Investors who are looking for income while still retaining growth potential have limited alternatives when faced with the possibility of rising interest rates. Bonds tend to lose value in a rising interest rate environment. Equities, on the other hand, have often historically provided positive returns after the Federal Reserve’s initial rate hike. Like stock returns, economic growth, and inflation, interest rates are one of those variables that you can’t control. But, as an investor, you can control how your investment dollars are allocated.

INVESTING FOR RISING INTEREST RATES

The Tactical Income Portfolio is a unit investment trust that invests in a diversified portfolio of closed-end funds (CEFs), common stocks and real estate investment trusts (REITs). The portfolio is weighted based on the adjacent allocation.

- The multi-strategy segment of the portfolio consists of CEFs which invest in types of securities which typically react favorably to rising interest rates.
- The interest paid on a senior loan resets every 30-90 days based on prevailing short-term interest rates. Therefore, should short-term rates move higher, investors in senior loans would receive a higher income stream due to the floating rate nature of the interest on the loans.
- Unlike securities with a fixed-rate coupon, a senior loan’s floating rate feature provides a natural hedge against rising interest rates.
- While senior loans are generally loans which have been made to companies whose debt is typically rated below investment grade, they are senior in the asset structure of a company and historical recovery rates in the event of a default tend to be much higher relative to junior high-yield corporate debt.
- The dividend-paying stocks and REITs are selected by applying a disciplined investment strategy which adheres to pre-determined screens and factors. These screens and factors are designed to identify companies that, in our opinion, have above-average dividend yields and trade at attractive valuations.

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

RISK CONSIDERATIONS | An investment in this unmanaged unit investment trust should be made with an understanding of the risks involved with an investment in a portfolio of common stocks and closed-end funds.

Closed-end funds 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 the funds 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, closed-end funds frequently trade at a discount to their net asset value in the secondary market. All of the closed-end funds employ the use of leverage, which increases the volatility of such funds.

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.

Certain of the closed-end funds invest in convertible securities. Convertible securities are bonds, preferred stocks and other securities that pay a fixed rate of interest (or dividends) and will repay principal at a fixed date in the future. However, these securities may be converted into a specific number of shares of common stocks at a specified time. As such, an investment in convertible securities entails some of the risks associated with both common stocks and bonds.

Certain of the closed-end funds invest in floating-rate securities. A floating-rate security is an instrument in which the interest rate payable on the obligation fluctuates on a periodic basis based upon changes in an interest rate benchmark. As a result, the yield on such a security will generally decline in a falling interest rate environment, causing the trust to experience a reduction in the income it receives from such securities. Certain of the floating-rate securities pay interest based on LIBOR. Due to the uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate, the potential effect of a transition away from LIBOR on a fund or the financial instruments in which the fund invests cannot yet be determined.

All of the closed-end funds 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 that utilize such bonds. 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 bonds and are affected by short-term credit developments to a greater degree.

PLEASE SEE THE REVERSE SIDE FOR ADDITIONAL RISK CONSIDERATIONS
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.