First Trust

FSIG

First Trust Limited Duration Investment Grade Corporate ETF

The **First Trust Limited Duration Investment Grade Corporate ETF** is an actively managed exchange-traded fund (ETF) that 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.*

GIVING CREDIT TO INVESTMENT GRADE DEBT

Finding opportunities to generate attractive income in a low interest rate environment can be challenging. A large allocation to lower quality credit or to longer duration securities may result in an undesirable risk profile. Investment grade corporate bonds with short maturities may provide a potential solution that offers a relatively stable income stream, a competitive yield and a modest level of interest rate risk.

Investment grade corporate bonds are debt instruments issued by companies with a high level of credit quality and are often referred to as "high grade". Compared to speculative grade companies, investment grade companies are characterized by strong credit metrics. For example, they tend to have lower debt and lower interest expense relative to their earnings and they typically generate robust cash flow. The higher level of credit quality allows investment grade companies greater flexibility to navigate through economic and industry cycles, which has historically resulted in low default risk. From 1920 to 2020, the average annual default rate for investment grade company debt was approximately 0.14%, according to Moody's. Moreover, the investment grade corporate debt market is large, providing ample liquidity and a wide opportunity set for investors. In fact, since 2007 the market has more than tripled in size to approximately $7.7 trillion in outstanding debt.**

We believe an allocation to investment grade corporate bonds with short maturities provides attractive income and diversification benefits to fixed income portfolios, while also offering a compelling yield advantage 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 the maturity curve to capture income potential.

FUND DETAILS

Fund Ticker	FSIG
Investment Advisor	First Trust Advisors L.P
Inception Date	11/17/21
CUSIP	33738D804
Intraday NAV	FSIGIV
Primary Listing	NYSE Arca
Weighted Average Duration	+/- 1 year of benchmark duration
Benchmark	Bloomberg U.S. Corporate Bond 1-5 Year Index

WHY CONSIDER FSIG?

- **Attractive Income Potential** – designed to provide a yield in excess of typical short term strategies and to be competitive with the broad investment grade universe.
- **Lower Interest Rate Risk** – the duration of short duration investment grade corporate bonds is 2.80 years, compared to 8.71 years for the broader investment grade corporate bond universe, as of 9/30/21.**
- **A Flexible Investment Approach** – seeks to take advantage of select total return opportunities outside of the corporate bond universe, including rising stars and fallen angels, to potentially improve yield and diversification.
- **Active Management** – of duration, sector exposure and security selection may improve the ability of the fund to respond to dynamic market conditions and has the potential to reduce risk while maintaining attractive income. Active management avoids the weaknesses inherent in market cap weighted index-based funds that have larger exposure to the most heavily indebted issuers.
- **An Experienced Team** – combines rigorous fundamental credit analysis and disciplined portfolio management to seek strong performance while managing volatility through the market cycle.

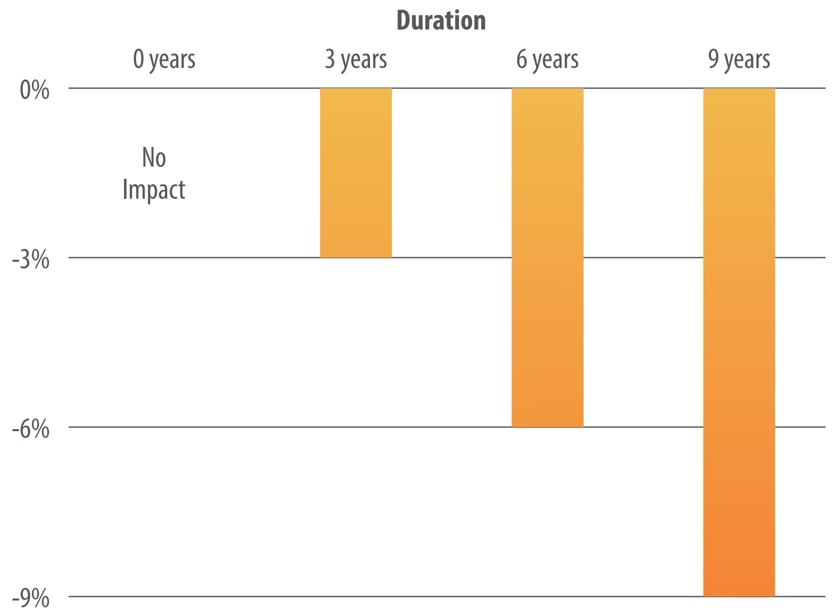
*The use of leverage is not a principal investment strategy of the fund.

**Source: Bloomberg. Please see Risk Considerations on the last page for additional information about risks, asset classes and index definitions.

DURATION

Many issuers within the investment grade bond market have taken advantage of the low interest rate environment to reduce their cost of capital and to extend their maturity profiles. The result has been a more than 40% increase in the interest rate risk of the investment grade corporate bond market (duration extension).[1] 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. In general, each year of duration represents an expected 1% change in the value of a security for every 1% change in interest rates. For example, if a portfolio of securities has an average duration of three years, its value can be expected to fall approximately 3% if interest rates rise by 1%. Conversely, the portfolio's value can be expected to rise approximately 3% if interest rates fall by 1%. Prices of securities with lower durations tend to be less sensitive to interest rate changes than securities with higher durations. As a result, lower duration securities tend to exhibit less price volatility in rising interest rate environments than those with longer durations. The fund has a limited duration portfolio mandate, which may provide less interest rate volatility relative to a longer duration corporate bond portfolio.

CHANGES IN BOND PRICES IF INTEREST RATES RISE 1%



This hypothetical illustration of the effects of rising interest rates on returns is for illustrative purposes only and does not account for all factors that may potentially impact returns.

CREDIT QUALITY

Credit risk is the possibility that the corporate issuer may not be able to fulfill its obligation of timely payment of interest or repayment of principal at maturity. The fund actively manages credit risk through a rigorous, repeatable, and disciplined fundamental credit research process and favors issuers with a stable or improving credit profile. Importantly, while we believe that the credit fundamentals of most investment grade issuers remain sound, the combination of decreased average credit quality in the broader investment grade credit market may present risks for index-based funds.

INVESTMENT GRADE BOND DEFAULT RATE

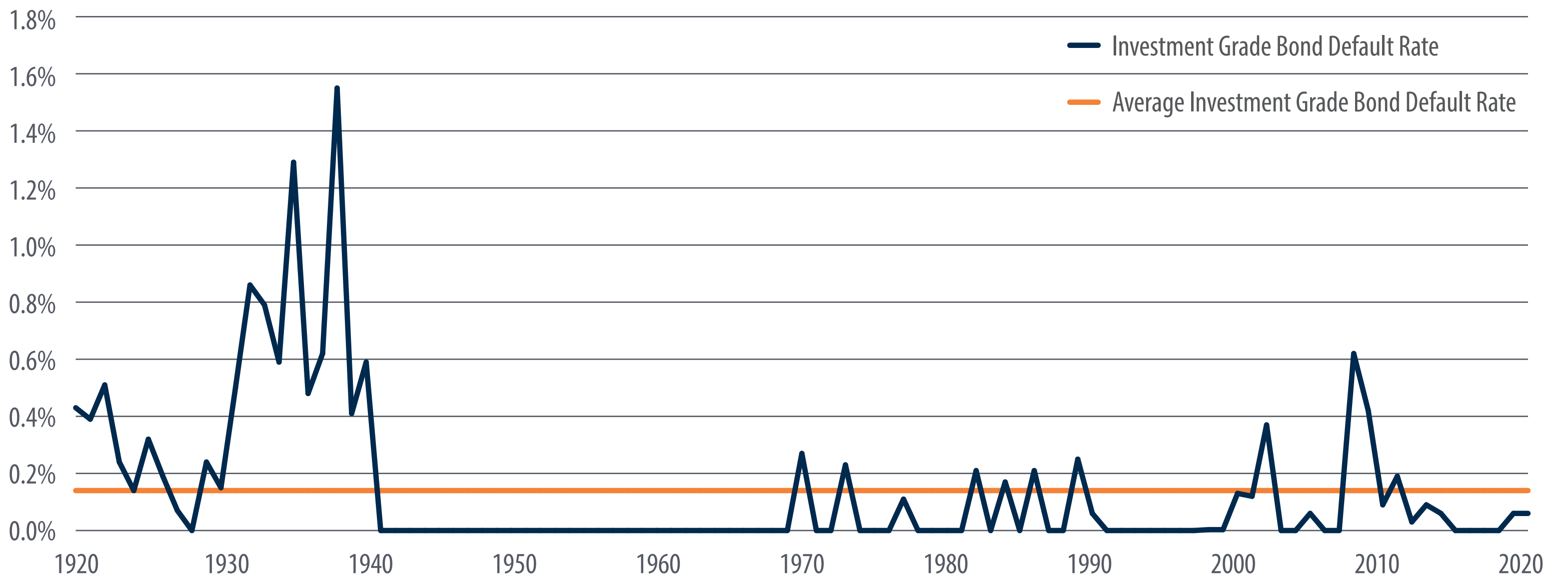
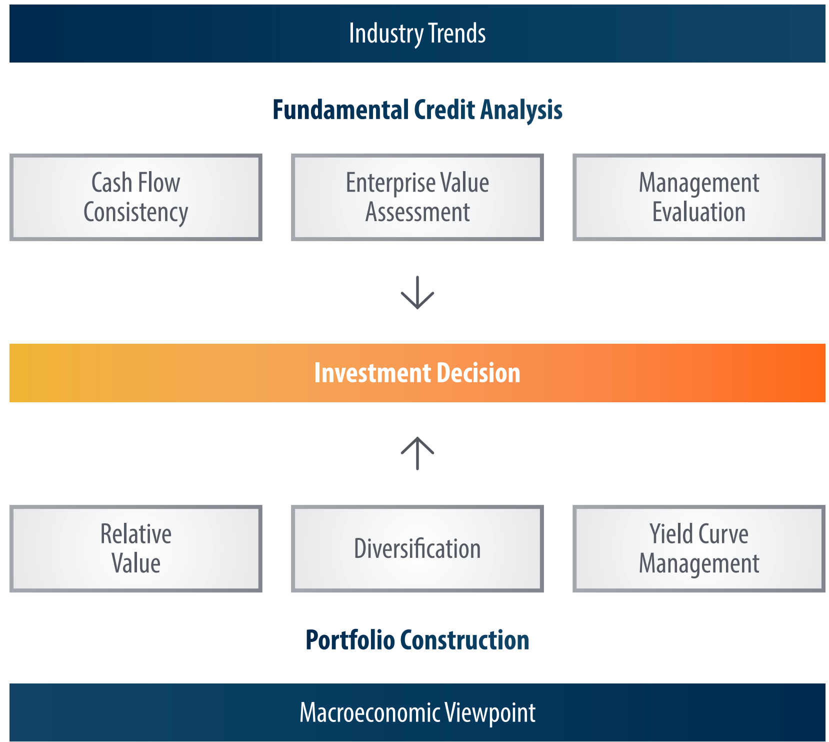


Chart Source: Moody's Investors Services.

[1]Source: Bloomberg. Data from 12/31/06 to 9/30/21.

THE IMPORTANCE OF ACTIVE MANAGEMENT

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. Risk management is a critical component of the entire process and is embedded within the Team's fundamental credit analysis and portfolio construction. The fundamental credit analysis involves the evaluation of the macro-economy, industry trends, consistency of cash flows, valuation and management quality, among other considerations. The investment process favors companies that produce relatively stable cash flows through an economic cycle, companies that have valuations supportive of the debt balances and companies that have management teams with a sound track record. The key considerations of portfolio construction include yield curve management (focusing on duration, convexity and yield curve risk), relative value, portfolio diversification, issuer liquidity and continuous monitoring.

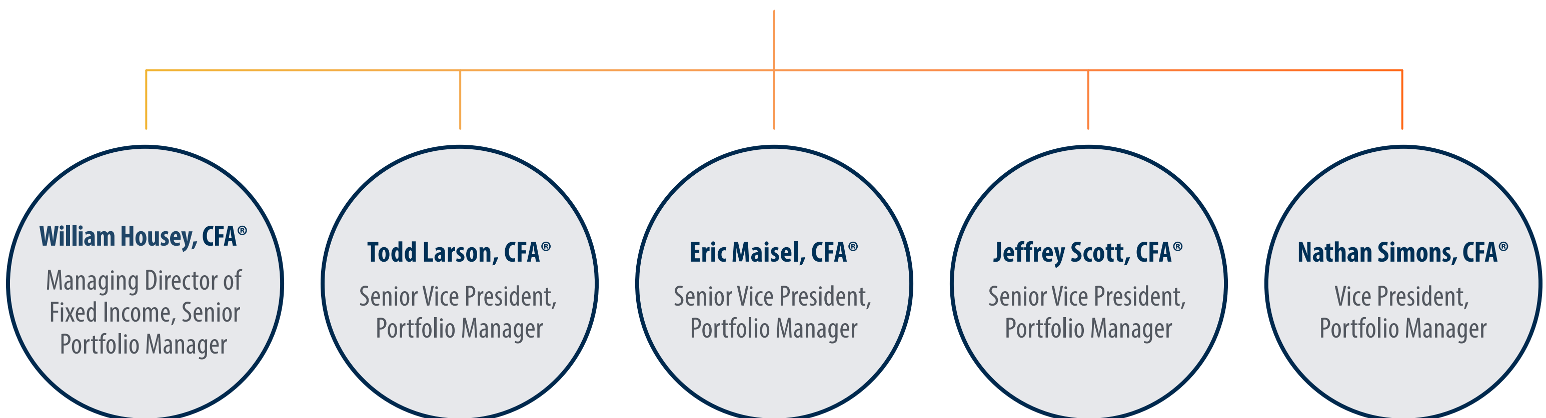


POTENTIAL BENEFITS OF AN ACTIVELY MANAGED ETF

The ETF structure provides an efficient and simple way to invest in corporate debt and provides many potential benefits:

- Intraday liquidity
- Transparency of holdings
- Low investment minimums
- Tax efficiency
- Portfolio diversification
- Potential to outperform indexes
- Professional portfolio selection and ongoing portfolio management
- Risk management tools to seek to reduce interest rate risk/portfolio volatility
- Flexibility to strategically adjust portfolio holdings to take advantage of changing market conditions

THE FSIG INVESTMENT MANAGEMENT TEAM



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.

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.

Definitions

Investment grade corporate bonds are represented by the **Bloomberg U.S. Corporate Investment Grade Index** which tracks publicly issued, SEC-registered, U.S. corporate and specified foreign debentures and secured notes that have a maturity greater than one year, at least $250 M outstanding par balance, and rated Baa3/BBB- or higher.

Short duration investment grade corporate bonds are represented by the **Bloomberg U.S. Corporate Bond 1-5 Year Index** which measures the investment grade, fixed-rate, taxable corporate bond market with 1-5 year maturities.

A **fallen angel** is a bond that was once rated as investment grade but has fallen to junk-bond status because of the issuing company's poor credit quality. A **rising star** is a bond that is rated as a junk bond but could become investment grade because of improvements in the issuing company's credit quality.

Convexity measures the sensitivity of a bond's duration to changes in yield.

NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE