First Trust Emerging Markets Local Currency Bond ETF

As of 9/30/19

**Fund Facts**

- **FUND Ticker**: FEMB
- **CUSIP**: 33739P202
- **Intraday NAV**: FEMBNV
- **Fund Inception Date**: 11/4/14
- **Expense Ratio**: 0.85%
- **30-Day SEC Yield**: 4.35%
- **Primary Listing**: Nasdaq

**Fund Description**

The First Trust Emerging Markets Local Currency Bond ETF is an actively managed exchange-traded fund. Under normal market conditions, the fund invests at least 80% of its net assets (including investment borrowings) in bonds, notes, bills, certificates of deposit, time deposits, commercial paper and loans issued by issuers in emerging market (“EM”) countries that are denominated in the local currency of the issuer.

- The fund will use foreign currencies and derivative instruments primarily to hedge (offset) interest rate risk and actively manage interest rate exposure as well as to hedge foreign currency risk and actively manage foreign currency exposure.
- Because currency returns can be a significant driver of performance in EMs, either positive or negative, the duration and currency exposures will be actively managed to minimize portfolio volatility.
- EMs enjoy high growth rates, sustainable debt dynamics and advantageous demographic profiles, in our opinion.

**Fund Sub-Advisor**

- First Trust Global Portfolios Ltd. is the sub-advisor to the fund and will manage the fund’s portfolio.
  - The fixed income investment team at First Trust Global Portfolios Ltd. has extensive experience in managing developed and emerging market sovereign debt portfolios.
  - The portfolio managers will continually review fundamental economic and structural themes that impact long- and medium-term asset returns in EMs.
  - The portfolio managers will adjust the portfolio's country allocations, duration and individual security positioning to reflect what they believe to be the most attractive opportunities on a continuous basis.
- The following persons serve as the portfolio managers of the Fund:
  - Derek Fulton, Chief Executive Officer, First Trust Global Portfolios Ltd.
  - Leonardo Da Costa, Portfolio Manager, First Trust Global Portfolios Ltd.

**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>-1.11</td>
<td>6.82</td>
<td>9.31</td>
<td>1.73</td>
<td>—</td>
<td>—</td>
<td>-0.17</td>
</tr>
<tr>
<td>After Tax Held</td>
<td>-1.66</td>
<td>5.03</td>
<td>6.88</td>
<td>-0.70</td>
<td>—</td>
<td>—</td>
<td>-2.45</td>
</tr>
<tr>
<td>After Tax Sold</td>
<td>-0.66</td>
<td>4.02</td>
<td>5.47</td>
<td>0.25</td>
<td>—</td>
<td>—</td>
<td>-1.5</td>
</tr>
<tr>
<td>Market Price</td>
<td>-0.65</td>
<td>7.01</td>
<td>9.30</td>
<td>1.96</td>
<td>—</td>
<td>—</td>
<td>-0.15</td>
</tr>
</tbody>
</table>

**Index Performance**

| Index Performance** | Bloomberg Barclays Emerging Markets Local Currency Government - 10% Country Capped Index | -0.12 | 7.45 | 9.70 | 3.10 | — | — | 1.07 |

**Calendar Year Total Returns (%)**

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</tr>
</thead>
<tbody>
<tr>
<td>FEMB</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>-14.66</td>
<td>7.72</td>
<td>12.57</td>
<td>-7.22</td>
<td>6.82</td>
</tr>
</tbody>
</table>

**3-Year Statistics**

<table>
<thead>
<tr>
<th></th>
<th>Standard Deviation (%)</th>
<th>Alpha</th>
<th>Beta</th>
<th>Sharpe Ratio</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEMB</td>
<td>9.20</td>
<td>-1.40</td>
<td>1.07</td>
<td>0.06</td>
<td>0.98</td>
</tr>
<tr>
<td>Bloomberg Barclays Emerging Markets Local Currency Government - 10% Country Capped Index</td>
<td>8.43</td>
<td>—</td>
<td>1.00</td>
<td>0.22</td>
<td>1.00</td>
</tr>
</tbody>
</table>

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.
The fund’s shares will change in value, and you could lose money by investing in the fund. One risk consideration is that the value of the fixed-income securities in the fund will decline because of rising market interest rates. That the value of a security may decline as a result. Call risk is the risk that an issuer calls higher-yielding debt instruments held by the fund, performance could be adversely impacted. 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 fixed-income securities in the fund will decline because of rising market interest rates.

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. One of the principal risks of investing in the fund is market risk. Market risk is the risk that a particular security owned by the fund, fund shares or securities in general may fall in value. 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 guarantee that the fund will meet its investment objective.

Investments in sovereign bonds involve special risks because the governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due. In times of economic uncertainty, the prices of these securities may be more volatile than those of corporate debt obligations or of other government debt obligations. 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. Illiquid securities involve the risk that the securities will not be able to be sold at the time desired by the fund or at prices approximately the value at which the fund is carrying the securities on its books.

The fund is subject to credit risk, call risk, income risk and interest rate 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. Call risk is the risk that if an issuer calls higher-yielding debt instruments held by the fund, performance could be adversely impacted. 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 fixed-income securities in the fund will decline because of rising market interest rates.

An investment in a fund containing securities of non-U.S. issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting non-U.S. issuers. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries. Because the fund’s net asset value is determined on the basis of U.S. dollars and the fund invests in non-U.S. dollar denominated securities, you may lose money if the local currency of a foreign market depreciates against the U.S. dollar. Holders of global depositary notes may have limited rights, and investment restrictions in certain countries may adversely impact their value.

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