

First Trust

FCTR

First Trust Lunt U.S. Factor Rotation ETF

The **First Trust Lunt U.S. Factor Rotation ETF** (the “fund”), seeks investment results that correspond generally to the price and yield (before the fund’s fees and expenses) of an equity index called the Lunt Capital Large Cap Factor Rotation Index (the “index”). The index is designed to provide exposure to U.S. large-cap equities, rotating among select factors when they come into favor using the proprietary Lunt Factor Allocation Methodology.

WHY FACTOR ROTATION

A factor is an attribute or characteristic that explains investment performance. Factor-based investing is a strategy used to choose securities based on those factors which are associated with historically higher returns. This strategy attempts to offer exposure to securities which target a desired deviation from the risk-return profile relative to the broader market. Although single-factor investing offers the ability to hone in on a desirable characteristic of a stock, a multi-factor approach may provide the added benefit of diversification and provide a solution that seeks to enhance returns over time. Historically, there have been large disparities in return across factors within U.S. large-cap securities. Factor rotation can provide the potential to capture some of this return disparity.

FACTOR PERFORMANCE

Although individual factors may either outperform or underperform the broad market in any given year, factor performance has tended to be cyclical over the long-term. In addition to behavioral biases, investor risk appetite and economic cycles can drive factor performance. The example below illustrates how factor performance may vary throughout changing market cycles.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Top-Ranking	28.45%	54.44%	23.45%	8.62%	30.00%	24.11%	3.01%	38.50%	56.36%	39.70%	-0.92%
	27.54%	47.73%	22.97%	5.96%	25.16%	22.84%	1.64%	37.46%	47.17%	30.76%	-10.21%
	20.68%	39.06%	18.81%	5.20%	18.51%	22.71%	1.37%	35.68%	39.98%	28.46%	-17.68%
	18.03%	33.25%	17.91%	1.65%	15.87%	18.43%	-11.39%	33.83%	30.39%	22.77%	-18.88%
	15.61%	32.96%	16.87%	-4.58%	14.73%	16.61%	-11.85%	33.18%	19.07%	14.99%	-25.42%
	14.34%	31.07%	15.36%	-8.03%	5.88%	15.84%	-13.49%	31.12%	18.79%	13.05%	-27.78%
Bottom-Ranking	13.04%	28.60%	14.10%	-9.35%	-0.49%	9.89%	-14.91%	30.29%	-0.34%	5.97%	-39.60%
	2.86%	17.08%	9.43%	-25.58%	-5.98%	8.84%	-16.68%	20.50%	-2.55%	4.33%	-40.72%

Value High

Volatility High

Momentum High

Quality High

Value Low

Volatility Low

Momentum Low

Quality Low

This example is for illustrative purposes and does not represent any actual investment. The factors are based on 8 Nasdaq factor sub-indexes which are each comprised of 50 securities from the Nasdaq US 500 Large Cap™ Index that represent the high and low side of each of the four factors.

Diversification does not guarantee a profit or protect against loss.

FUND DETAILS

Fund Ticker	FCTR
Fund Inception Date	7/25/18
CUSIP	33733E872
Intraday NAV	FCTRIV
Primary Listing	Cboe BZX

VALUE

A security’s price relative to fundamentals based on measures such as book value to price, cash flow to price and return on assets. The value factor tends to perform better in a risk-taking environment.

MOMENTUM

Price performance of a security versus a market average, another security or a universe of securities. The momentum factor tends to do best when trends persist in a market.

VOLATILITY

The magnitude of a security’s up and down price fluctuations over time. The low volatility factor tends to perform best in a risk averse environment.

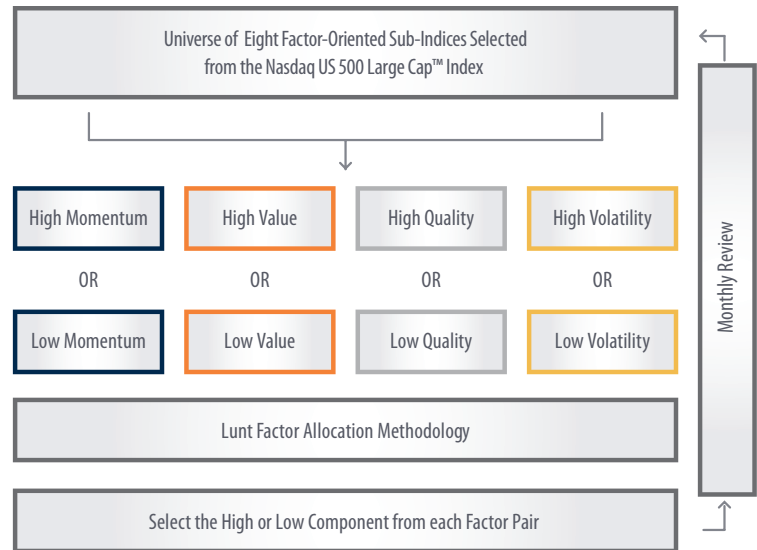
QUALITY

The fundamentals, or financial health, of a company based on measures such as consistency of earnings, operating margins, price returns and return on equity. The quality factor is more of a risk-adjusted return factor and tends to provide more stable absolute performance over a market cycle relative to other factors.

INDEX CONSTRUCTION PROCESS

Using a rules-based, objective, proprietary methodology, the index tactically rotates exposure among the high and low side of four primary factors: Value, Momentum, Volatility and Quality.

- **Universe** | According to the index provider, begin with eight factor-oriented sub-indices, representing the highest and lowest ranking stocks in each of the four factors. Each sub-index is comprised of 50 securities selected from the Nasdaq US 500 Large Cap™ Index.
- **Evaluate Factor Pairs** | Sub-indices are ranked based on Lunt Capital's proprietary factor rotation rules to determine which side of each factor (high or low) is exhibiting stronger risk-adjusted relative strength.
- **Selection and Weighting** | The top four scoring sub-indices are selected for inclusion in the index. Sub-indices of the same factor cannot be selected during the same monthly period (e.g. high and low of the same factor).
- **Review and Rebalance** | The eight sub-indices are evaluated monthly. Momentum, value and volatility sub-indices are rebalanced semi-annually and the quality sub-indices are rebalanced annually.



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

You could lose money by investing in a fund. An investment in a fund is not a deposit of a bank and is not insured or guaranteed. There can be no assurance that a fund's objective(s) will be achieved. Investors buying or selling shares on the secondary market may incur customary brokerage commissions. Please refer to each fund's prospectus and SAI for additional details on a fund's risks. The order of the below risk factors does not indicate the significance of any particular risk factor.

Unlike mutual funds, shares of the fund 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 premium or discount to a fund's net asset value and possibly face delisting and the bid/ask spread may widen.

A fund is susceptible to operational risks through breaches in cyber security. Such events could cause a fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. Equity securities may decline significantly in price over short or extended periods of time, and such declines may occur in the equity market as a whole, or they may occur in only a particular country, company, industry or sector of the market.

An index fund will be concentrated in an industry or a group of industries to the extent that the index is so concentrated. A fund with significant exposure to a single asset class, or the securities of issuers within the same country, state, region, industry, or sector may have its value more affected by an adverse economic, business or political development than a broadly diversified fund.

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.

There is no assurance that the index provider or its agents will compile or maintain the index accurately. Losses or costs associated with any index provider errors generally will be borne by a fund and its shareholders.

Information technology companies are subject to certain risks, including rapidly changing technologies, short product life cycles, fierce competition, aggressive pricing and reduced profit margins, loss of patent, copyright and trademark protections, cyclical market patterns, evolving industry standards and regulation and frequent new product introductions.

A portfolio comprised of low volatility stocks may not produce investment exposure that has lower variability to changes in such stocks' price levels. Low volatility stocks are likely to underperform the broader market during periods of rapidly rising stock prices.

Market risk is the risk that a particular security, or shares of a fund in general may fall in value. Securities are subject to market fluctuations caused by such factors as general economic conditions, political events, regulatory or market developments, changes in interest rates and perceived trends in securities prices. Shares of a fund could decline

in value or underperform other investments as a result. In addition, local, regional or global events such as war, acts of terrorism, spread of infectious disease or other public health issues, recessions, natural disasters or other events could have significant negative impact on a fund. In February 2022, Russia invaded Ukraine which has caused and could continue to cause significant market disruptions and volatility within the markets in Russia, Europe, and the United States. The hostilities and sanctions resulting from those hostilities could have a significant impact on certain fund investments as well as fund performance. The COVID-19 global pandemic and the ensuing policies enacted by governments and central banks have caused and may continue to cause significant volatility and uncertainty in global financial markets. While vaccines have been developed, there is no guarantee that vaccines will be effective against future variants of the disease. Recent and potential future bank failures could result in disruption to the broader banking industry or markets generally and reduce confidence in financial institutions and the economy as a whole, which may also heighten market volatility and reduce liquidity.

A fund faces numerous market trading risks, including the potential lack of an active market for fund shares due to a limited number of market makers. Decisions by market makers or authorized participants to reduce their role or step away in times of market stress could inhibit the effectiveness of the arbitrage process in maintaining the relationship between the underlying values of a fund's portfolio securities and a fund's market price.

A "momentum" style of investing emphasizes selecting stocks that have had higher recent price performance compared to other stocks. Momentum can turn quickly and cause significant variation from other types of investments.

An index fund's return may not match the return of the index for a number of reasons including operating expenses, costs of buying and selling securities to reflect changes in the index, and the fact that a fund's portfolio holdings may not exactly replicate the index.

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. The fund also relies on third parties for a range of services, including custody, and any delay or failure related to those services may affect the fund's ability to meet its objective.

A fund that invests in securities included in or representative of an index will hold those securities regardless of investment merit and the fund generally will not take defensive positions in declining markets.

High portfolio turnover may result in higher levels of transaction costs and may generate greater tax liabilities for shareholders.

The market price of a fund's shares will generally fluctuate in accordance with changes in the fund's net asset value ("NAV") as well as the relative supply of and demand for shares on the exchange, and a fund's investment advisor cannot predict whether shares will trade below, at or above their NAV.

A quality stocks investment fund may not correctly identify companies with strong fundamentals and selected companies may not maintain strong fundamentals. In addition, returns on quality securities may be less than returns on other styles of investing or the overall stock market.

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

Value characteristics of a stock may not be fully recognized for a long time or a stock judged to be undervalued may actually be appropriately priced at a low level.

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.

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