First Trust Institutional Preferred Securities and Income ETF

As of 12/31/19

**Fund Objective**
This exchange-traded fund seeks total return and current income.

**Fund Facts**
- Fund Ticker: FPEI
- CUSIP: 33739P855
- Intraday NAV: FPEIIV
- Fund Inception Date: 8/22/17
- Expense Ratio: 0.85%
- 30-Day SEC Yield*: 4.43%
- Primary Listing: NYSE Arca

**Fund Description**
The First Trust Institutional Preferred Securities and Income 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 institutional preferred securities and income-producing debt securities.

**Fund Sub-Advisor**
Stonebridge Advisors LLC is the sub-advisor to the fund and will manage the fund’s portfolio.
- Stonebridge is a niche asset management firm that provides highly specialized expertise in preferred and hybrid securities for institutional investors and high net worth individuals. Through years of experience, the Stonebridge team has developed a disciplined approach to managing portfolios of preferred securities.
- The cornerstone of Stonebridge’s investment philosophy is built on the premise that investors must diversify their holdings in order to maintain an appropriate level of risk through all market cycles.
- By specializing in the management of preferred securities and adhering to a conservative, disciplined approach, they believe they can deliver superior returns for their clients. Their goal is to obtain an attractive total return through a diversified investment in high quality preferred securities.
- Their investment management team does not believe in market timing. Instead, Stonebridge adds value by taking advantage of market inefficiencies with an active management style. Stonebridge’s conservative investment style is fundamental to their success as a provider of preferred securities management.

**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>3.41</td>
<td>17.32</td>
<td>17.32</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5.43</td>
</tr>
<tr>
<td>After Tax Held</td>
<td>2.89</td>
<td>14.86</td>
<td>14.86</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3.21</td>
</tr>
<tr>
<td>After Tax Sold</td>
<td>2.02</td>
<td>10.17</td>
<td>10.17</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3.15</td>
</tr>
<tr>
<td>Market Price</td>
<td>3.67</td>
<td>15.94</td>
<td>15.94</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5.49</td>
</tr>
</tbody>
</table>

**Index Performance**

| ICE BofA US Investment Grade Institutional Capital Securities Index | 2.78 | 18.57 | 18.57 | — | — | — | 5.90 |

1-30-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.

*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. 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 ICE BofA US Investment Grade Institutional Capital Securities Index is the fund’s benchmark.** Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.
ETF Characteristics

The fund lists and principally trades its shares on the NYSE Arca, Inc. 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 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 fund is subject to management risk because the sub-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. The fund may be concentrated in a single industry or sector which involves additional risk including limited diversification. Financial companies are especially subject to the adverse effects of economic recession, currency exchange rates, government regulation, decreases in the availability of capital, volatile interest rates, portfolio concentrations in geographic markets and in commercial and residential real estate loans, and competition from new entrants in their fields of business. The fund may invest in preferred securities issued by real estate investment trusts (REITs). Companies involved in the real estate industry are subject to changes in the real estate market, vacancy rates and competition, volatile interest rates and economic recession. Preferred securities combine some of the characteristics of both common stocks and bonds. Preferred securities are typically subordinated to bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater credit risk than those debt instruments. Preferred securities are also subject to credit risk, interest rate risk, income risk, call risk and extension 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 the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened if the fund invests in "high-yield" or "junk" debt. Interest rate risk is the risk that if interest rates rise, the prices of the fixed-rate instruments held by the fund may fall. Income risk is the risk that income from the fund's portfolio could decline if interest rates fall. Call risk is the risk that performance could be adversely impacted if an issuer calls higher-yielding debt instruments held by the fund. Extension risk is the risk that, when interest rates rise, certain obligations will be paid off by the issuer more slowly than anticipated, causing the value of those securities to fall. The market value of floating rate securities may fall in a declining interest rate environment and may also fall in a rising interest rate environment if there is a lag between the rise in interest rates and the reset. Income earned by the Fund on floating rate and fixed-to-floating rate securities may decline due to lower coupon payments on floating-rate securities.

Convertible securities have characteristics of both equity and debt securities and, as a result, are exposed to certain additional risks. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. Mandatory convertible securities are a subset of convertible securities, the conversion of which into common stock is not optional, and the conversion price at maturity is based solely upon the market price of the underlying common stock, which may be significantly less than par or the price paid. Mandatory convertible securities generally are subject to a greater risk of loss than value securities convertible at the option of the holder. Credit spread risk is the risk that credit spreads (i.e., the difference in yield between securities that have differences in credit quality or other factors) may increase, which may reduce the market values of the fund's securities. Contingent convertible securities ("CoCos") may provide for mandatory conversion into common stock of the issuer under certain circumstances. Changes in currency exchange rates and the relative value of the fund's investments may affect the performance of the fund's securities. 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. The fund will, under most circumstances, effect a significant portion of creations and redemptions for cash, rather than in-kind securities. As a result, an investment in the fund may be less tax-efficient. 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.

Definitions

The ICE BofA US Investment Grade Institutional Capital Securities Index tracks the performance of US dollar denominated investment grade hybrid capital corporate and preferred securities publicly issued in the US domestic market.

Not FDIC Insured • Not Bank Guaranteed • May Lose Value

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