

### >> Fund Objective

This actively managed exchange-traded fund seeks to provide investors with long-term total return.

### >> Fund Facts

Fund Ticker	FAAR
CUSIP	33740Y101
Intraday NAV	FAARIV
Fund Inception Date	5/18/16
Expense Ratio	0.95%
Primary Listing	Nasdaq

### >> Fund Description

>> The First Trust Alternative Absolute Return Strategy ETF seeks to achieve long-term total return using a long/short commodities strategy.<sup>1</sup> The fund intends to invest primarily in exchange-listed commodity futures contracts through a wholly-owned subsidiary.<sup>1</sup>

- Unlike traditional investment strategies, where returns are generally tied to the ups and downs of a single benchmark, absolute return strategies may produce positive returns in any market environment, independent of the market being up, down or flat.
- Absolute return strategies offer a potential strategy diversification benefit, that may help to achieve more consistent returns over time and reduce overall investment risk, but it does not guarantee a profit or protect against a loss.
- The fund is managed by a team of experienced portfolio managers that specialize in alternative investments.

>> Through the investment process, the advisor will:

- Select commodity futures based on open interest and daily trading volume.
- Forecast the expected volatility and cross-correlation of each commodity.
- Generate a set of long/short portfolios that seek to maximize returns at various levels of volatility.
- Evaluate the futures curve for each commodity to seek the highest potential return contract.
- Analyze performance of the commodities and determine what affected performance, as well as how to position the portfolio going forward.

### >> Fund Advisor

>> The portfolio is managed by the First Trust Advisors L.P. Investment Committee.

>> Day-to-day management decisions for the fund's portfolio are made by two investment committee members:

- John Gambla, CFA, FRM, PRM, Senior Portfolio Manager
- Rob A. Guttschow, CFA, 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)	-0.68	-1.05	4.75	—	—	—	-0.23
After Tax Held	-0.68	-1.07	3.48	—	—	—	-0.80
After Tax Sold	-0.39	-0.59	2.69	—	—	—	-0.43
Market Price	-0.75	-0.95	2.41	—	—	—	-0.20
<b>Index Performance**</b>							
Bloomberg Commodity Index	0.40	0.00	7.35	—	—	—	2.08
3 Month U.S. Treasury Bills + 3%	1.22	2.33	4.44	—	—	—	3.96
S&P 500 Index	3.43	2.65	14.37	—	—	—	16.64

*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).*

\*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.

\*\***3 Month U.S. Treasury Bills + 3% 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.

^"Long" and "short" are investment terms used to describe ownership of commodity futures contracts. Taking a "long" position means purchasing a futures contract. The owner of a "long" position in a futures contract may profit from an increase in the price of the underlying commodity, and conversely, will incur a loss if the underlying commodity declines in price. Taking a "short" position means selling a futures contract. The owner of a "short" position in a futures contract may profit from a decrease in the price of the underlying commodity, and conversely, will incur a loss if the underlying commodity increases in price.

## » Portfolio Information

Number Of Holdings - Long Exposure	24
Number Of Holdings - Short Exposure	7

## » Commodity Futures Exposure (%)<sup>1</sup>

Energy	22.01
Metals	17.59
Agricultural	-2.55

## » Top Holdings (%) – Long Exposure<sup>1</sup>

Sugar #11 (World), Oct18	5.36
Gold 100 oz, Aug18	4.98
Brent Crude Oil, Sep18	3.67
Brent Crude Oil, Oct18	3.66
LME Zinc, Sep18	3.31
WTI Crude Oil, Oct18	3.29
New York Harbor ULS, Sep18	3.08
Soybean Meal, Sep18	3.07
Gasoline RBOB, Aug18	2.99
Copper, Sep18	2.95

## » Fund Exposure (%)

Long Exposure	56.31%
Short Exposure	-19.26%
Net Exposure	37.05%

## » Top Holdings (%) – Short Exposure<sup>1</sup>

Coffee 'C', Sep18	-5.43
Corn, Dec18	-4.92
Lean Hogs, Aug18	-3.24
Soybean Oil, Dec18	-1.89
Wheat (CBT), Sep18	-1.49
KC HRW Wheat, Sep18	-1.29
Cattle Feeder, Aug18	-1.00

## » Cash & Collateral (%)

Cash	40.60
U.S. Treasury Bills	59.40

<sup>1</sup>The futures investments are held indirectly through the FT Cayman Subsidiary III, a wholly-owned subsidiary of the fund organized under the laws of the Cayman Islands.

*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. One of the principal risks of investing in the fund is 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 trading prices of commodities futures, fixed income securities and other instruments fluctuate in response to a variety of factors. The fund's net asset value and market price may fluctuate significantly in response to these factors. As a result, an investor could lose money over short or long periods of time. In addition, the net asset value of the fund may be more volatile over short-term periods than other investment options because of the fund's significant use of financial instruments that have a leveraging effect.

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 guarantee that the fund will meet its investment objective.

The fund does not invest directly in futures instruments. Rather, it invests in a wholly owned subsidiary, which will have the same investment objective as the fund, but unlike the fund, it may invest without limitation in futures instruments. The subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Thus, the fund, as an investor in the subsidiary, will not have all the protections offered to investors in registered investment companies.

The failure or bankruptcy of the fund's and the subsidiary's clearing broker could result in a substantial loss of fund assets.

The value of commodity futures typically is based upon the price movements of a physical commodity or an economic variable linked to such price movements. The prices of commodity futures may fluctuate quickly and dramatically

and may not correlate to price movements in other asset classes. An active trading market may not exist for certain commodities. Each of these factors and events could have a significant negative impact on the fund.

All futures and futures-related products are highly volatile. Price movements are influenced by a variety of factors, including: changes in overall economic conditions, changes in interest rates, or factors affecting a particular commodity or industry, such as production, supply, demand, drought, floods, weather, political, economic and regulatory developments. Futures contracts may be less liquid than other types of investments.

The frequent trading of futures contracts may increase the amount of commissions or mark-ups to broker-dealers that the fund pays when it buys and sells contracts, which may detract from the fund's performance.

The fund will, under most circumstances, effect most creations and redemptions, in whole or in part for cash, rather than in-kind securities. As a result, the fund may be less tax-efficient.

Trading on commodity markets outside the U.S. is not regulated by any U.S. government agency and may involve certain risks not applicable to trading on U.S. exchanges. The subsidiary is subject to portfolio turnover risk, which may result in the fund paying higher levels of transaction costs and generating greater tax liability for shareholders, with the potential to lessen performance. The fund holds investments that are denominated in non-U.S. currencies, or in securities that provide exposure to such currencies, currency exchange rates or interest rates denominated in such currencies. Changes in currency exchange rates and the relative value of non-U.S. currencies may affect the value of the fund's investments and the value of the fund's shares. The fund intends to treat any income it may derive from commodity futures contracts received by the subsidiary as qualified income, subject to regulatory rules and annual re-examination.

The fund may be subject to the forces of "whipsaw" markets (as opposed to choppy or stable markets), in which significant price movements develop but then repeatedly reverse, which could cause substantial losses.

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.

Shorting may result in greater gains or greater losses. Short selling creates special risks which could result in increased volatility of returns. Because losses on short sales arise from increases in the value of the security sold short, such losses are theoretically unlimited.

Certain securities in the fund are subject to credit risk, interest rate risk, and income 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. Interest rate risk is the risk that the value of the fixed income securities in the fund will decline because of rising market interest rates. Income risk is the risk that income from the fund's fixed income investments could decline during periods of falling interest rates.

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 subject to gap risk, which is the risk that a commodity price will change from one level to another with no trading in between.

The fund is subject to regulatory risk, which may result in commodity contract positions requiring liquidation at disadvantageous times or prices.

The fund's investment in repurchase agreements may be subject to market and credit risk with respect to the collateral securing the repurchase agreements.

The fund may invest in U.S. government obligations, including U.S. Treasury obligations and securities. Securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.

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.

First Trust Advisors L.P. is registered as a commodity pool operator and commodity trading advisor and is also a member of the National Futures Association.

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 **3 Month U.S. Treasury Bills + 3%** is made up of 3 Month U.S. Treasury Bills and a spread of 3 percent accrued daily because the Treasury bill rate can fluctuate over time. The **Bloomberg Commodity Index** is made up of exchange-traded futures on physical commodities and represents 20 commodities, which are weighted to account for economic significance and market liquidity. The **S&P 500 Index** is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.