First Trust

ECLN

First Trust EIP Carbon Impact ETF

The **First Trust EIP Carbon Impact ETF** (the "fund") is an actively managed exchange-traded fund (ETF) that seeks to achieve a competitive risk-adjusted total return balanced between dividends and capital appreciation.

INVESTING FOR IMPACT

The First Trust EIP Carbon Impact ETF invests at least 80% of its net assets (including investment borrowings) in the equity securities of companies identified by the fund's sub-advisor, Energy Income Partners, LLC ("EIP"), as having, or seeking to have, a positive carbon impact. Positive carbon impact companies are defined by EIP as companies that reduce, have a publicly available plan to reduce, or enable the reduction of carbon and other greenhouse gas ("GHG") emissions from the production, transportation, conversion, storage and use of energy. Based on EIP's fundamental research and review of regulatory filings and investor and public communications, the companies chosen for inclusion in the fund have demonstrated a commitment to positive carbon impact activities.

EIP believes that rapidly evolving state and federal energy policies and regulations, paired with technological innovation, continue to drive the transition to an energy system that is safer, cleaner and more reliable. EIP also believes investors in regulated utilities, renewable developers and other energy infrastructure companies have an opportunity to participate in these dramatic changes. EIP is optimistic that companies involved in activities aimed at reducing carbon and other GHG emissions have positive growth potential.

EIP'S APPROACH

EIP's general investment approach is to invest with the regulated monopoly shippers of energy who may benefit when the cost of the energy they are shipping declines, unlike the upstream energy producers whose fortunes are tied to commodity prices. EIP believes this approach remains sound in a transition to lower-carbon energy; the "upstream" makers of wind turbines and solar panels operate in a competitive market that may pressure prices and margins, but the buyers of those products—including utilities and their customers—may benefit as costs decline.

While other funds may focus more toward supply-oriented merchant businesses with highly variable margins in competitive industries, EIP tends to seek demand-facing infrastructure companies with stable earnings growth and regulated returns or very long-term contracts. Although each group occupies a critical part of the capital markets ecosystem that have worked together to lower the cost of cleaner more sustainable energy resources, EIP believes their approach may offer an advantage when comparing each group's respective earnings, dividend and return profiles. EIP seeks to own well-managed companies, with capital and financial discipline, that focus on safe, clean and reliable operations. EIP pursues this approach in order to seek the best risk-adjusted returns.

"There is a common misperception that renewables represent a threat to established utilities. We believe this is wrong. In our view, renewables represent an opportunity for utilities to put shareholder growth capital to work replacing higher-cost legacy generation with lower cost cleaner substitutes to the benefit of electricity consumers." ***- James Murchie, EIP***

FUND DETAILS

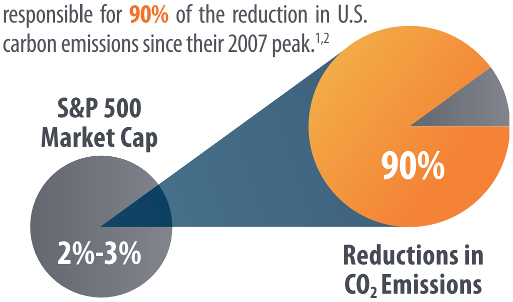
Fund Ticker	ECLN
Investment Advisor	First Trust Advisors L.P.
Investment Sub-Advisor	Energy Income Partners, LLC
CUSIP	33738D705
Intraday NAV	ECLNIV
Fund Inception Date	8/19/2019
Primary Listing	NYSE Arca

POTENTIAL BENEFITS OF ECLN

- Income stream
- Attractive long-term returns
- Opportunity for growth
- Investment in quality companies
- Impactful investing with exposure to companies that may have a role in mitigating climate change

ELECTRIC POWER SECTOR

The electric power sector accounts for **2% – 3%** of the S&P 500 Index market capitalization but is responsible for **90%** of the reduction in U.S. carbon emissions since their 2007 peak.[1,2]



CHANGES IN THE ENERGY ECONOMY

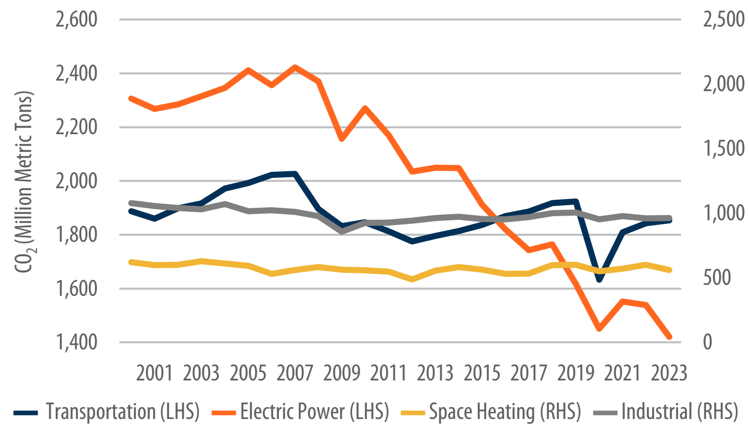
EIP believes technology, public policy and capital markets are driving the decarbonization of the energy economy. Economic substitution of lower cost renewables and natural gas for coal in power generation, and the growing adoption of utility-scale solar and wind power, are causing more carbon intensive sources of power to be displaced, transforming the way energy is produced and supplied around the world.*

Driving this change is the electric power sector, which makes up 2% - 3% of S&P 500 Index market capitalization yet is responsible for 90% of the reduction in U.S. carbon dioxide ("CO_2") emissions.[1, 2]

- Since peaking in 2007, total U.S. CO_2 emissions have declined by 20% through 2023, driven primarily by the electric power sector whose carbon output declined by 41% (see Chart 1).[1]
- Driving this decline has been the displacement of coal by natural gas and renewables in supplying U.S. electricity over the last two decades (see Chart 2).
- Natural gas emits roughly half the CO_2 per megawatt-hour (MWh) of electricity generated from coal or oil, while renewables emit virtually no CO_2.[1] Rising output of cheaper natural gas and renewables have forced the closure of more expensive, dirtier coal fired power generation (see Chart 2).
- According to EIP, technological improvements have dramatically lowered the cost of alternative energies, such as solar, wind, and cleaner burning natural gas, allowing clean energy adoption to become more economical and provide a source of earnings growth for utilities.
- These new investments drive growth in the utilities' "rate base", the capital on which they earn allowed (regulated) rates of return. Lower costs mean utility customer bills stay flat in real terms (see Chart 3).
- According to EIP, many U.S. electric utilities have stated plans to reduce carbon emissions — some with 80%+ reduction goals by 2050 — from the continued deployment of cleaner, lower cost sources of power. EIP believes this also represents an opportunity for renewable power developers that sell power to utilities on long term contracts.

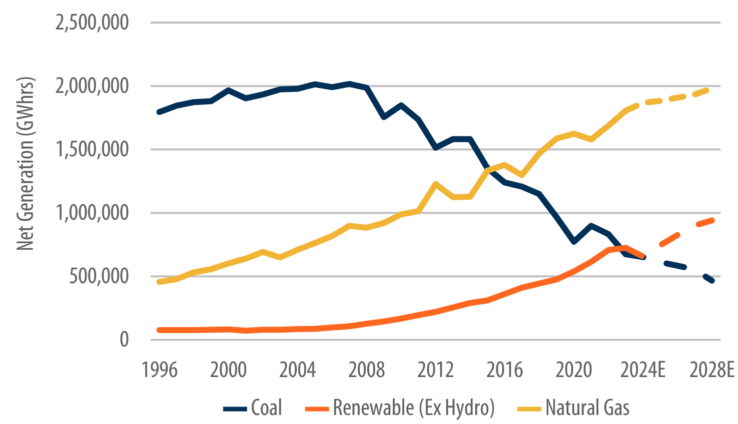
*Please note that despite potential changes to the energy economy, the fund may not benefit from such changes and may not benefit to the same extent as other investment vehicles that are investing in a similar fashion. In addition, such changes to the energy economy may not develop as anticipated.

Chart 1 | U.S. Carbon Emissions by Sector 2000-2023



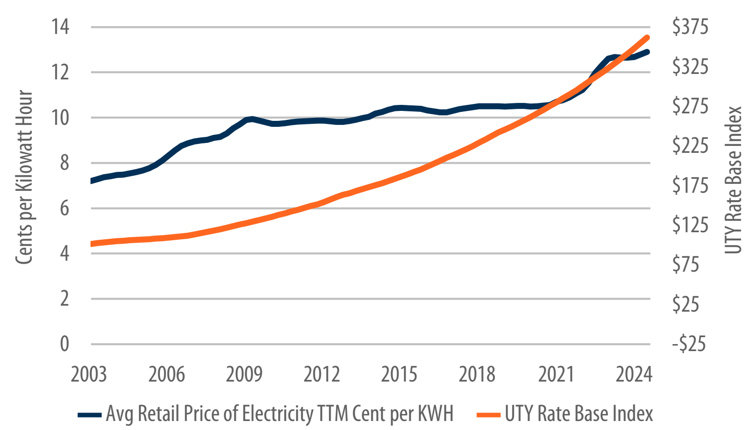
Source: U.S. Energy Information Administration (EIA), *EIA Monthly Energy Review* – June 2024. LHS – Left hand side. RHS – Right hand side.

Chart 2 | U.S. Power Generation from Coal, Natural Gas & Renewables 1996-2028



Source: Electric Power Monthly November 2024, *EIA as of January 24, 2025, Wolfe Research.* Estimates "E" based on Wolfe Research as of September 19, 2024.

Chart 3 | Rate Base of UTY Constituents vs. Average Retail Price of Electricity



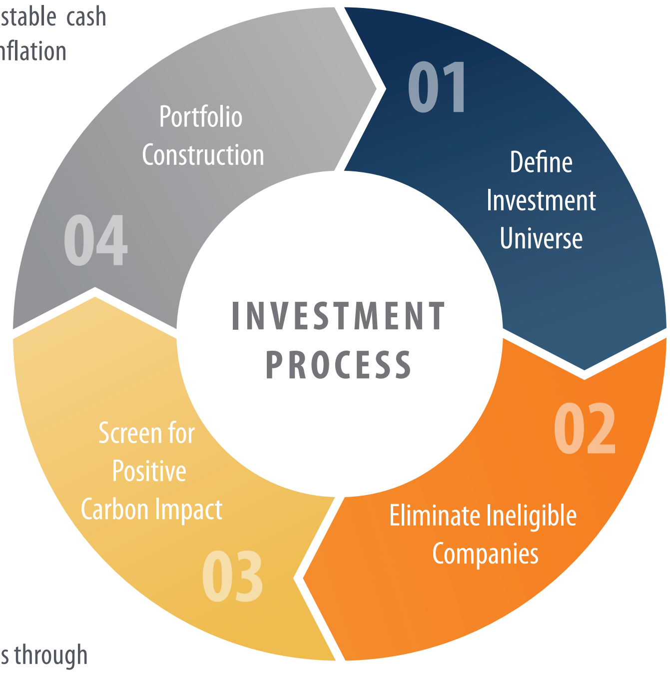
Source: *EIA, Bloomberg.* Data as of November 30, 2024. Rate Base of UTY Constituents is defined as the year-over-year growth for each market capitalization weighted member of the UTY. Rate Base is calculated by (Capital Expenditures + Depreciation)/ Net Fixed Assets based on the members in the UTY. Rate Base is indexed to 100.

EIP INVESTMENT PROCESS

Through a professionally managed portfolio, the fund seeks to offer investors an attractive balance of income and growth while also providing a vehicle to focus some of their investments on carbon impact and its potential role in mitigating climate change.

UNIVERSE | Define a universe of potential investments from companies operating in the industries identified below, among others, which may exhibit higher than average payout ratio supported by stable cash flows derived from long-term contracts, a regulated cost-of-service pricing scheme with inflation adjustments or cost pass-through protections.

- Utilities; natural gas pipelines; manufacturers, contracted developers and/or owners of renewable energy and other companies that operate and/or produce services in support of activities such as renewable energy equipment, energy storage, carbon capture and sequestration, fugitive methane abatement and energy transmission and distribution equipment.



ELIMINATE INELIGIBLE COMPANIES | Eliminate companies that EIP has identified as having no plans to reduce emissions and have a strategic commitment to the following activities:

- Coal production
- Crude oil exploration and production
- Crude oil transportation, storage or delivery

SCREEN FOR POSITIVE CARBON IMPACT | From the remaining eligible companies, EIP identifies those that currently or have plans to:

- Reduce carbon and other GHG emissions within their own operations
- Facilitate the reduction of carbon and other GHG emissions across the broader market, such as through the displacement of more carbon intensive fuels (such as coal or oil)
- Facilitate the increased use of renewable resources across the broader market

PORTFOLIO CONSTRUCTION | EIP selects from the remaining securities using a combination of quantitative and qualitative screens. The remaining securities are weighted based on each position's expected rate of return against risks, position size and diversification considerations and the fund's portfolio limitations.

ABOUT EIP

Founded in 2003, EIP manages a portfolio of high quality, well managed publicly traded energy infrastructure companies that own natural monopolies operating under state and federal cost-of-service regulation or long-term contracts. In EIP's view, its expertise covers the energy infrastructure sector as well as state and federal energy policy and utility regulation. EIP's approach, which in its view drives investment success over time, is a singular focus on the quality of the management teams of its portfolio companies.

PORTFOLIO MANAGEMENT TEAM

JAMES MURCHIE
Co-Founder, CEO, Co-Portfolio Manager and Principal of EIP

EVA PAO
Co-Founder, Co-Portfolio Manager and Principal of EIP

JOHN TYSSELAND
Co-Portfolio Manager and Principal of EIP

[1] U.S. Dept. of Energy, EIA Monthly Energy Review – March 2022. Data from 2005-2021.
[2] As of 12/31/22. Electric Power Sector is represented by the electric utilities members of PHLX Utility Sector Index (UTY).

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.

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 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.

Changes in currency exchange rates and the relative value of non-US currencies may affect the value of a fund's investments and the value of a fund's shares.

Current market conditions risk is the risk that a particular investment, or shares of the fund in general, may fall in value due to current market conditions. For example, changes in governmental fiscal and regulatory policies, disruptions to banking and real estate markets, actual and threatened international armed conflicts and hostilities, and public health crises, among other significant events, could have a material impact on the value of the fund's investments.

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.

Depositary receipts may be less liquid than the underlying shares in their primary trading market and distributions may be subject to a fee. Holders may have limited voting rights, and investment restrictions in certain countries may adversely impact their value.

Energy companies are subject to certain risks, including volatile fluctuations in price and supply of energy fuels, international politics, terrorist attacks, reduced demand, the success of exploration projects, natural disasters, clean-up and litigation costs relating to oil spills and environmental damage, and tax and other regulatory policies of various governments. Oil production and refining companies are subject to extensive federal, state and local environmental laws and regulations regarding air emissions and the disposal of hazardous materials and may be subject to tariffs. In addition, oil prices are generally subject to extreme volatility.

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.

Impact investing limits the number of investment opportunities available to a fund. In addition, the companies held by an impact investing fund may not ultimately undertake, or be successful in, their efforts to reduce the carbon impact of the production, transportation, conversion, or storage of energy. A fund's investment strategy limits the number of investment opportunities available to it, which may cause a fund to underperform other funds that are not subject to such investment limitations.

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.

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

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.

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.

Master limited partnerships ("MLPs") are subject to certain risks, including price and supply fluctuations caused by international politics, energy conservation, taxes, price controls, and other regulatory policies of various governments. In addition, there is the risk that MLPs could be taxed as corporations, resulting in decreased returns from such MLPs.

The benefit a fund derives from its investment in MLPs is largely dependent on their being treated as partnerships for U.S. federal income tax purposes. A change in current tax law or a change in the underlying business mix of a given MLP could result in an MLP being treated as a corporation for income tax purposes which would result in the MLP being required to pay income tax at the applicable corporate tax rate.

A fund that holds cash or invests in money market or short-term securities may be less likely to achieve its investment objective and could lose money.

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.

Securities of non-U.S. issuers are subject to additional risks, including currency fluctuations, political risks, withholding, lack of liquidity, lack of adequate financial information, and exchange control restrictions impacting non-U.S. 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. 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.

Securities of small- and mid-capitalization companies may experience greater price volatility and be less liquid than larger, more established companies.

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.

Utilities companies are subject to imposition of rate caps, increased competition, difficulty in obtaining an adequate return on invested capital or in financing large construction projects, limitations on operations and increased costs attributable to environmental considerations and the capital market's ability to absorb utility debt. Utilities companies may also be affected by taxes, government regulation, international politics, price and supply fluctuations, volatile interest rates and energy conservation.

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

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

The **PHLX Utility Sector Index** is a market capitalization weighted index composed of geographically diverse public U.S. utility stocks.

The **S&P 500 Index** is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.