First Trust has contractually agreed to waive management fees of 0.10% of average daily net assets until November 1, 2020.

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 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.

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.

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.

Returns represent the returns you would receive if you traded shares at other times. Fund 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 the return after taxes on distributions and the sale of fund shares. 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.

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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.
Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Market prices may be greater or less than the fund’s net asset value and shares may be subject to a fair value determination. You could lose money by investing in the fund. The fund is subject to interest rate risk and credit risk. The fund lists and principally trades its shares on the NYSE Arca, Inc.ETF Characteristics

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.

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 broker. However, unlike mutual funds, the only sales that 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 the 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.

ETF Characteristics

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 processes and techniques 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, credit spread risk, income risk, inflation risk, interest rate risk, extension risk, call risk, zero coupon bond risk, valuing risk, and political and economic risk. Credit risk is the risk that an issuer or a security will be unable or unwilling to make dividend, interest and/or principal payments when due and that the market values of the fund’s securities, income risk is the risk that income from the fund’s fixed income investments could decline during periods of falling interest rates. Inflation risk is the risk that the values of assets or income from investments will be less in the future as inflation decreases the value of money. Interest rate risk is the risk that the value of the securities in the fund will decline because of rising market interest rates. Extension risk is the risk that when interest rates fall, certain obligations will be called by the issuer (or obligor) more slowly than anticipated, causing the value of these securities to fall. Call risk is the risk that the 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. Valuation risk is the risk that, due to the lack of centralized information and trading, the valuation of fixed income securities may carry more uncertainty and risk than that of publicly traded securities. 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 noncompliance with a bond of a local issuer. There is no limit as to the amount that can be invested in alternative minimum tax bonds. All or a portion of the fund’s dividends, interest, and capital gain distributions 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 trade in all municipal securities, and increase price volatility and trading costs. Current investment trusts may issue inverse floater securities in which the fund may invest. Inverse floater securities may be leveraged and their market values may be volatile than other types of fixed-income instruments. In addition, distributions paid to the fund on its inverse floater will be reduced or even eliminated and as a result of the short-term interest rate rise and will increase as short-term municipal interest rates fall.

As the use of Internet technology has become more prevalent in the course of business, the fund has become more dependent on Internet technology. If the fund has lower average daily trading volumes, it may rely on a small number of third-party market makers to 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. If one or more of these issuers, experience increased volatility and be highly concentrated in certain issuers.

As of 9/30/19

First Trust Short Duration Managed Municipal ETF

Number Of Holdings 71
Weighted Average Effective Duration 2.33 Years
Weighted Average Modified Duration 2.32 Years
Weighted Average Effective Maturity 2.84 Years
Weighted Average Price $104.53

Credit Quality (%)
Cash 0.84
AAA 4.14
AA 15.40
A 26.84
BBB 32.68
BB 3.10
NR 12.17
SP-1/MIG1 (short-term) 4.83

Maturity Exposure (%)
0 - 0.99 Years 17.53
1 - 1.99 Years 20.07
2 - 2.99 Years 28.90
3 - 3.99 Years 13.11
4 - 4.99 Years 5.89
5 - 5.99 Years 8.18
6 - 6.99 Years 2.00
7 - 7.99 Years 0.88
9 - 9.99 Years 0.31
10 - 14.99 Years 0.56
15 - 19.99 Years 1.73
Cash 0.84

Top Holdings (%)
TEENENSSST ENERGY ACQUISITION Variable rate, due 05/01/2048 3.35
KING CNTY WA SWR REVENUE Variable rate, due 01/01/2043 3.17
MINNEAPOLIS MN MF REVENUE Variable rate, due 11/01/2021 3.15
AUSTIN TX INDEP SCH DIST N/C, 5%, due 08/01/2020 3.09
LANCaster PA N/C, 5%, due 05/01/2025 3.09
OKLAHOMA CITY OK ARPT TRUST N/C, 5%, due 07/01/2022 2.81
TENsas TX PUBL FUND AUTO N/C, 5%, due 11/01/2021 2.78
LUCAS CNY OH HOSP REVENUE N/C, 5%, due 11/15/2021 2.77
CALIFORNIA ST STWD CMNTYS DEV N/C, 5%, due 01/01/2022 2.72
CENTER GROVE IN CMNTY SHC ORP N/C, 4%, due 01/01/2020 2.62

Top State Exposure (%)
Pennsylvania 12.10
Texas 11.39
Florida 7.95
Illinois 7.61
North Dakota 5.16
Tennessee 4.43
Massachusetts 3.87
Indiana 3.83
Kentucky 3.80
New Jersey 3.78

Top Sector Exposure (%)
Insured 13.43
Continuing Care Retirement Communities 13.23
Gas 11.79
Hospital 8.58
Dedicated Tax 8.40
General Obligation-Unlimited 7.96
Special Assessment 6.54
Water & Sewer 5.29
Student Housing 3.30
Local Housing 3.14

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