Our Strategic Allocation Portfolios are four separate unit investment trusts that have been developed to provide investors with asset allocation, diversification, and an annual rebalancing opportunity through a single investment. Along with the professional guidance of a financial advisor, investors can choose a single Strategic Allocation Portfolio to help them reach their investment goals given their individual risk/reward tolerance.

Weighing your risk tolerance as well as the investment return you want is very important. Discussing these factors, among others, with a financial advisor can help you select one of the Strategic Allocation Portfolios that best suits your needs.

The Relationship Between Risk and Return of Stocks and Bonds

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 your portfolio and may also help to improve portfolio performance. The adjacent chart illustrates the effects of low correlation on the risk and return of varying combinations of stocks and bonds.

Return is measured by average annual total return and risk is measured by standard deviation for the 30 year period from 1990 to 2019. Standard deviation is a measure of price variability. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns.

Source: Bloomberg. Stocks-Standard & Poor's 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 US Aggregate Bond Index which covers the US dollar-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. 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.

You should consider the portfolio’s investment objective, risks, and charges and expenses carefully before investing. Contact your financial advisor or call First Trust Portfolios L.P. at 1-800-621-1675 to request a prospectus, which contains this and other information about the portfolio. Read it carefully before you invest.

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, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

Please see the last page for risk considerations.
STRATEGIC ALLOCATION PORTFOLIOS

THE IMPORTANCE OF ASSET ALLOCATION

Perhaps the most important investment decision is not the specific investments that are selected, but it’s the manner in which the assets are allocated. Asset allocation is the process of developing a diversified investment portfolio by combining different assets in varying proportions. Studies have shown that the number one factor contributing to a portfolio’s performance is asset class selection and not security selection.*

WHY DIVERSIFY?

Diversification makes your portfolio less dependent on the performance of any single asset class. The 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. It is important to keep in mind that diversification does not guarantee a profit or protect against loss.


Source: Ibbotson Associates. Small stocks are represented by the Dimensional Fund Advisors, Inc. (DFA) U.S. Micro Cap Portfolio; large stocks by the Standard & Poor’s 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 MSCI EAFE Index, which is representative of the equity performance of developed markets outside of North America: Europe, Australasia and the Far East. This chart is for illustrative purposes only and not indicative of any actual investment. The asset categories shown here represent different types of assets that offer different characteristics in terms of income, tax treatment, capital appreciation and risk. 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.
OUR FOUR ASSET ALLOCATION PORTFOLIOS

With the professional guidance of your financial advisor, once you’ve determined what kind of investor you are (Conservative, Moderate or Aggressive) it is time to focus your energy on the nuts and bolts of the asset allocation process. In other words, it’s time to slice up the stock and bond pies into allocations across specific investment categories: large, mid, small, and international stock holdings, plus determining how much bond exposure you want. This is where our asset allocation portfolios simplify the process. These portfolios have been professionally selected and provide complete portfolio transparency so investors know how their assets are allocated and can control their risk/reward.

40/60 STRATEGIC ALLOCATION PORTFOLIO

40% Equity/60% Bonds

- Large-Cap Growth Strategy 10.00%
- Large-Cap Value Strategy 10.00%
- Mid-Cap Growth Strategy 4.00%
- Mid-Cap Value Strategy 4.00%
- Small-Cap Growth Strategy 2.00%
- Small-Cap Value Strategy 2.00%
- International Strategy 8.00%
- Fixed-Income ETFs 60.00%

60/40 STRATEGIC ALLOCATION PORTFOLIO

60% Equity/40% Bonds

- Large-Cap Growth Strategy 15.00%
- Large-Cap Value Strategy 15.00%
- Mid-Cap Growth Strategy 6.00%
- Mid-Cap Value Strategy 6.00%
- Small-Cap Growth Strategy 3.00%
- Small-Cap Value Strategy 3.00%
- International Strategy 12.00%
- Fixed-Income ETFs 40.00%

75/25 STRATEGIC ALLOCATION PORTFOLIO

75% Equity/25% Bonds

- Large-Cap Growth Strategy 18.75%
- Large-Cap Value Strategy 18.75%
- Mid-Cap Growth Strategy 7.50%
- Mid-Cap Value Strategy 7.50%
- Small-Cap Growth Strategy 3.75%
- Small-Cap Value Strategy 3.75%
- International Strategy 15.00%
- Fixed-Income ETFs 25.00%

DIVERSIFIED EQUITY STRATEGIC ALLOCATION PORTFOLIO

100% Equity

- Large-Cap Growth Strategy 25.00%
- Large-Cap Value Strategy 25.00%
- Mid-Cap Growth Strategy 10.00%
- Mid-Cap Value Strategy 10.00%
- Small-Cap Growth Strategy 5.00%
- Small-Cap Value Strategy 5.00%
- International Strategy 20.00%
- Fixed-Income ETFs 0.00%
RISK CONSIDERATIONS | An investment in these unmanaged unit investment trusts should be made with an understanding of the risks involved with an investment in a portfolio of common stocks and ETFs.

The Diversified Equity Strategic Allocation Portfolio is concentrated in stocks in the consumer products sector which involves additional risks, including limited diversification. The companies engaged in the consumer products industry are subject to global competition, changing government regulations and trade policies, currency fluctuations, and the financial and political risks inherent in producing products for foreign markets.

Certain of the securities in the Diversified Equity Strategic Allocation Portfolio are issued by Real Estate Investment Trusts (REITs). Companies involved in the real estate industry are subject to changes in the real estate market, vacancy rates and competition, volatile interest rates and economic recession.

Common stocks are subject to certain risks, such as an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities or the general condition of the stock market.

ETFs are subject to various risks, including management’s ability to meet the fund’s investment objective, and to manage the fund’s portfolio when the underlying securities are redeemed or sold. During periods of market turmoil and as investors’ perceptions regarding ETFs or their underlying investments change, unlike open-end funds, which trade at prices based on a current determination of the fund’s net asset value, ETFs frequently trade at a discount from their net asset value in the secondary market. Certain ETFs may employ the use of leverage which increases the volatility of such funds.

An investment in a portfolio containing securities of foreign issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting foreign issuers.

All of the ETFs invest in investment grade securities. Investment grade securities are subject to numerous risks including higher interest rates, economic recession, deterioration of the investment grade market or investors’ perception thereof, possible downgrades and defaults of interest and/or principal.

Certain of the ETFs invest in high-yield securities or “junk” bonds. Investing in high-yield securities should be viewed as speculative and you should review your ability to assume the risks associated with investments which utilize such securities. High-yield securities are subject to numerous risks, including higher interest rates, economic recession, deterioration of the junk bond market, possible downgrades and defaults of interest and/or principal. High-yield security prices tend to fluctuate more than higher rated securities and are affected by short-term credit developments to a greater degree.

Certain of the ETFs invest in U.S. Treasury obligations which are subject to numerous risks including higher interest rates, economic recession and deterioration of the bond market or investors’ perceptions thereof.

An investment in a portfolio containing small-cap and mid-cap companies is subject to additional risks, as the share prices of small-cap companies and certain mid-cap companies are often more volatile than those of larger companies due to several factors, including limited trading volumes, products, financial resources, management inexperience and less publicly available information.

Large capitalization companies may grow at a slower rate than the overall market.

Although these unit investment trusts terminate in approximately 15 months, the strategy is long-term. Investors should consider their ability to pursue investing in successive portfolios, if available. There may be tax consequences unless units are purchased in an IRA or other qualified plan.

As the use of Internet technology has become more prevalent in the course of business, the trust has become more susceptible to potential operational risks through breaches in cybersecurity.

It is important to note that an investment can be made in the underlying funds directly rather than through the trusts. These direct investments can be made without paying the trusts’ sales charge, operating expenses and organizational costs.

The value of the securities held by the trusts may be subject to steep declines or increased volatility due to changes in performance or perception of the issuers.

For a discussion of additional risks of investing in the trust see the “Risk Factors” section of the prospectus.