First Trust Senior Loan Fund (FTSL)

The **First Trust Senior Loan Fund** (the "fund") is an actively managed exchange-traded fund (ETF) that seeks to provide high current income by investing primarily in a diversified portfolio of first lien senior floating-rate bank loans ("Senior Loans"). Capital preservation is a secondary objective.

Fund Ticker	FTSL
CUSIP	33738D309
Intraday NAV	FTSLIV
Fund Inception Date	5/1/13
Primary Listing	Nasdaq

WHY CONSIDER THE FIRST TRUST SENIOR LOAN FUND?

Interest rates have begun to rise from historic lows in the U.S. In this environment, many investors are seeking alternative sources of income, including those which have historically reacted favorably during periods of rising interest rates such as senior loans.

- Unlike index-based senior loan ETFs, the fund is actively managed and seeks to generate both attractive risk-adjusted and absolute returns over time.
- The fund has the potential to provide high current income, while potentially limiting interest rate risk because of the floating-rate feature of the senior loans in which the fund invests.
- The fund offers a potential diversification benefit because of the historically low correlation of senior loans to other asset classes.
- The fund is managed by a team of experienced portfolio managers that specialize in below investment grade securities.

SENIOR LOANS ARE AT THE TOP OF A COMPANY'S CAPITAL STRUCTURE

Senior loans are floating-rate secured debt extended to non-investment grade corporations which are backed by collateral, such as property, and are senior in the capital structure of a company. The capital structure is how a company finances its overall operations and growth by using different sources of funds such as long-term debt, short-term debt, common equity and preferred equity.

Because senior loans are usually rated below investment grade, the risks associated with these loans are similar to the risks of high-yield fixed-income instruments. Most notably, high-yield securities are subject to greater market fluctuations and risk of loss than securities with higher ratings. Investors may find comfort in the fact that senior loans have a senior secured position in the capital structure, thereby having a claim not only on the cash flow of a given company, but also its assets. This added security has historically offered investors less volatility in relation to the junior parts of a given capital structure.

Senior loans may play a valuable role in a portfolio. A key characteristic of senior loans is their floating-rate feature, which resets generally every 30 – 90 days based on prevailing short-term interest rates, primarily the London Interbank Offered Rate (LIBOR). It is this resetting feature that has the potential to provide protection in a rising interest rate environment (unlike fixed-rate bonds). In periods of rising interest rates, investors may benefit as the interest paid by senior loans typically moves higher as the underlying short-term rate resets at higher levels. Similarly, in periods of falling interest rates, income from senior loans will decline as floating-rate debt adjusts lower. Additionally, senior loans may offer relatively attractive yields compared to traditional fixed-rate bonds and often with less volatility. The table below illustrates the historical relationship of senior loans compared to fixed-rate bonds in periods of rising and falling interest rates.

	Rising Interest Rates		Falling Interest Rates	
	Income	Price	Income	Price
Senior Loans	Resets	Less Sensitive	Resets	Less Sensitive
Fixed-Rate Bonds	Fixed	Fluctuates	Fixed	Fluctuates

INTEREST RATE CHANGES EFFECT ON PRICES

In a persistently low interest rate environment, we believe investors have few options to generate a high level of income without assuming significant duration risk (see Exhibit 1). The duration of a bond is a measure of its price sensitivity to interest rate movements based on the weighted average term to maturity of its interest and principal cash flows. Historically, lower duration securities have tended to hold up better in rising interest rate environments than those which have longer durations. In addition, periods of rising rates often coincide with improving economic data, which has been favorable historically for high-yield securities which are more sensitive to economic growth than to interest rates.

We believe that there is potential for interest rates to move higher which makes senior loans attractive because they provide investors with the potential for high current income but with less interest rate sensitivity than longer duration securities. Senior loans typically generate a higher level of income as short-term interest rates rise, providing a potential offset to traditional fixed-rate bond holdings which typically come under pressure in periods of rising rates.

HISTORICAL PERFORMANCE

The senior loan asset class has a strong track record of providing positive calendar year returns (see Exhibit 2). Since 1999, the senior loan asset class has had only two negative return years, which were in 2008 and 2015. The financial crisis affected the loan market as it did other credit and equity markets, driving senior loan returns down by about 30%. We believe a significant portion of the negative performance can be attributed to leverage. Leverage is a technique which is used in an attempt to boost total returns but use of leverage can result in additional risk and cost, and can magnify the effect of any losses. The credit crisis was a unique period in the senior loan asset class given the excess leverage that was being employed. Prior to 2007 and today, leverage is considerably lower than it was at the peak of the credit bubble. We believe the current levels of leverage combined with the floating-rate nature of the asset class will allow senior loans to revert to the lower levels of volatility which they experienced prior to 2008.

EXHIBIT 1: YIELDS AND DURATIONS (6/30/17)

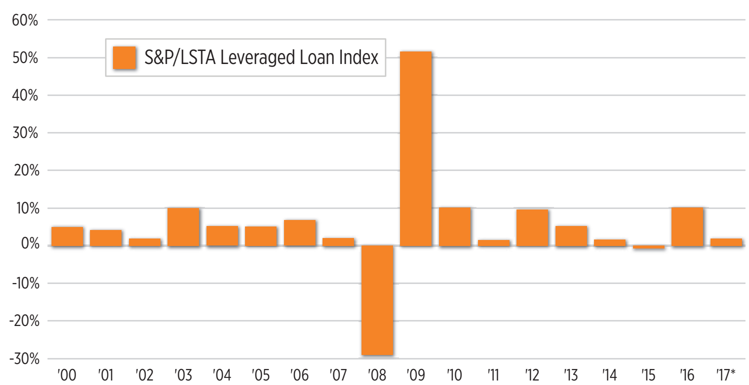
Asset Class	Yield to Maturity	Duration (Years)
Senior Loans	5.07%	0.25
U.S. High-Yield Corporate Bonds	6.11%	4.03
U.S. Investment Grade Corporate Bonds	3.20%	7.49
U.S. Investment Grade Core Bonds	2.56%	6.01
U.S. Government Bonds	1.89%	6.08
1-5 Year U.S. TIPS	1.72%	1.49
1-3 Year U.S. Treasuries	1.40%	1.95

Source: Barclays, Standard & Poor's Leveraged Commentary and Data (LCD), First Trust Advisors L.P. Past performance is no guarantee of future results and index performance is not indicative of any First Trust ETF. The illustration does not reflect any fees, expenses or sales charges. Yield to maturity represents the anticipated rate of return on a bond if it is held until the maturity date, taking into account the current market price, par value, coupon interest rate and time to maturity. An index cannot be purchased directly by investors.

It is important to note that there are differences between the investment objectives and risks of senior loans versus the securities that comprise the indices shown above. Fixed-income securities are subject to several risks, including interest rate risk and credit risk. Interest rate risk is the risk that if interest rates rise, the prices of the fixed-rate instruments may fall. 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 the value of a security may decline because of concerns about the issuer's ability to make such payments. High-yield securities are subject to greater market fluctuations and risk of loss than securities with higher ratings. U.S. government bonds and Treasuries (which are backed by the full faith and credit of the U.S. Government) are considered the safest of all bonds.

Please see endnotes for a description of these indices.

EXHIBIT 2: SENIOR LOAN PERFORMANCE (2000 - 2Q2017)



*Year-to-date through 6/30/17.
Source: Standard & Poor's LCD. Past performance is no guarantee of future results. The chart is for illustrative purposes only and not indicative of the fund. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. An index cannot be purchased directly by investors.
You can obtain fund performance information which is current through the most recent month-end

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.

Please see the back for additional risk considerations of an investment in the fund.

WHY ACTIVE MANAGEMENT?

Traditionally, exchange-traded funds which follow an indexing approach tend to invest a higher percentage of the fund's assets in the companies in the index which have the largest market capitalizations. While this market-cap weighted approach is conventional for exchange-traded funds that invest in common stocks, we believe it is problematic when applied to loan indexes. With loan indexes, two factors typically determine which loans are selected, and how they are weighted within the underlying index – the aggregate par value of loan issues outstanding and the price of loans.

This approach of investing based on the market value of an issuer's outstanding debt has significant investment implications. A higher percentage of assets is invested in the most indebted borrowers, and less to the least indebted borrowers, irrespective of their relative ability to repay their debt. This increased exposure to issuers that are either more heavily indebted or overvalued may result in an unnecessary drag on investment returns.

In contrast, when selecting the portfolio for the fund, the First Trust Advisors' Leveraged Finance Investment Team (the investment team) uses a rigorous, repeatable and disciplined process. The team's investment process is a balanced combination of bottom-up fundamental credit analysis and top-down portfolio construction. Asset selection involves evaluation of the macro-economy, industry trends, consistency of cash flows, collateral coverage, and management quality. Portfolio construction focuses on relative value within a risk management structure.

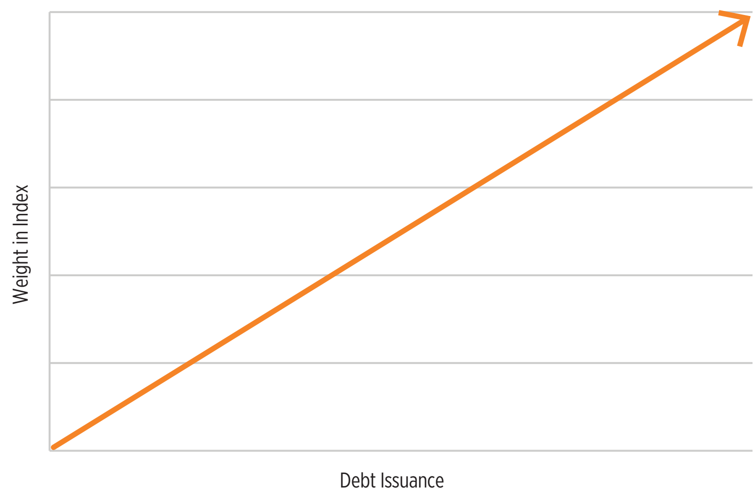
HIGHLY EXPERIENCED INVESTMENT TEAM

The portfolio is selected and managed by the investment team using a combination of a rigorous fundamental credit selection process with relative value analysis. The team believes that an evolving investment environment offers varying degrees of investment risk opportunities in the high-yield, senior loan, derivative and fixed-income instrument markets. In order to capitalize on attractive investments and effectively manage potential risk, the team believes that the combination of thorough and continuous credit analysis, market evaluation, diversification, long and short positions, and the ability to reallocate investments among senior and subordinated debt and derivatives may allow them to achieve higher risk-adjusted returns.

- Asset selection involves evaluation of the macro-economy, industry trends, consistency of cash flows, collateral coverage, and management quality.
- Portfolio construction focuses on relative value within a risk management framework.

TRADITIONAL FIXED INCOME WEIGHTING APPROACH

An issuer's weight in the index is a function of the quantity and current price of its outstanding debt.



The chart is for illustrative purposes only.

The First Trust Leveraged Finance Team

- $3.9 billion in assets under management or supervision as of 6/30/17.
- Experienced investment professionals specializing in below investment grade securities.
- Comprised of portfolio management, research, trading and operations.
- The investment team selects and manages senior secured bank loans and high-yield bonds across various products, including closed-end funds, an open-end mutual fund, exchange-traded funds, a series of unit investment trusts and an institutional separate account.

Portfolio Managers

- William Housey, CFA; Senior Vice President
- Scott D. Fries, CFA; Senior Vice President

SUMMARY

The fund provides a way for investors to gain access to a diversified portfolio of senior loans. The portfolio is actively managed by a team of professionals with extensive experience in managing senior loans and other below investment grade securities. In today's low yield environment, senior loans may provide many benefits including attractive income and enhanced diversification. Although no one knows for certain when interest rates will rise, we believe eventually they will. Because of their unique floating-rate feature, senior loans typically generate a higher level of income as short-term interest rates rise, unlike traditional fixed-rate bonds which typically come under pressure in periods of rising interest rates.

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 by visiting 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.

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.

Senior floating-rate loans are usually rated below investment grade but may also be unrated. As a result, the risks associated with these loans are similar to the risks of high-yield fixed income instruments. 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.

Senior Loan securities are subject to numerous risks, including credit risk, interest rate risk, income risk and prepayment 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. Credit risk may be heightened for senior loans because companies that issue loans tend to be highly leveraged and thus are more susceptible to the risks of interest deferral, default and/or bankruptcy. Interest rate risk is the risk that if interest rates rise, the prices of the fixed-rate instruments held by the fund may fall. Income risk is the risk that if interest rates fall, the income from the fund's portfolio will decline as the fund intends to hold floating-rate debt that will adjust lower with falling interest rates. Loans are subject to pre-payment risk. The degree to which borrowers prepay loans may be affected by general business conditions, the financial condition of the borrower and competitive conditions among loan investors, among others. The fund may not be able to reinvest the proceeds received on terms as favorable as the prepaid loan.

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 currently intends to effect a significant portion of creations and redemptions for cash, rather than in-kind securities. As a result, the fund may be less tax-efficient.

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 adviser 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:

Senior Loans are represented by the **S&P/LSTA Leveraged Loan Index** which is designed to track the current outstanding balance and spread over LIBOR for fully funded term loans.

U. S. High-Yield Corporate Bonds are represented by the BofA Merrill Lynch U.S. High Yield Constrained Index which 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%.

U.S. Investment Grade Corporate Bonds are represented by the Bloomberg Barclays Capital U.S. Corporate Index which measures the investment grade, fixed-rate, taxable, corporate bond market and consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

U.S. Investment Grade Core Bonds are represented by the Bloomberg Barclays Capital U.S. Aggregate Bond Index which covers the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS.

U.S. Government Bonds are represented by the Bloomberg Barclays Capital U.S. Government Index which is comprised of the U.S. Treasury and U.S. Agency Indices and includes Treasuries and U.S. agency debentures.

1-5 Year U.S. TIPS are represented by the Bloomberg Barclays Capital 1-5 Year U.S. TIPS Index which tracks inflation-protected securities issued by the U.S. Treasury with maturities from 1 and up to 5 years.

1-3 Year U.S. Treasuries are represented by the Bloomberg Barclays Capital U.S. 1-3 Year Treasury Bond Index which consists of public obligations of the U.S. Treasury with maturities from 1 and up to 3 years.