**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 (%)**

<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>2.42</td>
<td>9.18</td>
<td>9.78</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6.62</td>
</tr>
<tr>
<td>After Tax Held</td>
<td>2.07</td>
<td>8.04</td>
<td>8.23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.18</td>
</tr>
<tr>
<td>After Tax Sold</td>
<td>1.43</td>
<td>5.41</td>
<td>5.74</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.43</td>
</tr>
<tr>
<td>Market Price</td>
<td>2.64</td>
<td>9.37</td>
<td>9.92</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6.82</td>
</tr>
</tbody>
</table>

**Index Performance**

| Blended Benchmark | 1.66 | 7.20 | 9.03 | - | - | - | 5.93 |
| Bloomberg Barclays Municipal Bond Index | 1.58 | 6.75 | 8.55 | - | - | - | 4.46 |

*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 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.

*After tax 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 Sold 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.
The 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. Although a security is rated by more than one NRSRO and ratings are not equivalent, the highest rating is used. Sub-investment grade ratings—those rated BB- and lower—investment grade ratings are those rated BB+/Baas or higher. The credit ratings shown reflect the creditworthiness of the issuers of the underlying securities that are held in the Fund or its shares. Credit ratings are subject to change.

Municipal bonds are subject to numerous additional risks, including credit risk, income risk, interest rate risk, call risk, and prepayment risk. Inverse floater securities may be leveraged and their market values may be more volatile than other types of fixed-income instruments.

ETF Characteristics

The fund lists and principally trades its shares on The Nasdaq Stock Market LLC. The use of technology has become more prevalent in the course of business, and the fund has become more dependent on third-party vendors, Internet service providers, and telecommunication networks. As a result, the fund may be susceptible to potential operational risks through breaches in cyber security. Such events could cause the fund to incur additional expenses, reputational damage, additional compliance costs associated with corrective measures and/or financial losses.

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.

ETF Characteristics

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.

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 and 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 of 9/30/19

ETF Characteristics

The payment of principal and interest of a pre-refunded bond is funded from securities held in a designated escrow fund established by the issuer in good faith and credit of the U.S. Treasury. The securities held in the escrow fund do not guarantee the price of the bond.