

» 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 [†]	3.43%
Unsubsidized 30-Day SEC Yield [#]	3.28%
Taxable Equivalent 30-Day SEC Yield [‡]	5.79%
Primary Listing	Nasdaq

» 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 and 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 (%)

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Fund Performance*							
Net Asset Value (NAV)	0.55	2.04	2.04	—	—	—	3.02
After Tax Held	0.18	0.61	0.61	—	—	—	1.67
After Tax Sold	0.32	1.20	1.20	—	—	—	1.73
Market Price	0.50	2.40	2.40	—	—	—	3.20
Index Performance**							
Blended Benchmark	1.71	3.68	3.68	—	—	—	3.55

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.

[^]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 2018. 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.

*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. The fund's performance reflects fee waivers and expense reimbursements, absent which performance would have been lower. 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.

**The Blended Benchmark consists of the following two indexes: 50% of the Bloomberg Barclays High Yield 10-Year Municipal Index (8-12 years) which is comprised of bonds with a final maturity between 8 and 12 years that are part of the Bloomberg Barclays Municipal Bond High Yield Index; and 50% of the Bloomberg Barclays Revenue 10-Year Municipal Index (8-12 years) which is comprised of revenue bonds that have a final maturity between 8 and 12 years that are part of the Bloomberg Barclays Municipal Bond Index. 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.

» Portfolio Information

Number Of Holdings	106
Net Weighted Average Effective Duration (Includes Short Positions) ¹	5.76 Years
Weighted Average Effective Duration (Long Positions) ¹	6.08 Years
Net Weighted Average Modified Duration ¹	5.50 Years
Net Weighted Average Maturity	9.18 Years
Weighted Average Price	\$104.72
Short Position - US Treasury Futures	-3.91%

» Top Holdings (%)

PUBLIC FIN AUTH WI REVENUE 6.125%, due 01/01/2033	1.98
CHICAGO IL BRD OF EDU 5%, due 12/01/2031	1.92
PRINCE GEORGES CNTY MD N/C, 5%, due 09/15/2025	1.79
MASSACHUSETTS ST DEV FIN AGY REV N/C, 5%, due 07/01/2026	1.73
TERRE HAUTE IN MF HSG REVENUE 5.10%, due 01/01/2032	1.70
KALISPEL TRIBE OF INDIANS WA REV 5%, due 01/01/2032	1.61
MILLSBORO DE SPL OBLG 5%, due 07/01/2028	1.56
COLORADO ST HLTH FACS AUTH HOSP REV N/C, 5%, due 03/15/2027	1.54
CALIFORNIA STWD CMNTYS DEV AUTH 5%, due 12/01/2033	1.49
PLAINFIELD IN MF HSG REVENUE 5.375%, due 09/01/2038	1.48

» Credit Quality (%)²

Cash	6.77
AAA	3.87
AA	3.20
A	16.69
BBB	13.94
BB	16.18
B	2.43
NR	36.92

» Maturity Exposure (%)

0 - 0.99 Years	1.27
1 - 1.99 Years	1.31
3 - 3.99 Years	2.72
4 - 4.99 Years	2.66
5 - 5.99 Years	6.21
6 - 6.99 Years	7.24
7 - 7.99 Years	6.04
8 - 8.99 Years	10.68
9 - 9.99 Years	10.15
10 - 14.99 Years	24.46
15 - 19.99 Years	18.40
20 - 24.99 Years	2.09
Cash	6.77

» Top Sector Exposure (%)

Continuing Care Retirement Communities	15.85
Hospital	8.59
General Obligation-Unlimited	8.36
Education	8.21
Special Assessment	7.31
IDB	7.12
Cash	6.77
Local Housing	5.10
General Obligation-Limited	3.90
Tobacco	3.86

» Top State Exposure (%)

IL	11.43
TX	8.06
CASH	6.77
CO	5.43
CA	5.14
WI	4.56
IN	4.40
NJ	4.12
MA	4.09
FL	3.86

¹A measure of a bond's sensitivity to interest rate changes that reflects the change in a bond's price given a change in yield.

²The credit quality information presented reflects the ratings assigned by one or more nationally recognized statistical rating organizations (NRSROs), including Standard & Poor's Ratings Group, a division of the McGraw Hill Companies, Inc., Moody's Investors Service, Inc., Fitch Ratings or a comparably rated NRSRO. For situations in which a security is rated by more than one NRSRO and ratings are not equivalent, the highest ratings are used. Sub-investment grade ratings are those rated BB+/Ba1 or lower. Investment grade ratings are those rated BBB-/Baa3 or higher. The credit ratings shown relate to the creditworthiness of the issuers of the underlying securities in the Fund, and not to the Fund or its shares. Credit ratings are subject to change.

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 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. 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. The values of municipal securities held by the fund may be adversely affected by local political and economic conditions and developments.

Municipal bonds are subject to numerous additional risks, including credit risk, income risk, interest rate risk, call risk, zero coupon bond risk, and political and economic 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 the fund's fixed income investments could decline during periods of falling interest rates. Interest rate risk is the risk that the value of the securities in the fund will decline because of rising market interest rates. Call risk is the risk that performance could be adversely impacted if an issuer calls higher-yielding debt instruments held by the fund. Zero coupon bond risk is the risk that zero coupon bonds may be highly volatile as interest rates rise or fall because they do not pay interest on a current basis. Political and economic risk is the risk that the values of municipal securities held by the fund may be adversely affected by local political and economic conditions and developments. Adverse conditions in an industry significant to a local economy could have a correspondingly adverse effect on the financial condition of local issuers.

Income from municipal bonds held by the fund could be declared taxable because of, among other things, unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. The fund has no limit as to the amount that can be invested in alternative minimum tax bonds. All or a portion of the fund's otherwise exempt-interest dividends may be taxable to those shareholders subject to the federal alternative minimum tax.

Inventories of municipal securities have decreased in recent years, lessening the ability to make a market in these securities. This reduction in market making capacity has the potential to decrease the fund's ability to buy or sell municipal securities, and increase price volatility and trading costs.

Custodial receipt trusts may issue inverse floater securities in which the fund may invest. Inverse floater securities may be leveraged and their market values may be more volatile than other types of fixed-income instruments.

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. Such events could cause the fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss.

If the fund has lower average daily trading volumes, it may rely on a small number of third-party market makers to provide a market for the purchase and sale of shares. Any trading halt or other problem relating to the trading activity of these market makers could result in a dramatic change in the spread between the fund's net asset value and the price at which the fund's shares are trading.

The fund is subject to industrial development bond risk which is the risk that to the extent that the industrial development sector continues to represent a significant portion of the fund, the fund will be sensitive to changes in, and its performance may depend to a greater extent on, the overall condition of the industrial development sector.

The payment of principal and interest of a pre-refunded bond is funded from securities held in a designated escrow account where such securities are obligations of and carry the full faith and credit of the U.S. Treasury. The securities held in the escrow fund do not guarantee the price of the bond.

Private activity bonds, issued by municipalities or other public authorities, can have a substantially different credit profile than the municipality or public authority and may be negatively impacted by conditions affecting either the general credit of the use of the private activity project or the project itself.

An investment in inverse floaters typically will involve greater risk than an investment in a fixed rate municipal bond.

Investments in inverse floaters create effective leverage. In addition, distributions paid to the fund on its inverse floaters will be reduced or even eliminated as short-term municipal interest rates rise and will increase as short-term municipal interest rates fall.

The fund may invest in distressed municipal securities and many distressed securities are illiquid or trade in low volumes and thus may be more difficult to value.

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.

Participation interests in municipal leases pose special risks because many leases and contracts contain "non-appropriation" clauses that provide that the governmental issuer has no obligation to make future payments under the lease or contract unless money is appropriated for this purpose by the appropriate legislative body.

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

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.

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