First Trust

FSMB
First Trust Short Duration Managed Municipal ETF

The **First Trust Short Duration Managed Municipal ETF** seeks to provide federally tax-exempt income consistent with capital preservation using an actively managed strategy that invests in short-duration municipal securities, which are primarily U.S. dollar-denominated, investment-grade securities. The fund will invest at least 80% of its net assets (including investment borrowings) in municipal debt securities that pay interest that is exempt from regular federal income taxes. Up to 35% of its net assets may be allocated to below investment-grade municipal securities.

WHY CONSIDER FSMB?

- The portfolio managers' distinctive investment process is driven by fundamental research and informed by a quantitative overlay to seek bonds that may perform well on a total return basis in various interest rate environments.
- Competitive income along with capital appreciation potential - we believe our process is unique relative to many competitors where the primary objective is income and the secondary objective is capital preservation.
- The fund's short duration focus seeks to reduce the impact of interest rate movements while maintaining current income.
- Active management allows our experienced portfolio team to seek to take advantage of developing opportunities.

DURATION AS A TOOL TO HELP MANAGE RISK

Duration is a mathematical calculation of the average life of a debt security (or a portfolio of debt securities) that serves as a measure of its price risk. In general, each year of duration represents an expected 1% change in the value of a security for every 1% immediate 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 about 3% if interest rates rise by 1%. Conversely, the portfolio's value can be expected to rise about 3% if interest rates fall by 1%. As the value of a security changes over time, so will its duration.

Prices of securities with lower durations have historically been less sensitive to interest rate changes than securities with higher durations. As a result, lower duration securities have typically held up better in rising interest rate environments than those with longer durations.

Fund Details

Fund Ticker	FSMB
Investment Advisor	First Trust Advisors L.P.
Fund Inception Date	11/1/18
CUSIP	33739P830
Intraday NAV	FSMBIV
Primary Listing	NYSE Arca

INVESTMENT OVERVIEW

DURATION | We may invest in municipal securities of any duration, but currently expect the fund to maintain a weighted average duration of 1 to 3 years. We believe this shorter duration focus can provide some protection against rising interest rates.

CREDIT RATING | The municipal securities selected are weighted toward investment-grade rated securities and unrated securities determined by the fund's advisor to be of comparable quality, with an allocation to below investment-grade rated bonds (collectively referred to as "high yield" or "junk" bonds).

SECTOR/SUB-INDUSTRY PROFILE | The sector breakdown is centered on municipal securities that meet a basic infrastructure need or critical service within their communities. Examples of the types of bonds we will seek for this fund include municipal infrastructure projects such as airports, continuing care retirement communities, education, housing, electric utilities, hospitals, special assessment districts, toll roads, universities and water and sewer systems.

STATE BREAKDOWN | We seek to invest in municipal securities issued throughout the United States, with a special emphasis on those states with growing populations and healthy employment trends.

HISTORICAL IMPACT OF RISING RATES ON MUNICIPAL BOND INDEXES

Over the twelve most recent periods when the 10-year Treasury yield rose 100 basis points without falling 50 basis points, municipal securities have exhibited limited sensitivity to interest rates. As illustrated in the chart to the right, municipal securities had higher returns than the U.S. Treasury and U.S. Aggregate Bond Indexes.

MUNICIPAL BOND BASICS

A municipal bond is a debt obligation of a state or local government entity which is used to help build infrastructure by raising money to finance public projects such as airports, charter schools, toll roads, hospitals, senior living facilities, ports, universities, and water and sewer facilities. In return, investors in tax-exempt municipal bonds receive income which is free from federal income taxes and, in some cases, state and local income taxes as well.

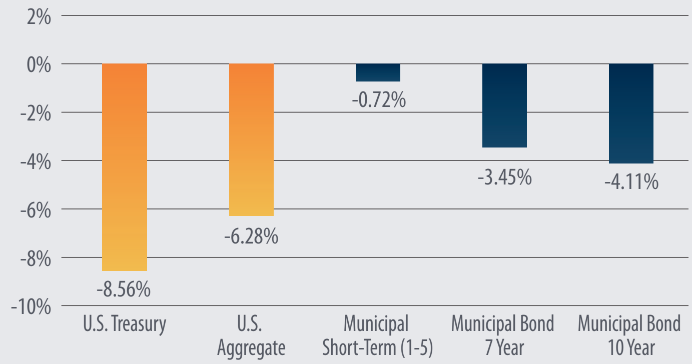
In addition to their ability to provide tax-exempt income, municipal bonds have traditionally been considered a lower risk investment because of the essential nature of government entities and the security interests often offered to investors. Municipal bonds are typically classified according to purpose and security interests as either revenue bonds or general obligation bonds. Revenue bonds are typically used by an issuer to finance the cost of a revenue producing project such as a toll road, a hospital, a school, etc. Revenues derived from the project are then used to pay principal and interest on the bonds. Investors often receive a lien on the project (such as a mortgage or a tax lien) and the project's revenues are pledged to ensure repayment of the bonds. General obligation bonds, on the other hand, are backed by the full faith and credit of the issuing municipality, which has the ability to use its taxing power to increase revenues to ensure timely principal and interest payments.

TAXABLE EQUIVALENT YIELD ADVANTAGE

Tax-exempt municipal bonds may provide investors with significant tax savings. For investors in higher tax brackets, municipals can offer greater after-tax yields than taxable debt securities of similar maturities and credit quality, including treasuries and corporate bonds. Taxable-equivalent yields represent the amount of pre-tax return an investor would need to earn in a taxable investment in order to equal that of a tax-exempt investment.

The chart to the right illustrates the taxable equivalent yield at five different federal income tax levels. As you can see, if an investor is in the 24% federal tax bracket, a 4.00% tax-free yield has a taxable equivalent yield of 5.26%. In other words, an investor would need to get a 5.26% yield from a taxable bond to equal the 4.00% payout of the tax-free municipal bond.

Annualized Total Return Comparison During Rising Rate Periods



Source: Bloomberg as of 6/27/23. Displays the annualized returns based on the referenced periods of rising rates and provides some historical perspective on how various asset classes performed. From 1/20/00-6/27/23, there have been 12 periods where the yield on the benchmark 10-year Treasury Note rose by 100 basis points without falling 50 basis points, those rising rate periods are as follows: 11/7/01-4/1/02, 6/10/03-9/2/03, 3/8/04-6/14/04, 6/1/05-6/28/06, 12/18/08-6/10/09, 8/31/10-2/8/11, 7/24/12-12/31/13, 7/5/16-3/13/17, 9/5/17-11/8/18, 8/4/20-3/31/21, 8/2/21-6/4/22, 7/28/22-10/24/22.

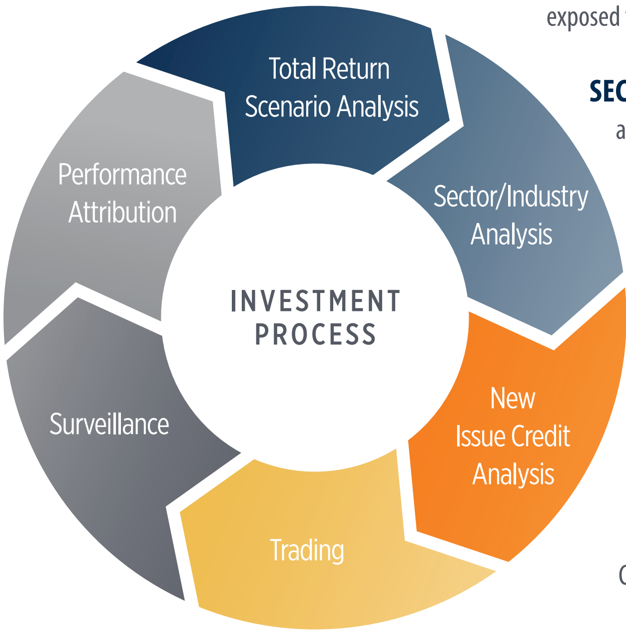
Past performance is no guarantee of future results. The chart above is for illustrative purposes only and not indicative of the fund. The example excludes the effects of taxes and brokerage commissions or other fees incurred when investing. Indexes are unmanaged and it is not possible to invest directly in an index. It is important to note that there are differences between the investment objectives and risks of the municipal securities in which the fund will invest versus the asset classes shown above. Duration is a measure of a security's sensitivity to interest rate changes that reflects the change in a security's price given a change in yield. Historically, longer duration bonds are more sensitive to interest rate changes than shorter duration bonds and may be more volatile. U.S. Treasury obligations are backed by the "full faith and credit" of the U.S. government. Prices of fixed-income securities change in response to many factors and are subject to several risks, including credit risk, call risk, income risk, inflation risk, interest rate risk, extension risk and prepayment risk. Income from municipal bonds held by the fund could be declared taxable because of, among other things, unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. Please see Risks and Considerations section on the last page for additional information about risks, asset classes and index definitions.

Tax-Free vs. Taxable Equivalent Yield

Federally Tax-Free Yield	2023 Federal Tax Rate				
	22%	24%	32%	35%	37%
	Taxable Equivalent Yield				
3.00%	3.85%	3.95%	4.41%	4.62%	4.76%
4.00%	5.13%	5.26%	5.88%	6.15%	6.35%
5.00%	6.41%	6.58%	7.35%	7.69%	7.94%
6.00%	7.69%	7.89%	8.82%	9.23%	9.52%

This example is for illustrative purposes only and should not be regarded as tax advice. This example should not be considered indicative of the yields of the bonds which may be included in the portfolio. Note that the Federal tax rates do not reflect any (i) federal limitations on the amount of allowable itemized deductions or any phase-outs of exemptions or credits, (ii) alternative minimum taxes or any taxes other than personal income taxes, or (iii) state or local taxes. Investors should consult their tax professional for more complete information with regard to their specific tax situation.

The portfolio management team practices rigorous credit analysis of individual issuers coupled with a thorough understanding of the major opportunities and risks within municipal sectors. The investment process focuses on each of the following components:



TOTAL RETURN SCENARIO ANALYSIS | Evaluate individual bonds and portfolios of securities that are exposed to interest rate, yield curve, and credit spread movements or shifts.

SECTOR/INDUSTRY ANALYSIS | Perform a top-down review of core sectors based on bottom-up analysis of individual credits to determine which municipal sectors to overweight, neutral weight, and underweight.

NEW ISSUE CREDIT ANALYSIS | Evaluate new bond offerings to determine portfolio suitability based on fundamental credit research on each borrower and individual bond security features.

TRADING | Analyze how a bond might trade in the secondary market by reviewing total bond issuance size, underwriter willingness to make secondary markets and bond structural features, such as coupon, maturity, call dates and sinking fund payments.

SURVEILLANCE | Analyze holdings on a systematic basis to monitor any changes in credit trend. Credit rating momentum is monitored for each bond.

PERFORMANCE ATTRIBUTION | Perform a granular total return analysis by reviewing key portfolio attributes such as duration, credit rating, sector, and state. The portfolio's performance is compared to various benchmarks.

THE IMPORTANCE OF ACTIVE PORTFOLIO MANAGEMENT

Events of the past few years have underscored the importance of professional portfolio management that focuses on individual bond selection. The municipal market was once considered uniform and virtually risk free. In reality, the municipal market is complex. First Trust applies extensive research on each individual municipal bond we consider for the fund. We believe it is critical to understand an issuer's ability to meet its financial obligations and not simply rely on its credit rating. Not only do we perform fundamental research, but we also apply quantitative total return analysis, at both the individual bond and portfolio level, in order to identify those bond structures that have the potential for better relative performance over multiple interest rate scenarios. Active portfolio management allows us to make portfolio adjustments, as necessary, when conditions change. We believe continuous surveillance is an essential element of our investment process. Most investors do not have the time, experience or inclination to provide in-depth credit research and analysis, or ongoing surveillance of bonds. We believe these are the keys to finding value and capturing opportunities in today's credit-sensitive markets.

FIRST TRUST MUNICIPAL SECURITIES TEAM

Johnathan N. Wilhelm | Senior Vice President, Senior Portfolio Manager
Tom Byron | Senior Vice President, Senior Portfolio Manager

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 Statement of Additional Information 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.

All or a portion of a fund's otherwise exempt- interest dividends may be taxable to those shareholders subject to the federal and state alternative minimum tax.

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.

During periods of falling interest rates if an issuer calls higher-yielding debt instruments, a fund may be forced to invest the proceeds at lower interest rates, likely resulting in a decline in the fund's income.

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

An issuer or other obligated party of a debt security may be unable or unwilling to make dividend, interest and/or principal payments when due and the value of a security may decline as a result.

Ratings assigned by a credit rating agency are opinions of such entities, not absolute standards of credit quality and they do not evaluate risks of securities. Any shortcomings or inefficiencies in the process of determining credit ratings may adversely affect the credit ratings of the securities held by a fund and their perceived or actual credit risk.

The differences in yield between debt securities of different credit quality may increase which may reduce the market value of a fund's debt securities.

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.

Investments in debt securities subject the holder to the credit risk of the issuer and the value of debt securities will generally change inversely with changes in interest rates. In addition, debt securities generally do not trade on a securities exchange making them less liquid and more difficult to value.

Extension risk is the risk that, when interest rates rise, certain obligations will be paid off by the issuer (or other obligated party) more slowly than anticipated, causing the value of these debt securities to fall. Rising interest rates tend to extend the duration of debt securities, making their market value more sensitive to changes in interest rates.

Floating rate securities are structured so that the security's coupon rate fluctuates based upon the level of a reference rate. As a result, the coupon on floating rate securities will generally decline in a falling interest rate environment, causing a fund to experience a reduction in the income it receives from the security. A floating rate security's coupon rate resets periodically according to the terms of the security. Consequently, in a rising interest rate environment, floating rate securities with coupon rates that reset infrequently may lag behind the changes in market interest rates.

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's income may decline when interest rates fall or if there are defaults in its portfolio.

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.

Industrial development bonds are normally secured only by the revenues from the project and are not general obligations of the issuer or otherwise secured by state or local government tax receipts.

As inflation increases, the present value of a fund's assets and distributions may decline.

Interest rate risk is the risk that the value of the debt securities in a fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term debt securities and higher for longer-term debt securities.

The portfolio managers of an actively managed portfolio will apply investment techniques and risk analyses that may not have the desired result.

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.

The values of municipal securities may be adversely affected by local political and economic conditions and developments. Income from municipal securities could be declared taxable because of, among other things, unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of an issuer.

Inventories of municipal securities have decreased in recent years and some municipal securities may have resale restrictions lessening the ability to make a market in these securities. This reduction in market making capacity has the potential to decrease a fund's ability to buy or sell municipal securities and increase price volatility and trading costs.

There is no assurance that a fund will be able to sell a portfolio security at the price established by a pricing service, which could result in a loss to a fund.

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.

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.

Prepayment risk is the risk that the issuer of a debt security will repay principal prior to the scheduled maturity date. Debt securities allowing prepayment may offer less potential for gains during a period of declining interest rates, as a fund may be required to reinvest the proceeds of any prepayment at lower interest rates.

Private activity bonds can have a substantially different credit profile than the municipality or public authority that issued them and may be negatively impacted by conditions affecting the general credit of the private enterprise or the project itself.

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 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.

The purchase of securities on a when-issued, TBA ("to be announced"), delayed delivery or forward commitment basis may give rise to investment leverage and increase a fund's volatility and exposure to default.

Zero coupon bonds do not pay interest on a current basis, they may be highly volatile, and they do not produce cash flow. A fund could be forced to liquidate zero coupon bond securities at an inopportune time to generate cash to distribute to shareholders as required by tax laws.

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

US Treasury is represented by the **Bloomberg US Treasury Total Return Index**, which measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

US Aggregate Bond is represented by the **Bloomberg US Aggregate Total Return Index** which measures the performance of the U.S. investment grade bond market.

Municipal Bond 7 Year is represented by the **Bloomberg Municipal Bond 7 Year Index** which consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from six to eight years.

Municipal Bond 10 Year is represented by **Bloomberg Municipal Bond 10 Year Index** which includes investment grade tax-exempt bonds with maturities between eight and twelve years.

Municipal Short-Term (1-5) is represented by the **Bloomberg Municipal Bond Short (1-5) Total Return Index** which includes investment grade tax-exempt bonds with maturities between one and five years.