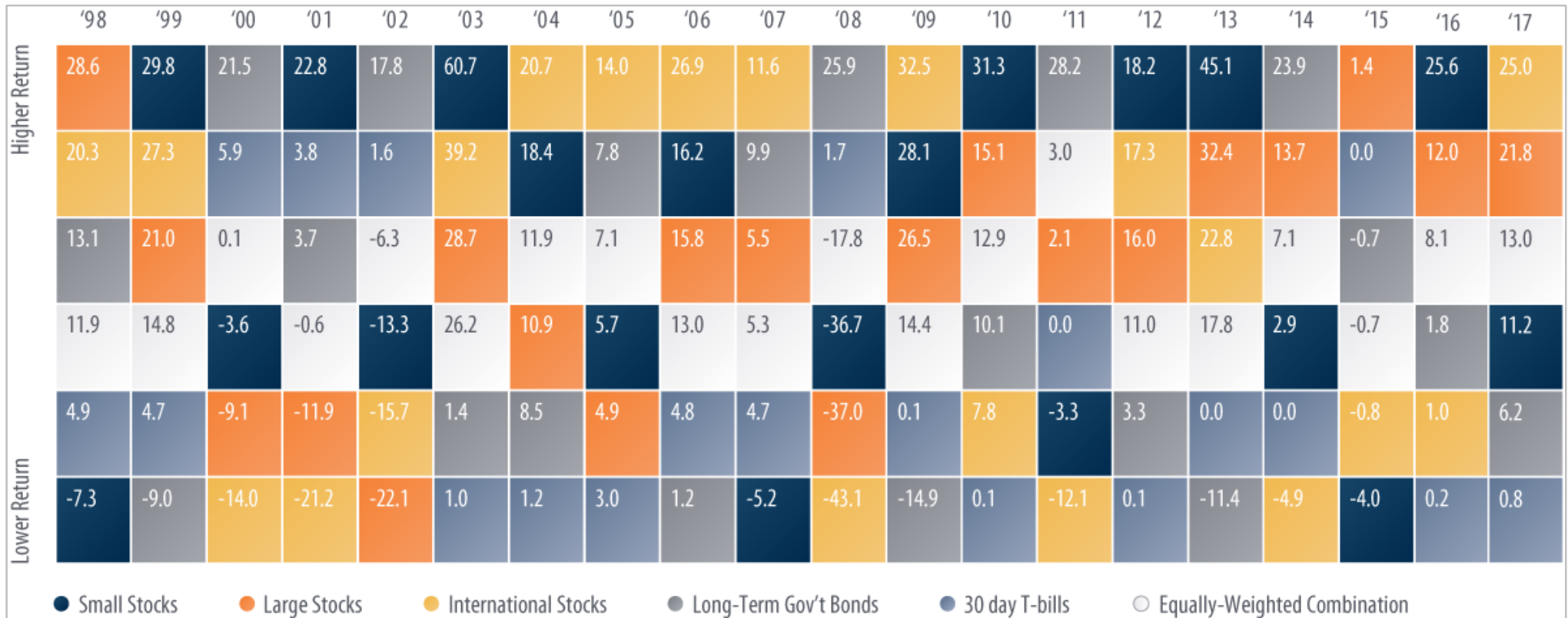
- Asset allocation is a process of dividing a portfolio among asset classes to seek to reduce risk and potentially increase returns. Asset allocation is a time-tested strategy that has proven effective in reducing risk for investment portfolios over long periods of time. Of course, asset allocation does not guarantee that any portfolio will not incur a loss.
- Spreading capital across a range of various asset classes makes a portfolio less dependent on the performance of any single asset class.
- The asset allocation decision is one of the most important decisions you will make as an investor. Studies have found that an asset allocation policy is the number one factor in determining both the return and the risk of an investment portfolio.



Source: The study, "Determinants of Portfolio Performance," by Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower, was published in the July/August 1986 edition of the Financial Analysts Journal. This study was updated by Brinson, Brian D. Singer, and Beebower in the May/June 1991 edition of the Financial Analysts Journal. The update analyzed quarterly data from 82 large U.S. pension plans over the period 1977-1987. Past performance is no guarantee of future results.

The Need for Sound Investment Diversification – Asset Class Winners and Losers

This chart illustrates the annual performance of various asset classes in relation to one another over the past 20 years as well as a diversified portfolio consisting of an evenly-weighted combination of the asset classes. As you can see, the performance of any given asset class can have drastic changes from year to year, making it nearly impossible, even for the most astute investors, to accurately predict the best combination of asset classes to maximize returns and minimize risk.

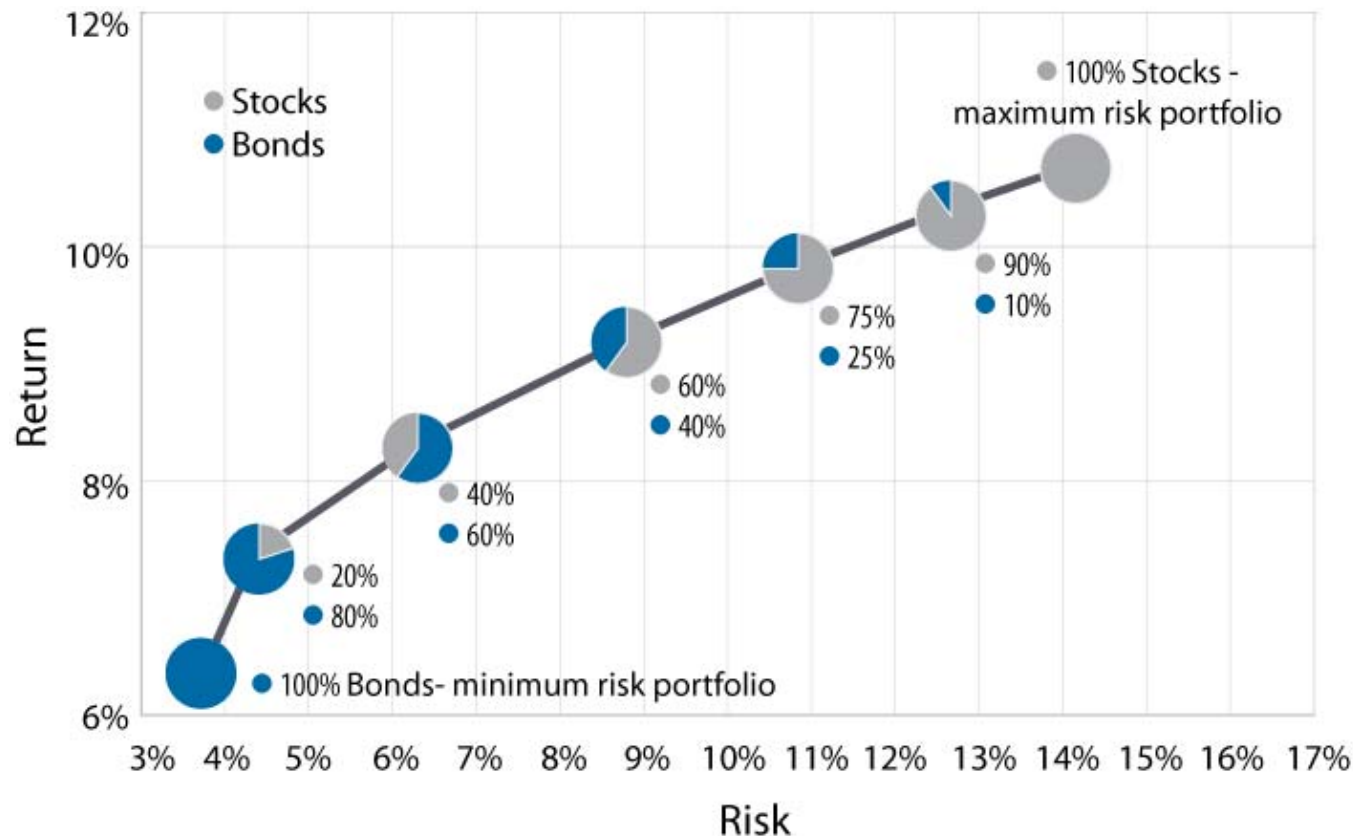


This information is presented for illustrative purposes only and is not indicative of the performance of any portfolio.

Source: Morningstar Investment Management LLC. Small stocks are represented by the Dimensional Fund Advisors, Inc. (DFA) U.S. Micro Cap Portfolio; large stocks by the S&P 500 Index, which is an unmanaged group of securities and considered to be representative of the U.S. stock market in general; government bonds by the 20-year U.S. government bond; Treasury bills by the 30-day U.S. Treasury bill; and international stocks by the Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE) Index. An investment cannot be made directly in an index. Past performance is no guarantee of future results. The data assumes reinvestment of all income and does not account for taxes or transaction costs. (1/2018)

Stocks and Bonds: Risk versus Return, 1988-2017

As risk increases in an investment portfolio, so do the return expectations. Investors can manage their risk tolerance through asset allocation and by selecting investments that meet their risk/return expectations. Effective asset allocation requires combining assets with low correlations—that is, those that have performed differently over varying market conditions. Investing in assets with low to negative correlation can reduce the overall volatility and risk within a portfolio and may also help to improve portfolio performance. This chart illustrates the effects of low correlation on the risk and return of varying combinations of stocks and bonds.



Source: Bloomberg. Stocks-S&P 500 Index, which is an unmanaged group of securities and considered to be representative of the U.S. stock market in general; Bonds-Bloomberg Barclays U.S. Aggregate Bond Index covers the US dollar-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities.

Risk is measured by standard deviation. Return is measured by arithmetic mean. Standard deviation measures the fluctuation of returns around the arithmetic average return of the investment. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns. Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than bonds. Portfolios presented are based on modern portfolio theory. An investment cannot be made directly in an index. Past performance is no guarantee of future results. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

Overview of Morningstar Investment Management LLC

Morningstar Investment Management Business Snapshot

- Owned by Morningstar, Inc.
- A leading authority on asset allocation
- Rooted in academic research
- Businesses include investment advice, consulting and research
- Focused on helping financial institutions more effectively manage assets
- 10 Graham and Dodd awards

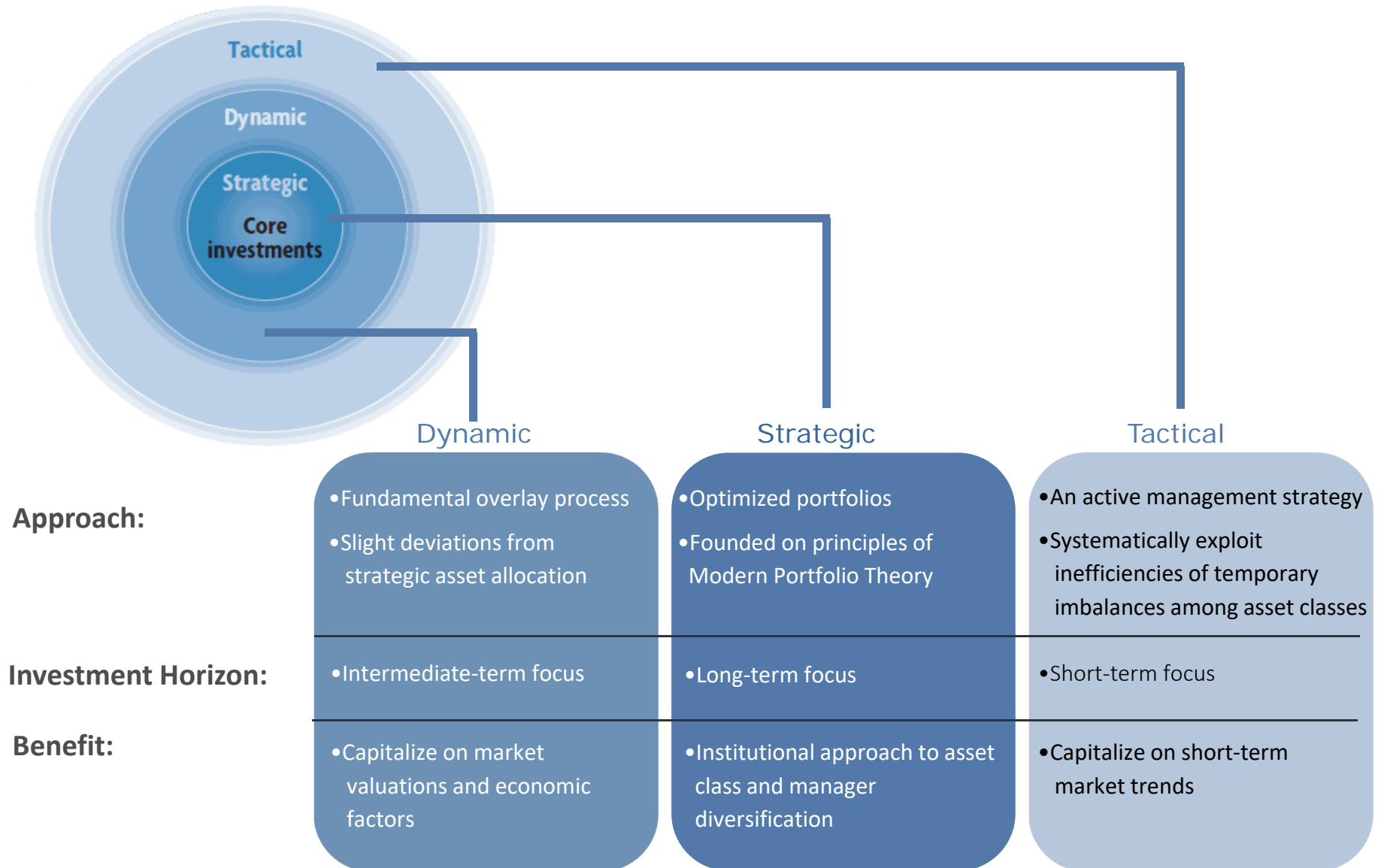
While there are many different applications of asset allocation, Morningstar Investment Management focuses on strategic asset allocation. Strategic asset allocation allocates portfolio holdings to asset classes based on the long-term expectations for returns, risk and correlation.

References to Morningstar Investment Management are made pursuant to a license obtained by First Trust Advisors L.P., which is solely responsible for the content herein and is the sole investment manager of the strategy referred to herein. FTA is the investment adviser responsible for the day-to-day management of the FTA/Morningstar Multi-Discipline strategies. Morningstar Investment Management will provide FTA with recommended asset allocation, which FTA will consider in managing a client's portfolio. FTA will then select the specific securities utilizing its investment process.

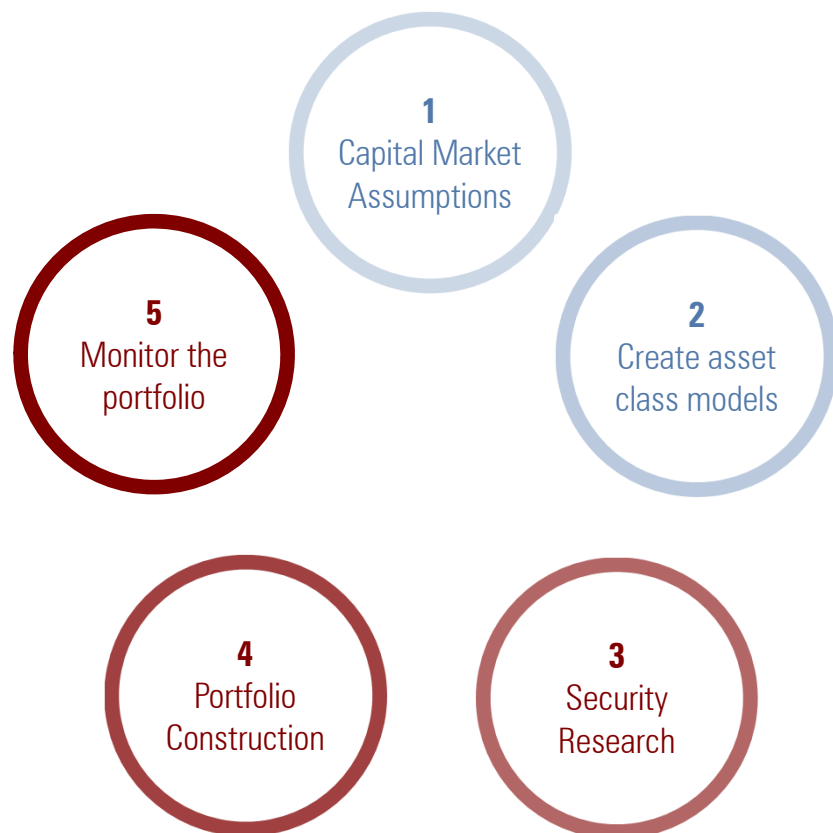
Graham and Dodd Awards were granted for financial writing based on research of individuals who were employed by Morningstar, Inc. or one of its subsidiaries at the time the financial writing was published.

Investment Management Process

Three Levels of Investment Management



Investment Management Process



Step 1: Capital market assumptions

Identify opportunity set of asset classes
Long-term expected returns
Intermediate-term expected returns
Standard deviations
Correlation coefficients

Step 2: Create asset class models

Mean-variance optimization
Mean-conditional value at risk optimization
Re-sampled optimization
Sensitivity analysis
Intermediate-term models

Step 3: Security research

Quantitative analysis

- Multi-factor model to rank stocks

Fundamental analysis

- Based on size and liquidity requirements

Ongoing due diligence

Step 4: Portfolio construction

Investment selection
Implementation

Step 5: Monitor portfolio

Annual review of the asset allocation
Portfolio review – continuously
Systematic portfolio rebalancing

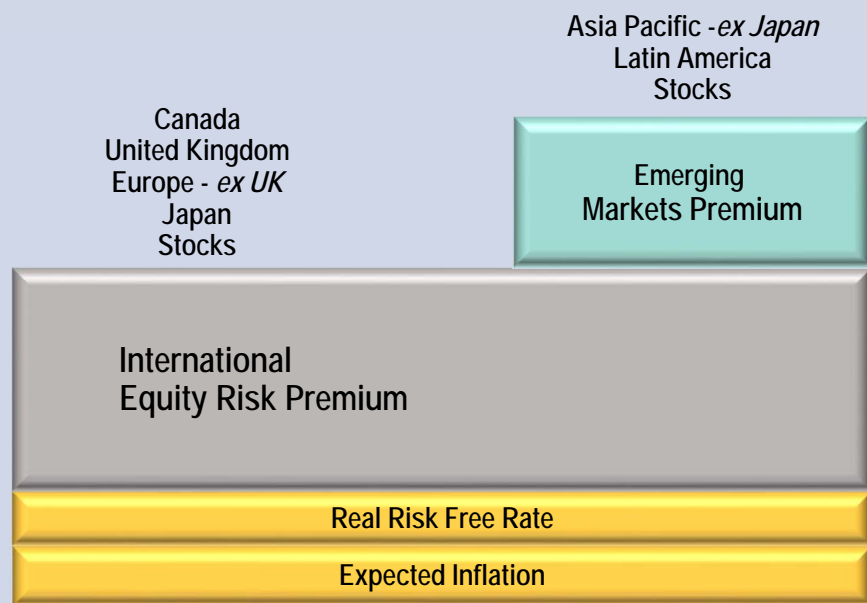
● Morningstar Investment Management's top-down controlled process

● First Trust bottom-up controlled process

Overview of Morningstar Investment Management– Asset Allocation Investment Process

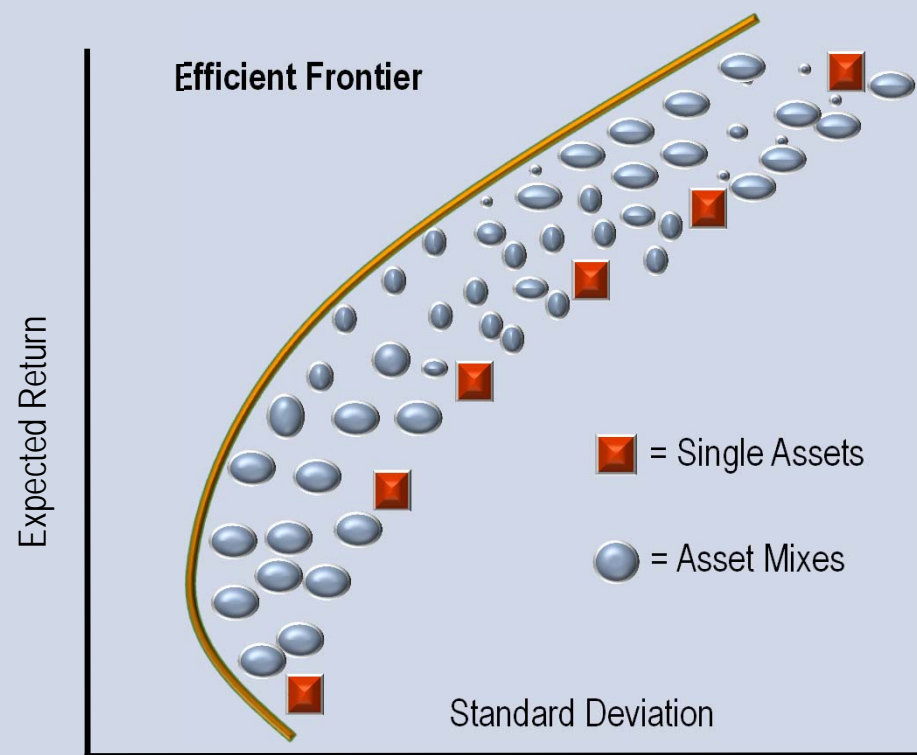
Step I: Forecast Asset Class Returns

- Begin with the risk-free rate
- Calculate the risk premium of each asset class
- Add the risk premium to the risk-free rate
- Adjust expected returns for supply side factors



Step II: Develop Asset Allocation Models

- Constructed using a technique known as mean variance optimization
- Consists of portfolios that have the highest level of return for a given level of risk
- Given so many number of asset classes, Morningstar Investment Management believes the efficient frontier is the best risk and return profile that can be achieved



FTA/Morningstar International Core

Strategy Objective: The FTA/Morningstar International Core is a strategy of international holdings which seeks to outperform the MSCI All Country World ex U.S. Net Return Index by investing in international securities which trade on U.S. exchanges.

Step 1

Top Down

Purpose: To optimally allocate equity securities among 6 non-U.S. regions utilizing the Morningstar Investment Management's Strategic Asset Allocation Model.

Eligible Universe: Entire universe of international securities which trade on the U.S. exchanges exceeding \$2.5 billion in market cap.

Process: The Strategic Asset Allocation Model analyzes how each region will perform under a variety of capital market conditions. Morningstar Investment Management employs a statistical technique known as Resampled Mean Variance Optimization, the goal of which is to maximize return with a commensurate level of risk. This model's objective is to efficiently allocate to non-U.S. equity markets based on long-term expectations for returns, risk, and correlation.

Step 2

Bottom Up/Quantitative and Fundamental Analysis Process

Bottom-up - FTA selects strategy positions based on the percentage weightings designated by the Morningstar Investment Management's Strategic Asset Allocation Model using a disciplined equity selection process that incorporates quantitative and fundamental criteria.

Selection Process:

Quantitative Analysis FTA utilizes a proprietary multi-factor model to rank international stocks trading on U.S. exchanges subject to certain size and liquidity requirements. The model is used to identify a subset of stocks that possesses desirable attributes shown to produce superior returns. The subset of stocks is then eligible for further fundamental analysis before being considered for the strategy.

Fundamental Analysis is used to make final strategy selections and focuses on assessing the valuation of the company. Among the factors considered are the cash flow generated by the company, the asset base employed to generate that cash flow, management's stewardship of investor capital and risk/return tradeoff. The entire process is focused on identifying companies whose true value is not being reflected in the current market price.

As an expression of the disciplined application of FTA's security selection process, our strategy companies will share certain characteristics.

They will:

- be profitable;
- have strategies in place for continuous improvement in operations;
- not be excessively leveraged so as to introduce unnecessary financial risk;
- be guided by skilled managers who demonstrate awareness of the opportunity cost of capital when making investment decisions;
- have significant trading histories with adequate liquidity for investment.

Step 3

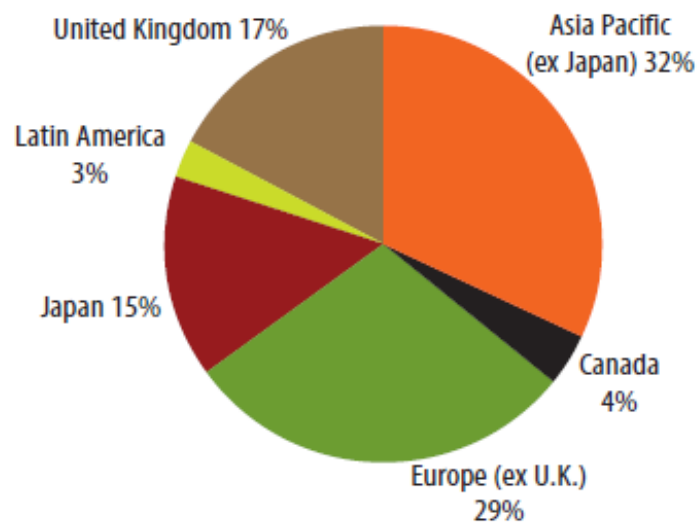
Strategy Management Process

Asset class weightings are readjusted and rebalanced to reflect the most recent Morningstar Investment Management's Strategic Asset Allocation Model. At purchase time, invest in 50-60 securities. FTA retains flexible sector and industry weights and its weightings in such categories are principally a result of its bottom-up stock selection process.

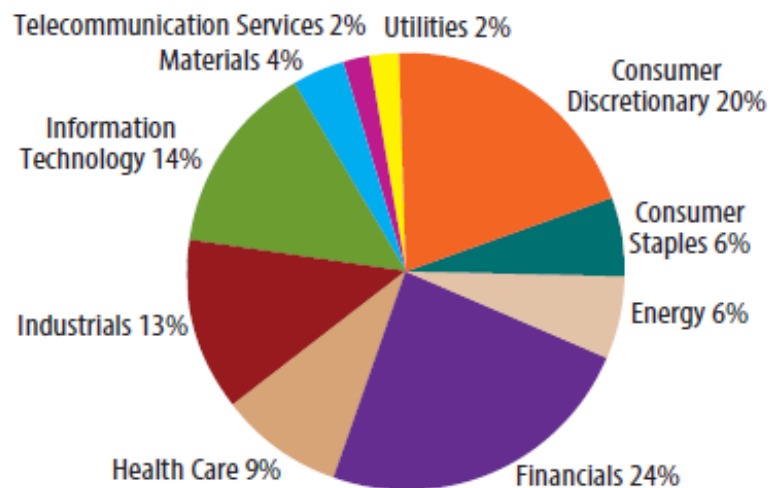
Equity Sell Discipline – positions are continually reviewed and may be sold if:

- The share price reaches or exceeds our estimate of intrinsic value;
- The company's fundamentals deteriorate;
- There is a significant change in company management;
- There is a corporate action affecting the holding;
- More attractive opportunities exist elsewhere.

Region Allocation



Equity Sector Allocation



Strategy Characteristics

Dividend Yield	2.74%
Number of Securities	51
Annual Turnover	4%

Ten Largest Holdings

MELCO RESORTS AND ENTERTAINMENT LIMITED	2.8%
LVMH MOET HENNESSY LOUIS VUITTON S.A. ADR	2.7%
DBS GROUP HOLDINGS LTD ADR	2.6%
INFINEON TECHNOLOGIES AG ADR	2.5%
RYANAIR HOLDINGS PLC ADR	2.5%
TAIWAN SEMICONDUCTOR ADR	2.4%
SAFRAN SA ADR	2.4%
TECHTRONIC INDUSTRIES CO., LTD ADR	2.4%
CSL LIMITED ADR	2.3%
KOMATSU LTD. ADR	2.2%

The listing of "Largest Holdings" is not a complete list of all securities in the strategy or which First Trust Advisors L.P. may be currently recommending. Furthermore, application of the investment strategy as of a later date will likely result in changes to the listing.

Performance Based Statistics: (Since Inception)

	Pure Gross-of-Fees	Net-of-Fees	Benchmark
Standard Deviation %	17.29	17.21	17.84
Beta	0.94	0.94	1.00
Alpha	2.42	0.74	—
R-Squared	94.80	94.31	100.00
Sharpe Ratio	0.34	0.24	0.20
Upside Capture Ratio	100.29	95.16	100.00
Downside Capture Ratio	92.07	94.50	100.00

Holdings Based Statistics:

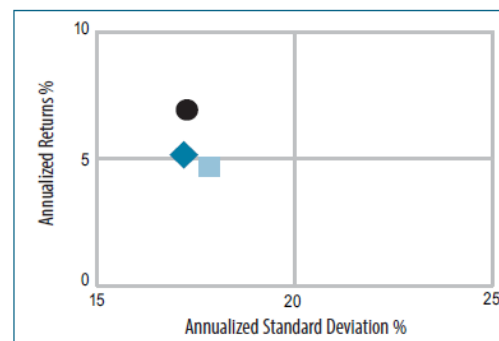
Equity Portfolio Characteristics

Weighted Average P/E - Trailing 12 Months	14.25
Weighted Average Price-to-Cash Flow	6.36
Weighted Average Price-to-Book	1.92
Weighted Average Return on Equity	18%

Strategy Benchmark: MSCI All Country World ex U.S. Net Return Index

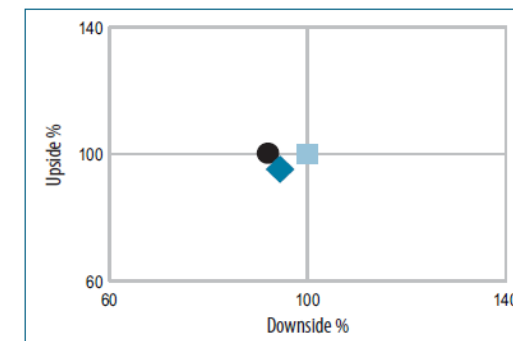
Risk/Reward Scatterplot

Since inception



Upside/Downside Scatterplot

Since inception



● Pure Gross-of-Fees ◆ Net-of-Fees ■ Benchmark

Financial Terms

Standard Deviation — a measure of price variability (risk) over a period of time. A higher deviation indicates more variability in returns from month to month.

Beta — a measure of a portfolio's volatility (systematic risk) compared to an appropriate benchmark index.

Alpha — measure of performance of a portfolio after adjusting for risk.

R-Squared — indicates whether the comparison index is an appropriate benchmark based on correlation. Generally an R-Squared above 70 is desirable.

Sharpe Ratio — quantifies risk-adjusted performance by measuring the excess return per unit of risk. A higher Sharpe Ratio suggests better risk-adjusted performance.

Upside Capture Ratio — indicates a portfolio's performance in up-markets. For example, a ratio of 120 indicates that a portfolio performed 20% better than the benchmark in up-markets for a specified period.

Downside Capture Ratio — indicates a portfolio's performance in down-markets. For example, a ratio of 80 indicates that a portfolio declined only 80% as much as the benchmark in down-markets for a specified period.

FTA/Morningstar International Core

As of 3/31/18

	YTD	1yr	3yr Annualized	5yr Annualized	10yr Annualized	Since Inception (1/1/06) Annualized
Pure Gross-of-Fees Return* %	0.40	15.64	7.57	8.92	4.59	6.93
Net-of-Fees Return %	0.03	13.90	5.89	7.13	2.78	5.15
MSCI AC World ex U.S. Net Return %	-1.18	16.53	6.18	5.89	2.70	4.68

Year	Pure Gross-of-Fees		MSCI AC World ex U.S.		Composite 3-Year Std Dev	Benchmark 3-Year Std Dev	Number of Portfolios	Composite Dispersion	Composite Market Value (In millions)	Total Firm Assets (In millions)
	Return*	Net-of-Fees Return	Net Return	Net Return						
2006	24.97%	23.47%	26.65%		N/A	N/A	3	N/A	\$ 1.5	\$ 7,056.3
2007	24.19%	22.22%	16.65%		N/A	N/A	17	N/A	7.7	10,065.9
2008	-43.53%	-44.39%	-45.53%		N/A	N/A	24	0.48%	4.7	5,537.2
2009	29.09%	26.69%	41.45%		N/A	N/A	19	0.78%	3.7	9,683.6
2010	13.13%	10.95%	11.15%		N/A	N/A	15	0.23%	3.6	16,879.5
2011	-7.42%	-9.07%	-13.71%	21.46%	23.04%		10	0.26%	1.6	16,444.5
2012	20.94%	18.67%	16.83%	18.57%	19.53%		7	0.30%	1.5	22,603.8
2013	22.19%	19.99%	15.29%	15.59%	16.46%		6	0.24%	1.4	32,021.6
2014	-0.65%	-2.40%	-3.87%	12.74%	12.99%		6	0.14%	1.4	39,743.5
2015	1.20%	-0.44%	-5.66%	11.70%	12.30%		6	0.14%	1.3	44,272.5
2016	3.58%	1.93%	4.50%	11.95%	12.69%		13	0.21%	2.3	45,620.1
2017	24.09%	22.21%	27.19%	10.56%	12.04%		13	0.30%	2.6	62,193.2
2018 (1/1/18 thru 3/31/18)	0.40%	0.03%	-1.18%		N/A		14	N/A	2.7	66,028.5

*Pure gross-of-fees returns are presented as supplemental information to the disclosures required by GIPS®.

First Trust Advisors L.P. (FTA) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. FTA has been independently verified for the periods August 1, 1999 through June 30, 2017. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

There can be no assurance that a purchase of the securities in this strategy will be profitable, either individually or in the aggregate, or that such purchase will be more profitable than alternative investments.

Notes to Composite Performance

1. First Trust Advisors L.P. (FTA) was founded in 1991 and is a registered investment advisor with the Securities and Exchange Commission (SEC). FTA provides investment advisory services using equity, fixed-income and balanced strategies for individuals, organizations and institutions. The firm consists of all portfolios managed by FTA. Since 2011, the Total Firm Assets are presented net and have been reduced for the effects of leverage. Prior to 2011, the Total Firm Assets are presented gross and have not been reduced for the effects of leverage.

2. The FTA/Morningstar International Core Composite invests in global securities (excluding the U.S. market) which trade on the U.S. exchanges and have a favorable intrinsic value based on the FTA Valuation Model. Prior to 4/1/16, the composite was called the FTA/Ibbotson International Core Composite. The composite creation date was January 2006. A complete list of composites and descriptions is available upon request.

3. The composite includes 100% wrap portfolios since inception for which FTA has full discretionary investment authority and are fee-paying portfolios. The composite does not utilize a material level of leverage.

4. Composite net-of-fees returns are presented net of actual fees. Net-of-fees returns include investment management fees, custodian fees, trading costs and all other administrative fees. Pure gross-of-fees returns do not reflect the deduction of any expenses, including investment management fees, custodian fees, trading costs and other administrative fees. Prior to 12/31/11, quarterly and annual composite returns were calculated by linking monthly returns. Each portfolio in the composite was valued at least on a monthly basis. If cash flows exceed 10% of the composite's value, the composite was revalued on the day prior to the cash flow and the return was calculated for the interim period. Starting 1/1/12, composite returns are calculated on a daily basis.

5. Valuations and returns are computed and stated in U.S. Dollars. Returns are calculated net of foreign taxes recorded on a cash basis and dividend accruals do not include pending withholding tax reclaims. Additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.

6. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented prior to 2011 because it was not required.

7. Composite dispersion is measured by standard deviation, which is an asset-weighted calculation that measures the consistency of composite performance with respect to the individual portfolio returns within the composite. Dispersion of portfolios in the composite is not applicable if the period presented is less than a full year or if there were fewer than five portfolios in the composite for the entire year.

8. The benchmark return is the MSCI All Country World ex U.S. Net Return Index - a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets, excluding the United States.

9. The securities comprising the benchmark are not identical to those in any portfolio in the composite, but FTA believes they may be useful in evaluating performance. Unlike the composite, the benchmark is not actively managed and does not reflect the deduction of advisory fees. Differences in composite performance versus benchmark performance may also result due to high concentrations of individual securities holdings in certain portfolios, timing of security transactions and tax considerations. Such factors may contribute to higher standard deviation of portfolio returns within the composite. The benchmark is rebalanced daily. Benchmark returns have not been examined by the verifier.

10. The FTA management fee schedule is an annual fee of 0.55%. FTA, at its discretion, may negotiate a management fee which is different from the standard fee schedule listed here. The overall wrap fee expense for accounts in the composite will typically range from 1.00% to 3.00%.

11. Past performance is not indicative of future results. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio. Care should be used when comparing these results to those published by other investment advisers, other investment vehicles and unmanaged indices due to possible differences in calculation methods.

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.

Requests for further information may be made by calling (800) 222-6822 or emailing ftaoperations@ftadvisors.com.