

# LEGR

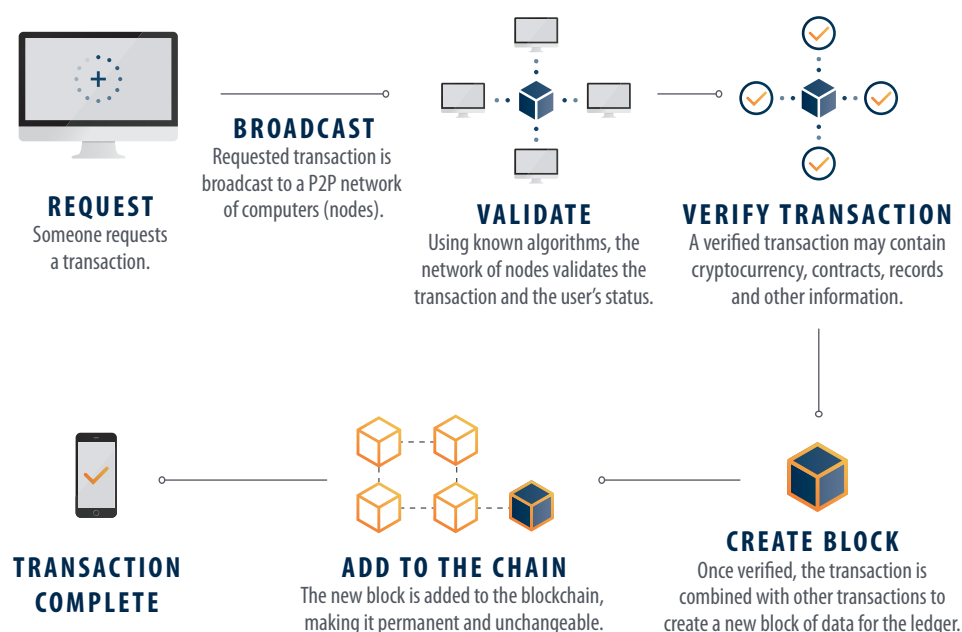
## First Trust Indxx Innovative Transaction & Process ETF

The **First Trust Indxx Innovative Transaction & Process ETF** is an exchange-traded fund (ETF) that seeks investment results that correspond generally to the price and yield, before the fund's fees and expenses, of an index called the Indxx Blockchain Index (the "index").

### SECURING THE NEXT GENERATION OF ASSETS

A growing number of industries and institutions are embedding blockchain technology into their day-to-day processes. Simply put, blockchain is a decentralized database or digital ledger that keeps a continuously growing list of data records or transactions (blocks) that occur on a peer-to-peer (P2P) network. It is kept and validated simultaneously by a network of computers, similar to a shared spreadsheet, that no one person can change without the agreement of others, which enables visibility of all activities, including where an asset is located and who owns it at any point in time. It allows a buyer and seller to interact directly without the need of a third-party to transfer goods or information and is increasingly being used to support transactions that have required a third party or central database in the past. While blockchain is the technology that underpins cryptocurrencies, its ability to move data swiftly and securely while making a permanent record that is instantly available and nearly impossible to tamper with has many potential applications across a wide range of industries. LEGR provides an easy way to gain exposure to various companies that are actively investing resources into products or services involving blockchain technology.

### EXAMPLE OF A BLOCKCHAIN PROCESS



### FUND DETAILS

Fund Ticker	LEGR
Investment Advisor	First Trust Advisors L.P.
CUSIP	33741X201
Intraday NAV	LEGRIV
Fund Inception Date	1/24/18
Primary Listing	Nasdaq
Rebalance Frequency	Semi-Annual

### POTENTIAL BENEFITS OF BLOCKCHAIN TECHNOLOGY

- As transactions are completed directly between parties with no intermediary and with digitized information, settling transactions can be quick, with less potential for human error.
- Blockchain technology provides an indelible audit trail for the life of an asset as each transaction is recorded sequentially and indefinitely.
- Blockchain technology is a transparent and efficient way to reduce delays from paperwork and may increase trust between business partners and clients.
- As transactions can be verified within the network using independently verified complex cryptography (sophisticated code), the authenticity of the information can be assured, reducing the risk of a centralized organization being hacked at the expense of everyone who relies on that entity.

## INDEX CONSTRUCTION PROCESS

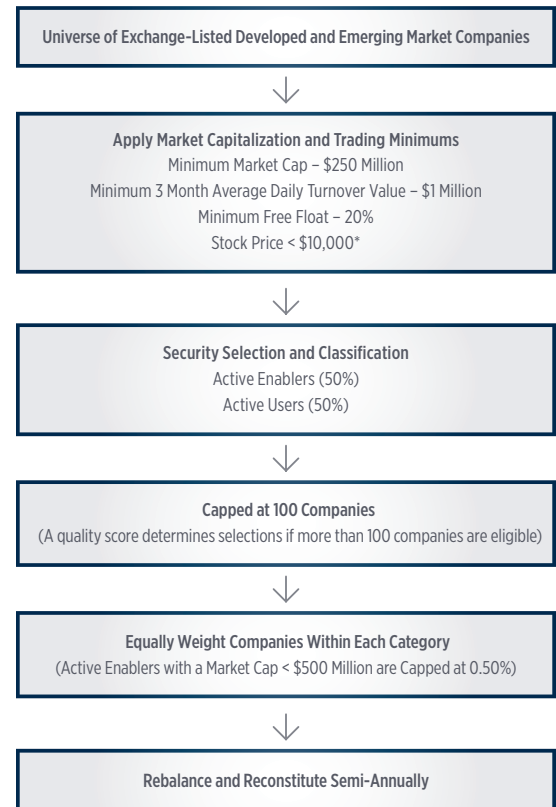
**UNIVERSE** | Begin with the Indxx universe of eligible companies in developed or emerging market countries. According to the index provider, to be included in the index, a security must have traded on 90% of the eligible trading days in the last six months or must have started trading at least three months prior to index rebalance/reconstitution.

**ELIGIBILITY CRITERIA** | Each security must have a minimum market cap of \$250 million, three-month average daily turnover value of at least \$1 million and minimum free float of 20%. Companies trading at a price of \$10,000 or above per share are removed. \*This rule does not apply to existing index constituents.

**SECURITY CLASSIFICATION** | All eligible securities are analyzed by Indxx and classified into one of three tiers based on their exposure to blockchain technology and/or the potential to benefit from the increased process efficiency it could provide and classified as Active Enablers, Active Users or Active Explorers. Active Enablers are given a score of 1, Active Users are given a score of 2 and Active Explorers are given a score of 3.

**SECURITY SELECTION & WEIGHTING** | Companies with a score of 3 are ineligible for inclusion in the index. Companies with a score of 1 or 2 are selected and weighted with Active Enablers receiving 50% and Active Users receiving 50%. The index is capped at 100 constituents. The selected companies are weighted equally within each category. A maximum weighting cap of 0.50% will be applied to constituents in the Active Enabler category that have a market cap of less than \$500 million, as well as a 20 day and 3 month average daily turnover volume of less than \$3 million.

**REBALANCING** | The index is rebalanced and reconstituted semi-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](http://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.

Blockchain technology is a relatively new and untested technology and may never be implemented to a scale that provides identifiable economic benefit to the companies included in a fund's portfolio. Blockchain systems could be vulnerable to fraud. There is little regulation of blockchain technology and because blockchain technology systems may operate across many national boundaries and regulatory jurisdictions, it is possible that it may be subject to widespread and inconsistent regulation.

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. As a means to fight inflation, the Federal Reserve and certain foreign central banks have raised interest rates and expect to continue to do so, and

the Federal Reserve has announced that it intends to reverse previously implemented quantitative easing. 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. Ongoing armed conflicts between Russia and Ukraine in Europe and among Israel, Hamas and other militant groups in the Middle East, have caused and could continue to cause significant market disruptions and volatility within the markets in Russia, Europe, the Middle East and the United States. The hostilities and sanctions resulting from those hostilities have and could continue to have a significant impact on certain fund investments as well as fund performance and liquidity. The COVID-19 global pandemic, or any future public health crisis, 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, negatively impacting global growth prospects.

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.

Depository 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.

Investments in emerging market securities are generally considered speculative and involve additional risks relating to political, economic and regulatory conditions.

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.

Please see additional risks on the following page.

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#### **RISK CONSIDERATIONS CONTINUED**

Political or economic disruptions in European countries, even in countries in which a fund is not invested, may adversely affect security values and thus the fund's holdings. A significant number of countries in Europe are member states in the European Union, and the member states no longer control their own monetary policies. In these member states, the authority to direct monetary policies, including money supply and official interest rates for the Euro, is exercised by the European Central Bank. The implications of the United Kingdom's withdrawal from the European Union are difficult to gauge and cannot yet be fully known.

Financial services companies are subject to the adverse effects of economic recession, currency exchange rates, government regulation, decreases in the availability of capital, volatile interest rates, portfolio concentration in geographic markets, industries or products, and competition from new entrants in their fields of business.

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.

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.

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.

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.

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.

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.

First Trust Advisors L.P. (FTA) is the advisor 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.

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