First Trust

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First Trust Expands its Actively Managed Fixed Income Lineup with the First Trust Limited Duration Investment Grade Corporate ETF

WHEATON, IL – (BUSINESS WIRE) – November 18, 2021 – First Trust Advisors L.P. ("First Trust") a leading exchange-traded fund ("ETF") provider and asset manager, announced today that it has launched the First Trust Limited Duration Investment Grade Corporate ETF (NYSE Arca: FSIG) ("the fund"). FSIG seeks to deliver current income by investing at least 80% of its net assets (plus any borrowings for investment purposes) in investment grade corporate debt securities.* In addition, the fund has a limited duration portfolio mandate and seeks to construct a portfolio that has a weighted average duration of +/- one year of the Bloomberg U.S. Corporate Bond 1-5 Year Index, which may provide less interest rate volatility relative to a longer duration corporate bond portfolio. A security's duration is a measure of its price sensitivity to interest rate movements. In other words, it tells the investor how much the security's price is likely to change for a given change in interest rates.

Finding opportunities to generate attractive income in a low interest rate environment can be challenging. Investment grade corporate bonds with short maturities may provide attractive income and diversification benefits to fixed income portfolios. The portfolio management team believes the yield advantage is compelling compared with U.S. Treasuries and mortgage-backed securities. For these reasons, against a market backdrop of central bank yield suppression, short maturity investment grade corporate bonds may provide the appropriate middle ground between moving too far down in credit quality and too far out on the maturity curve to capture income potential.

"We believe an allocation to actively managed, short duration investment grade credit is timely given the expectation for both continued inflationary pressure and for higher interest rates going forward. Investors looking to balance yield and duration exposure, while core bonds and other long-duration fixed income asset classes are under pressure, may find short duration investment grade corporate bonds provide a smart and durable solution in this environment," said William Housey, CFA, Managing Director of Fixed Income, Senior Portfolio Manager at First Trust, who serves as one of the fund's portfolio managers.

In addition to Mr. Housey, Todd Larson, CFA, Senior Vice President at First Trust; Eric Maisel, CFA, Senior Vice President at First Trust; Jeffrey Scott, CFA, Senior Vice President at First Trust; and Nathan Simons, CFA, Vice President at First Trust, also serve as portfolio managers to the fund. The investment philosophy of the portfolio management team (the "Team") is based on the belief that deep fundamental credit analysis performed by a highly experienced credit team, within a risk managed framework, will generate higher absolute and risk-adjusted returns within investment grade debt strategies. This investment philosophy is expressed by the Team through an investment process that combines rigorous bottom-up fundamental credit analysis and disciplined portfolio construction.

For more information about First Trust, please contact Ryan Issakainen at (630) 765-8689 or RIssakainen@FTAdvisors.com.

About First Trust

First Trust is a federally registered investment advisor and serves as the fund's investment advisor. First Trust and its affiliate First Trust Portfolios L.P. ("FTP"), a FINRA registered broker-dealer, are privately held companies that provide a variety of investment services. First Trust has collective assets under management or supervision of approximately $218 billion as of October 29, 2021 through unit investment trusts, exchange-traded funds, closed-end funds, mutual funds and separate managed accounts. First Trust is the supervisor of the First Trust unit investment trusts, while FTP is the sponsor. FTP is also a distributor of mutual fund shares and exchange-traded fund creation units. First Trust and FTP are based in Wheaton, Illinois. For more information, visit http://www.ftportfolios.com.

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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.

Risk Considerations

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 a fund by authorized participants in very large creation/redemption units. If a 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 a fund's net asset value and possibly face delisting.

A fund's shares will change in value, and you could lose money by investing in a fund. One of the principal risks of investing in a fund is market risk. Market risk is the risk that a particular stock owned by a fund, fund shares or stocks in general may fall in value. There can be no assurance that a fund's investment objective will be achieved. The outbreak of the respiratory disease designated as COVID-19 in December 2019 has caused significant volatility and declines in global financial markets, which have caused losses for investors. While the development of vaccines has slowed the spread of the virus and allowed for the resumption of "reasonably" normal business activity in the United States, many countries continue to impose lockdown measures in an attempt to slow the spread. Additionally, there is no guarantee that vaccines will be effective against emerging variants of the disease.

In managing a fund's investment portfolio, the portfolio managers will apply investment techniques and risk analyses that may not have the desired result.

Companies that issue loans tend to be highly leveraged and thus are more susceptible to the risks of interest deferral, default and/or bankruptcy. Loans are usually rated below investment grade but may also be unrated. As a result, the risks associated with these loans are similar to the risks of high yield fixed income instruments. The senior loan market has seen a significant increase in loans with weaker lender protections which may impact recovery values and/or trading levels in the future.

A fund that effects all or a portion of its creations and redemptions for cash rather than in-kind may be less tax-efficient.

Covenant-lite loans contain fewer maintenance covenants than traditional loans and may not include terms that allow the lender to monitor the financial performance of the borrower and declare a default if certain criteria are breached. This may hinder a fund's ability to mitigate problems and increase a fund's exposure to losses on such investments.

As the use of Internet technology has become more prevalent in the course of business, funds have become more susceptible to potential operational risks through breaches in cyber security.

Certain securities are subject to call, credit, inflation, income, interest rate, extension and prepayment risks. These risks could result in a decline in a security's value and/or income, increased volatility as interest rates rise or fall and have an adverse impact on a fund's performance.

Financial services companies are subject to the adverse effects of economic recession, government regulation, decreases in the availability of capital, volatile interest rates, and competition from new entrants in their fields of business.

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 a fund on floating rate and fixed-to-floating rate securities may decline due to lower coupon payments on floating-rate securities.

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High yield securities, or “junk” bonds, are less liquid and are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, are considered to be highly speculative.

A fund may be a constituent of one or more indices or models which could greatly affect a fund’s trading activity, size and volatility.

To the extent a fund invests in floating or variable rate obligations that use the London Interbank Offered Rate (“LIBOR”) as a reference interest rate, it is subject to LIBOR Risk. The United Kingdom’s Financial Conduct Authority, which regulates LIBOR, will cease making LIBOR available as a reference rate over a phase-out period that will begin immediately after December 31, 2021. The unavailability or replacement of LIBOR may affect the value, liquidity or return on certain fund investments and may result in costs incurred in connection with closing out positions and entering into new trades. Any potential effects of the transition away from LIBOR on a fund or on certain instruments in which a fund invests can be difficult to ascertain, and they may vary depending on a variety of factors, and they could result in losses to a fund.

Certain fund investments may be subject to restrictions on resale, trade over-the-counter or in limited volume, or lack an active trading market. Illiquid securities may trade at a discount and may be subject to wide fluctuations in market value.

Large inflows and outflows may impact a new fund’s market exposure for limited periods of time.

A fund classified as “non-diversified” may invest a relatively high percentage of its assets in a limited number of issuers. As a result, a 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.

A fund and a fund's advisor may seek to reduce various operational risks through controls and procedures, but it is not possible to completely protect against such risks.

A fund with significant exposure to a single asset class, country, region, industry, or sector may be more affected by an adverse economic or political development than a broadly diversified fund.

Trading on the exchange may be halted due to market conditions or other reasons. There can be no assurance that the requirements to maintain the listing of a fund on the exchange will continue to be met or be unchanged.

A fund may hold securities or other assets that may be valued on the basis of factors other than market quotations. This may occur because the asset or security does not trade on a centralized exchange, or in times of market turmoil or reduced liquidity. Portfolio holdings that are valued using techniques other than market quotations, including “fair valued” assets or securities, may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used. There is no assurance that a fund could sell or close out a portfolio position for the value established for it at any time.

A fund may invest in securities that exhibit more volatility than the market as a whole.

First Trust Advisors L.P. is the adviser to the fund. First Trust Advisors L.P. is an affiliate of First Trust Portfolios L.P., the fund’s distributor.

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 professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

*The use of leverage is not a principal investment strategy of the fund.

Source: First Trust Advisors L.P.