TERM

As of 9/28/18

EquityCompass Tactical Risk Manager ETF

» Fund Objective

This exchange-traded fund seeks to provide long term capital appreciation with capital preservation as a secondary objective.

» Fund Facts

Fund Ticker	TERM
CUSIP	33740F706
Intraday NAV	TERMIV
Fund Inception Date	4/10/17
Expense Ratio	0.65%
30-Day SEC Yield†	1.65%
Primary Listing	NYSE Arca

» Fund Description

- The EquityCompass Tactical Risk Manager ETF is an actively managed exchange-traded fund. The fund's strategy seeks to avoid large, prolonged market losses and to reduce volatility. Under normal market conditions, the fund will seek to achieve its investment objectives by investing in equity securities of U.S. companies.
- EquityCompass Strategies (EquityCompass or the sub-advisor) uses an investment approach focused on bottom-up stock selection, diversified by sector, assets, and risk levels, which includes the following steps:
  - **Fundamental Screen:** EquityCompass considers two or more consecutive months of declining earnings expectations for the S&P 500 Index to be unfavorable and increases the risk of large market losses, while two or more consecutive months of increasing expectations is considered favorable.
  - **Technical Screen:** This screen determines market favorability based on the current level of the Dow Jones Industrial Average®.
  - **Assess Market Conditions:** EquityCompass will allocate assets based on their determination of market favorability.
- During periods when the U.S. equity market is determined to be favorable by EquityCompass, the fund may be fully invested in equity securities. When conditions are deemed unfavorable, the sub-advisor may invest all or a portion of the fund's assets in cash, cash equivalents, money market funds and/or short-term fixed income ETFs, or the sub-advisor may invest all or a portion of the fund's assets in a single short-term fixed income ETF, the First Trust Enhanced Short Maturity ETF (FTSM). The sub-advisor may also invest a significant portion of the fund's assets in securities designed to provide short exposure to broad U.S. market indexes.

» Fund Sub-Advisor

- EquityCompass is the sub-advisor to the fund and will manage the fund's portfolio.
  - EquityCompass is an equity investment management firm and a wholly owned subsidiary of Stifel Financial Corp.
  - EquityCompass offers a broad range of portfolio strategies based on their systematic, research-driven investment process. Their investment strategies are based on the fundamental, technical and behavioral insights gleaned from years of empirical research.

» Performance Summary (%)

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Fund Performance*							
Net Asset Value (NAV)	6.37	6.43	12.71	–	–	–	12.49
After Tax Held	6.23	6.01	12.08	–	–	–	11.93
After Tax Sold	3.77	3.79	7.49	–	–	–	9.31
Market Price	6.18	6.38	12.75	–	–	–	12.52
Index Performance**							
Hedge Fund Research HFRI Equity Hedge Index	–	–	–	–	–	–	–
S&P 500 Index	7.71	10.56	17.91	–	–	–	17.74

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.

†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.

*__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.

**Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the index performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.

The Hedge Fund Research HFRI Equity Hedge Index returns are published as estimates and updated three times per month, therefore returns shown are subject to change. Returns for the index are not available since the fund's inception as the index is calculated monthly. Unlike most asset class indexes, the Hedge Fund Research HFRI Equity Hedge Index returns reflect the fees and expenses of the funds it tracks, but the index itself does not assess a fee.

» Portfolio Information

Number Of Holdings	150
Maximum Market Cap.	$1,090.31 Billion
Median Market Cap.	$71.76 Billion
Minimum Market Cap.	$3.51 Billion
Price/Earnings	20.13
Price/Book	2.50
Price/Cash Flow	13.65
Price/Sales	1.77

» Top 10 Holdings (%)

Flowserve Corporation	0.85
PerkinElmer, Inc.	0.84
QUALCOMM Incorporated	0.81
CF Industries Holdings, Inc.	0.78
Eli Lilly and Company	0.78
Apple, Inc.	0.77
CVS Health Corporation	0.77
NRG Energy, Inc.	0.77
Abbott Laboratories	0.76
Biogen Inc.	0.76

» Fund Composition (%)

Long Equity	100.00

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 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 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 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 sub-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 fund may invest in small or mid capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

The fund may invest in ETFs that are subject to credit risk, income risk, interest rate risk and call 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 an ETF's fixed-income investments could decline during periods of falling interest rates. Interest rate risk is the risk that the value of the fixed-income securities in an ETF's portfolio will decline because of rising market interest rates. Call risk is the risk that if an issuer calls higher-yielding debt instruments held by an ETF, performance could be adversely impacted.

To the extent that the fund or an underlying ETF engages in derivatives transactions, the fund bears the risk that the counterparty to the derivative or other contract with a third-party may default on its obligations or otherwise fail to honor its obligations. If a counterparty defaults on its payment obligations the fund will lose money and the value of the fund's shares may decrease.

The risks of owning an ETF generally reflect the risks of owning the underlying securities, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their 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.

The fund's investment in ETFs is restricted by the Investment Company Act of 1940, as amended, and the fund's associated exemptive relief which limits the amount of any single ETF that can be owned by the fund, individually and in the aggregate with all other registered investment companies and private investment pools advised by First Trust and its affiliates. This limitation may prevent the fund from purchasing shares of an ETF that it may have otherwise purchased pursuant to its investment objectives and principal investment strategy.

The fund may invest in inverse ETFs which would subject the fund to the risks of a short sales. The underlying ETF will incur a loss as a result of a short sale if the price of the security sold short increases in value between the date of the short sale and the date on which the fund purchases the security to replace the borrowed security. In a rising stock market, the underlying ETF's short positions may significantly impact the ETF's overall performance or cause it to sustain losses, particularly in a sharply rising market. The use of short sales may also cause the underlying ETF to have higher expenses than other funds.

The fund may invest in ETFs that are subject to the risk of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk and prepayment risk. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. Extension risk is prevalent when in a period of rising interest rates, an ETF holds mortgage-related securities and such securities exhibit additional volatility. Prepayments can reduce the returns of an ETF because the ETF may have to reinvest that money at the lower prevailing interest rates. An ETF's investments in asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

Certain of the fixed-income securities in an underlying ETF may not have the benefit of covenants which could reduce the ability of the issuer to meet its payment obligations and might result in increased credit risk.

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. 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.

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 fund may invest in the shares of other investment companies, and therefore, the fund's investment performance and risks may be related to the investment performance and risks of the underlying funds.

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.

The fund may invest in ETFs that invest in sovereign debt. Investments in sovereign bonds involve special risks because the governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due. In times of economic uncertainty, the prices of these securities may be more volatile than those of corporate debt obligations or of other government debt obligations.

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 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

The **Hedge Fund Research HFRI Equity Hedge Index** tracks the performance of equity hedge strategies that maintain positions both long and short in primarily equity and equity derivative securities. The **S&P 500 Index** is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The **Dow Jones Industrial Average®** is a price-weighted average of 30 U.S. blue-chip companies. **"Long" and "short"** are investment terms used to describe ownership of securities. To buy securities is to "go long." The opposite of going long is "selling short." Short selling is an advanced trading strategy that involves selling a borrowed security. Short sellers make a profit if the price of the security goes down and they are able to buy the security at a lower amount than the price at which they sold the security short.