Form ADV Part 3 – Relationship Summary

June 30, 2020

Item 1 – Introduction

First Trust Advisors L.P. (“FTA”) is registered with the Securities and Exchange Commission as an investment adviser and provides advisory accounts and services rather than brokerage accounts and services.

This document gives you a summary of the types of services we provide and how you pay.

Please note that brokerage and investment advisory services and fees differ and that it is important for you to understand the differences. Free and simple tools are available to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers and investing.

Item 2 – What investment services and advice can you provide me?

FTA’s investment management services are offered to retail investors through separate managed accounts (“SMAs”), either directly or through “wrap fee” programs sponsored by unaffiliated investment advisers. FTA generally requires a minimum of $100,000 to open an SMA for most strategies but may require a larger minimum for certain strategies.

FTA also provides investment management services to registered investment companies such as unit investment trusts (“UITs”) and exchange-traded funds (“ETFs”), private funds (with the UITs, ETFs and other investment vehicles, the “Funds”) and institutional investors. When FTA is advising UITs or Funds, we do not have an advisory relationship with you, even if you may have purchased or currently hold a UIT sponsored by FTP or a Fund. Your relationship is with an unaffiliated financial advisor that recommends the security. In these cases, our advisory services are being provided to the UIT or Fund.

FTA’s discretionary investment management services to retail investors through SMAs are governed by contract. A discretionary account allows FTA to buy and sell investments in your account without asking you in advance. In some cases, the contract is directly between FTA and you, and in other cases the contract is between FTA and a wrap fee program sponsor. FTA does not offer all possible investment strategies. You will work with your financial advisor to select a strategy based on your financial situation, goals, experience, and risk tolerance. FTA may, in its discretion, accept some client-imposed restrictions on investing in certain securities or types of securities.

FTA may provide non-discretionary investment recommendations in the form of model portfolios to another investment adviser/platform. In such cases, FTA provides advice and you decide which investments to buy and sell. FTA will not have authority to invest your assets. FTA’s recommendations may include closed-end funds (“CEFs”) and/or ETFs, including CEFs and/or ETFs managed by FTA.

SMA clients receive reports on at least a quarterly basis from their designated broker-dealer/custodian. For wrap fee clients, these reports typically come from the program sponsor. FTA also generates reports on a quarterly basis for SMA accounts, which may be available online to an SMA client and his/her financial representatives.

More detailed information about our services is available as part of our firm brochure (Form ADV Part 2A) (the “Brochure”) which is available by request by emailing smaoperations@ftadvisors.com and at adviserinfo.sec.gov. In order to gather additional information, you should ask questions of our firm and your adviser such as:

- Given my financial situation, should I choose an investment advisory service? Why or why not?
- How will you choose investments to recommend to me?
- What is the relevant experience, including your licenses, education and other qualifications and what do these qualifications mean?
- How often will you monitor my account’s performance and offer investment advice?

Item 3 – What fees will I pay?

We benefit from our recommendations to you. For both discretionary and non-discretionary services provided, FTA charges an asset-based fee on the value of your account. FTA’s fees for services are set forth in your account agreement and assessed on a quarterly basis, generally in advance; however, in the case of certain wrap programs, FTA’s fees may be assessed in arrears. Generally, one-quarter of FTA’s annual fee is assessed each quarter based on the value of the SMA at the beginning of the quarter. Depending on the specific wrap fee platform, FTA will either bill you or the applicable sponsor for our fees or the sponsor will calculate the fees due to FTA and remit payment to us. FTA does not have the authority to deduct its fees directly from a client’s SMA.
For the wrap fee programs FTA provides investment advisory services, the asset-based fee will include most transaction costs and custody services. Although transaction fees are usually included in the wrap program fee, sometimes you will pay an additional transaction fee. Paying for a wrap fee program could cost more than separately paying for advice and for transactions if there are infrequent trades in your account. You should review your wrap program agreement and disclosure documents for details as to what services are included in your wrap fee.

SMA clients not participating in wrap fee programs will incur additional costs in connection with SMAs managed by FTA. The more assets in your SMA means increased fees for FTA, which provides an incentive for us to encourage you to increase assets in your account. You will pay fees and costs whether you transact, make or lose money on your investments. In addition, the amount paid to FTA generally does not vary based on the type of investments we select on your behalf. Fees and costs will reduce any amount of money you make on your investments over time. Our fees vary depending on the services provided and are negotiable.

As FTA’s affiliated broker-dealer, First Trust Portfolios L.P. (“FTP”) does not offer traditional brokerage services. A comparison between an advisory account and brokerage account is not provided.

What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

We have a fiduciary duty to act in your best interest and not put our interest ahead of yours. For example, we are required to provide advice, monitor your portfolio, investment strategy and investments on an ongoing basis. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect investment advice that we provide you. For example, conflicts will arise in allocation of time, services, functions, investment opportunities and resources among our clients.

How do your financial professionals make money?

FTA’s financial professionals are dual employees of its affiliate FTP and are compensated through a salary and quarterly discretionary bonus for their activities at both FTA and FTP. The discretionary bonus is determined based on a number of factors senior management deems appropriate including, among other things overall sales of First Trust products and services. This creates a conflict of interest since an FTA financial professional could receive a larger discretionary bonus based on the size of your advisory account.

More detailed information about our fees and services and conflicts of interest can be found in our Brochure. You should ask your advisor:

- Help me understand how these fees and costs might affect my investments. If I give you $10,000 to invest, how much will go to fees and costs, and how much will be invested for me? What would make those fees more or less? What services will I receive for those fees?
- How might your conflicts of interest affect me, and how will you address them?
- What additional costs should I expect in connection with my account?

Item 4 – Do you or your financial professionals have legal or disciplinary history?

No. We encourage you to seek out additional information about FTA and its financial professionals. Please go to Investor.gov/CRS for a free and simple search tool to research First Trust Advisors L.P. and our financial professionals and ask your advisor:

- Does your firm or as a financial professional, do you have any disciplinary history? For what type of conduct?

Item 5 – Additional Information

Additional information about FTA can be obtained by going to adviserinfo.sec.gov or by calling us at 800-621-1675 to request up-to-date information about the firm and a copy of Form CRS. To report a problem to the SEC, visit Investor.gov or call the SEC’s toll-free investor assistance line at (800) 732-0330. If you have a problem with your investments, account or financial professional, contact us in writing at 120 E. Liberty Drive, Suite 400, Wheaton, IL 60187.

Please ask your representative:

- Who is my primary contact person at FTA?
- Are you a representative of an investment adviser or a broker-dealer?
- Does your firm or as a financial professional, do you have any disciplinary history? For what type of conduct?
- Who can I talk to if I have concerns about how you are treating me?