DIVERSIFYING BEYOND TRADITIONAL ASSET CLASSES

Today, demand for true diversification has never been higher. Because different investments often react differently to economic and market changes, diversifying among investments that focus on dissimilar areas of the market typically helps to reduce volatility and also has the potential to enhance returns. One important way investors can diversify beyond traditional asset classes is by including alternative asset classes. These asset classes, such as commodities and currencies, may potentially provide some protection from periods of market instability and uncertainty and could potentially profit from such periods. However, alternative investments may employ complex strategies, have unique investment and risk characteristics and may not be suitable for all investors. It is also important to note that diversification does not guarantee profit or protect against loss.

ACCESSING MANAGED FUTURES WITH ETFs

Until about 2008, managed futures strategies were typically offered in hedge funds or private accounts, meaning only the wealthiest of investors could gain access. Today, however, mainstream investors have access through vehicles such as exchange-traded funds that offer daily liquidity. The First Trust Managed Futures Strategy Fund provides an alternative to active futures investing.

Futures have historically been an effective diversifier from stocks and bonds. Managed futures are run by investment professionals who use their own, primarily automated, rules-based trading systems which react to price movements and signal when to invest in futures and options contracts.

Two key potential advantages are:

» Managers have the ability to invest across a wide range of global markets and asset classes including equities, commodities, currencies and global debt (including treasuries).

» Managers can take both long and short positions in these investments to potentially profit from a conviction about price movements in both rising and falling markets.

“Long” and “short” are terms used to describe two basic futures contracts.1 A futures contract is an agreement to buy or sell, in the future, a specific quantity of an asset for a price set today. The ability to go both long or short has presented some advantages to a traditional long only approach. A long-only approach has no way to capture the returns available from shorting futures when there is downward price pressure. Of course, there is no guarantee that any investment will achieve its objectives, generate profits or avoid losses. The benchmark and the fund will take both long and short positions and should not be used as proxies for taking long-only positions. The fund may also be flat on some positions. The fund will lose value if a security or instrument that is the subject of a short sale increases in value. Short sales involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment. All futures and futures-related products are highly volatile. Futures instruments may be less liquid than other types of investments. The prices of futures instruments may fluctuate quickly and dramatically and may not correlate to price movements in other asset classes.

The futures investments are held indirectly through the FT Cayman Subsidiary, a wholly-owned subsidiary of the fund.

WHY CONSIDER THE FIRST TRUST MANAGED FUTURES STRATEGY FUND?

» Potential to lower overall portfolio risk. The fund will invest across a wide range of global markets that have historically exhibited low correlation to most traditional asset classes.

» Potentially increase returns and reduce volatility. Long-term historical returns for managed futures have generally exceeded stocks and bonds. They tend to do even better during times of stress in other markets. Of course, past performance is no guarantee of future results.

» Potentially increase portfolio diversification. By broadly diversifying across global markets, the fund may participate simultaneously in price changes in stock, currency and commodity markets.

» Opportunity to profit in a variety of economic environments. The fund has the capacity to go long or short and may potentially benefit from upward or downward trending markets using a momentum factor.

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INVESTMENT PROCESS

- Quantitative based multi-strategy approach to create a diversified portfolio of managed futures strategies
- Universe includes equities, currencies, commodities and fixed income futures contracts
- Seeks to combine strategies which provide exposure to different time horizons, return factors, and risk premia
- Dynamic risk management integrated into the portfolio construction process to assess risk at the individual, sector, asset class and portfolio level

The fund is managed by the First Trust Advisors Alternatives Investment Team. They attempt to capture the economic benefit derived from rising and declining prices across global futures markets by buying or selling futures contracts which are expected to rise or fall in price.

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.

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.

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. The trading prices of commodities futures, fixed income securities and other instruments fluctuate in response to a variety of factors. The fund’s net asset value and market price may fluctuate significantly in response to these factors. As a result, an investor could lose money over short or long periods of time. In addition, the net asset value of the fund may be more volatile over short-term periods than other investment options because of the fund’s significant use of financial instruments that have a leveraging effect.

The fund is subject to management risk because it is an actively managed portfolio. The advisor will apply investment techniques and risk analyses that may not have the desired result. There can be no assurance that the fund’s investment objective will be achieved.

The fund is not obligated to invest in the same instruments included in the benchmark and may invest in certain other securities. There can be no assurance that the fund’s performance will exceed the performance of the benchmark.

When a fund purchases or sells an instrument or enters into a transaction without investing an amount equal to the full economic exposure of the instrument or transaction, it creates leverage, which can result in a fund losing more than it originally invested. As a result, these investments may magnify losses to a fund, and even a small market movement may result in significant losses to a fund.

The fund does not invest directly in futures instruments. Rather, it invests in a wholly-owned subsidiary, which will have the same investment objective as the fund, but unlike the fund, it may invest without limitation in futures instruments. The subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Thus, the fund, as an investor in the subsidiary, will not have all the protections afforded to investors in registered investment companies. The fund will, under most circumstances, effect most creations and redemptions, in whole or in part for cash, rather than in kind securities. As a result, the fund may be less tax-efficient.

“Long” and “short” are investment terms used to describe ownership of futures contracts. Taking a “long” position means purchasing a futures contract. The owner of a “long” position in a futures contract may profit from an increase in the price of the underlying security, and conversely, will incur a loss if the underlying security declines in price. Taking a “short” position means selling a futures contract. The owner of a “short” position in a futures contract may profit from a decrease in the price of the underlying security, and conversely, will incur a loss if the underlying security increases in price.

All futures and futures-related products are highly volatile. Futures instruments may be less liquid than other types of investments. The prices of futures instruments may fluctuate quickly and dramatically and may not correlate to price movements in other asset classes.

The fund regularly purchases and sells commodity futures contracts to maintain a fully invested position. This frequent trading may increase the amount of commissions or mark-ups to broker-dealers that the fund pays when it buys and sells contracts, which may detract from the fund’s performance.

The fund may be subject to additional risks including clearing broker, counterparty risk, credit risk, gap risk, interest rate risk, income risk, issuer specific risk, regulatory risk and repurchase agreement risk. The fund may be subject to additional risks pertaining to currency, interest rates and derivatives.

First Trust Advisors L.P. is the adviser to the fund. First Trust Portfolios L.P. is an affiliate of First Trust Portfolios L.P., the fund’s distributor. First Trust Advisors L.P. is registered as a commodity pool operator and commodity trading advisor and is also a member of the National Futures Association.

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.

Not FDIC Insured | Not Bank Guaranteed | May Lose Value