**Fund Description**

Under normal market conditions, the fund will seek to achieve its investment objectives by investing at least 80% of its net assets (including investment borrowings) in municipal debt securities that pay interest that is exempt from regular federal income taxes. At least 50% of the fund’s net assets are allocated to below investment-grade unrated municipal securities, with an allocation of no more than 50% to investment grade rated municipal securities.

First Trust Advisors L.P. is the advisor to the fund and manages the fund’s portfolio. Daily investment decisions are made by Tom Futrell, CFA, Senior Vice President, Portfolio Manager and Johnathan N. Wilhelm, Senior Vice President, Portfolio Manager.

The investment process practices rigorous credit analysis of individual issuers coupled with a thorough understanding of the major opportunities and risks within municipal sectors.

- The portfolio managers use a disciplined approach that focuses on a combination of quantitative analysis and fundamental research.
- Their actively managed approach applies extensive research on each individual bond selection.
- They seek to take advantage of the inefficiencies within the municipal market to find higher-yielding undervalued bonds.

**Performance Summary (%)**

<table>
<thead>
<tr>
<th>Fund Performance*</th>
<th>3 Month</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Fund Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Asset Value (NAV)</td>
<td>1.28</td>
<td>10.58</td>
<td>10.58</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6.45</td>
</tr>
<tr>
<td>After Tax Held</td>
<td>0.94</td>
<td>9.05</td>
<td>9.05</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5.02</td>
</tr>
<tr>
<td>After Tax Sold</td>
<td>0.75</td>
<td>6.23</td>
<td>6.23</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4.31</td>
</tr>
<tr>
<td>Market Price</td>
<td>1.01</td>
<td>10.47</td>
<td>10.47</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6.50</td>
</tr>
</tbody>
</table>

**Index Performance**

- Blended Benchmark: 0.99, 8.26, 8.26, —, —, —, 5.70
- Bloomberg Barclays Municipal Bond Index: 0.74, 7.54, 7.54, —, —, —, 4.28

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.

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*First Trust has contractually agreed to waive management fees of 0.15% of average daily net assets until November 30, 2019.

†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.

*The unsubsidized 30-day SEC yield is calculated the same as the 30-day SEC yield, however it excludes contractual fee waivers and expense reimbursements.

‡The taxable equivalent yield is for illustrative purposes only. This information illustrates approximately what you would have to earn on taxable investments to equal the tax-exempt yield using the highest federal tax bracket for 2019. This information is based on present law as of the date of publication and does not account for any proposed changes in tax rates. This information does not account for limitations on deductions, the alternative minimum tax or taxes other than Federal personal income tax.

#The unsubsidized 30-day SEC yield is calculated the same as the 30-day SEC yield, however it excludes contractual fee waivers and expense reimbursements.

**Fund Objectives**

This actively managed exchange-traded fund seeks to provide Federally tax-exempt income. Its secondary objective is long-term capital appreciation.

**Fund Facts**

- **Fund Ticker**: FMHI
- **CUSIP**: 33739P301
- **Intraday NAV**: FMHIIV
- **Fund Inception Date**: 11/1/17
- **Gross Expense Ratio**: 0.70%
- **Net Expense Ratio**: 0.55%
- **30-Day SEC Yield**: 2.57%
- **Unsubsidized 30-Day SEC Yield**: 2.42%
- **Taxable Equivalent 30-Day SEC Yield**: 4.34%
- **Primary Listing**: Nasdaq

**Performance Summary (%)**

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<tbody>
<tr>
<td>Blended Benchmark</td>
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<td>8.26</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5.70</td>
</tr>
<tr>
<td>Bloomberg Barclays Municipal Bond Index</td>
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<td>7.54</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4.28</td>
</tr>
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First Trust Municipal High Income ETF

As of 12/31/19

Portfolio Information

- Number Of Holdings: 194
- Net Weighted Average Effective Duration: 6.19 Years
- Weighted Average Effective Duration (Includes Short Positions): 6.63 Years
- Net Weighted Average Modified Duration: 5.42 Years
- Net Weighted Average Maturity: 12.43 Years
- Weighted Average Price: $109.34
- Short Position - US Treasury Futures: -5.17%

Credit Quality (%)*

| Cash | 0.57 |
| AAA | 0.06 |
| AA | 4.13 |
| A | 14.22 |
| BBB | 9.81 |
| BB | 18.89 |
| B | 2.03 |
| CCC | 1.37 |
| NR | 48.92 |

Risk Considerations

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.

ETF Characteristics

Investors buying or selling fund shares on the secondary market may lack customary brokerage commissions. Market prices may differ to some degree from the net asset value of the fund's 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, if any, at the end of each business day in minimum denominations of $50,000. Authorized participants are able to use cash or cash equivalents, and may use other securities to pay for their redemptions. The fund's high frequency trading strategies may result in increased trading costs for the fund and, therefore, for investors.

Maturity Exposure (%)

- 0 - 0.99 Years: 0.55
- 1 - 2.99 Years: 0.61
- 3 - 5.99 Years: 1.04
- 6 - 9.99 Years: 4.12
- 10 - 19.99 Years: 1.47
- 20 - 39.99 Years: 33.79
- 40+ Years: 6.85

Top Sector Exposure (%)

- Top Sector Exposure: 1.37

Top Holdings (%)

- GODDARD KS SALES TAX SLP OBLG REV 3.60%, due 06/01/2030: 1.63
- OHIO ST AIR QUALITY DEV AUTH 3.25%, due 09/01/2026: 1.34
- FLORIDA DEV FIN CORP SURFACE TRANSPTN FAC Variable rate, due 01/01/2049: 1.29
- WASHINGTON ST HSG FIN COMMISSION 5%, due 12/01/2020: 1.20
- TUSCALOOSA CNTY AL INDL DEV AUTH 4.50%, due 05/01/2022: 1.19
- CUMBERLAND CNTY PA MUNI AUTH 5%, due 01/01/2029: 1.18
- WISCONSIN ST HILTH & EDUCATNL FACS AUTH 5%, due 11/01/2039: 1.17
- MARICOPA CNTY AZ INDL DEV AUTH 4%, due 07/01/2029: 1.17
- STC MET DIST #2 CO 5%, due 12/30/2038: 1.17
- BROADWAY STATION MET DIST NO 3 CO 5%, due 12/30/2019: 1.15

Definition

The Bloomberg Barclays MuniMoF Index is a rules-based, market-value-weighted index designed for the long-term tax-exempt bond market.