

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.

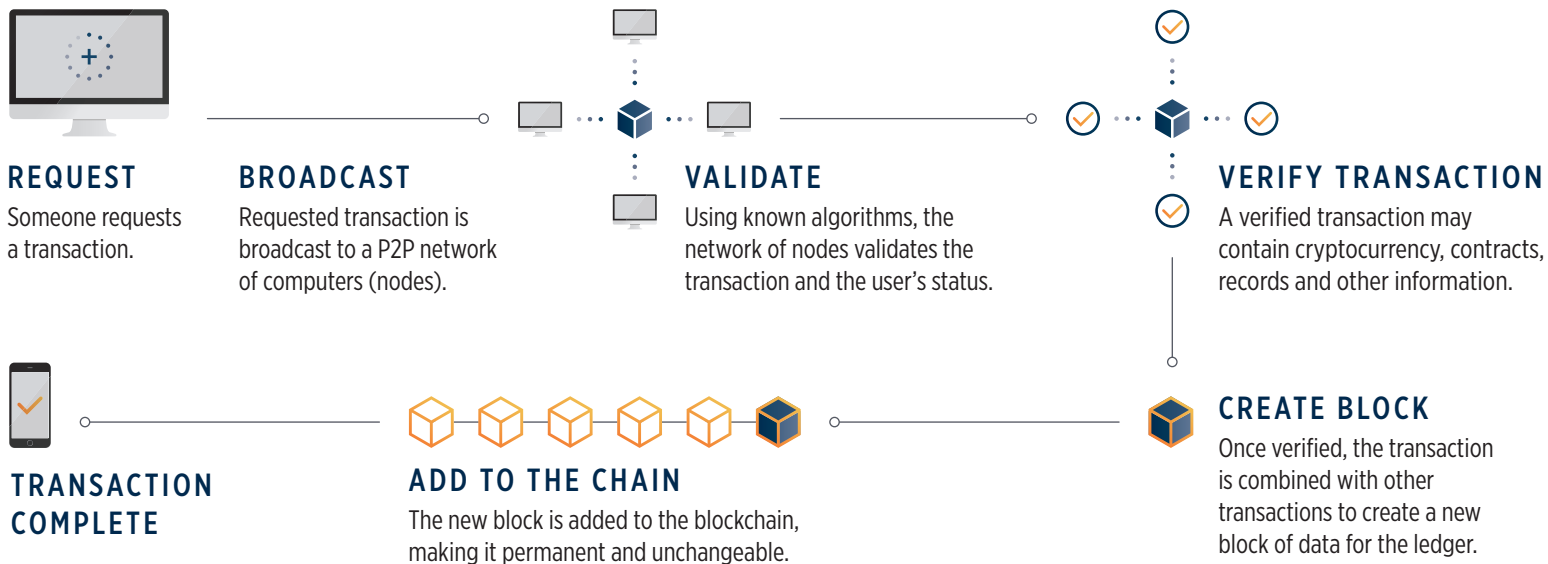
## WHAT IS BLOCKCHAIN?

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. It allows a buyer and seller to interact directly without the need of a third-party to transfer goods or information. Blockchain is increasingly being used to support transactions that have required a third party or central database in the past. The blockchain enables visibility of all activities, including where an asset is located and who owns it at any point in time. Blockchain is the technology that underpins digital currencies, like bitcoin, but it has many uses with the potential to move data swiftly and securely, while making a permanent record that is instantly available and nearly impossible to tamper with.

### Fund Facts

Fund Ticker	LEGR
Fund Inception Date	1/24/18
CUSIP	33741X201
Intraday NAV	LEGRIV
Primary Listing	Nasdaq
Rebalance Frequency	Semi-Annual

## EXAMPLE OF A BLOCKCHAIN PROCESS



## WHY CONSIDER THE FIRST TRUST INDXX INNOVATIVE TRANSACTION & PROCESS ETF?

The fund provides an easy way to gain exposure to various companies that are actively investing resources into products or services involving blockchain technology, coupled with the key features provided by an ETF, such as transparency and liquidity.

- A growing number of industries and institutions are looking to embed blockchain technology into their day-to-day processes and may be poised to benefit from continued acceleration of blockchain adoption.
- Although the full spectrum of blockchain technology applications is still being explored to make conducting business safer and more efficient, the technology has proven useful in multiple applications.
- As companies continue to experiment with new ways to harness the potential benefits of this new technology, we believe significant growth opportunities could develop.

# Blockchain Technology

## POTENTIAL BENEFITS OF BLOCKCHAIN TECHNOLOGY

Nearly every major financial institution has been exploring blockchain technology, but its applications span a wide range of industries. Some potential applications include preventing voter fraud, improving government efficiency, expediting health care claims and improving supply chain traceability.

- **Efficiency** | 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.
- **Auditability** | Blockchain technology provides an indelible audit trail for the life of an asset as each transaction is recorded sequentially and indefinitely.
- **Transparency** | Blockchain technology is a transparent and efficient way to reduce delays from paperwork and may increase trust between business partners and clients.
- **Security** | 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.

## ADOPTION OF BLOCKCHAIN

79.6%

From 2017 to 2022, the global blockchain market is estimated to grow at a Compound Annual Growth Rate of 79.6%.

MarketsandMarkets Research, December 2017

90%

90% of major North American and European banks are exploring blockchain solutions.

Forbes.com, September 2017

\$8-\$12B

Banks could save an estimated \$8-\$12 billion annually if they used blockchain technology.

Forbes.com, September 2017

57%

57% of the world's largest corporations are considering or in the process of deploying blockchain solutions.

CNBC.com, July 2017

There is no guarantee that past trends will continue or predictions will be realized or that they will benefit securities in the fund.

### ETF Characteristics

The fund lists and principally trades its shares on The Nasdaq Stock Market LLC.

The fund's return may not match the return of the Indxx Blockchain Index. Securities held by the fund will generally not be bought or sold in response to market fluctuations.

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 the fund by authorized participants, in very large creation/redemption units. If the 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 the fund's net asset value and possibly face delisting.

# Index Construction Process

The Indxx Blockchain Index tracks the performance of exchange-listed companies across the globe that are either actively using, investing in, developing, or have products that are poised to benefit from blockchain technology. The index seeks to include only companies that have devoted material resources to the use of blockchain technologies.

**UNIVERSE** | Begin with the Indxx universe of eligible companies in developed or emerging market countries. 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.\*

**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.

- **Tier One: Active Enablers** – Companies actively developing blockchain technology products or systems for their own internal use and for the sale and support of other companies; companies that are direct service providers for blockchain technology; or companies that have business models that rely on delivering products or services that use blockchain technology. Companies in this category are assigned a score of 1.
- **Tier Two: Active Users** – Companies that are using blockchain technology that is generally supported by an Active Enabler or have at least one use or test case of using blockchain technology. Companies in this category are assigned a score of 2.
- **Tier Three: Active Explorers** – Companies that have publicly disclosed that they are active in exploring the incorporation of blockchain technology into their business or have a press release on their website or a news article stating that they have started working on the blockchain technology space. These companies do not have at least one use case or test case on blockchain technology and are not currently directly incorporating blockchain technology into their business. Companies in this category are assigned a score of 3.

**SECURITY SELECTION AND 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.

If more than 100 companies qualify for inclusion, the index constituents will be determined based on exposure to blockchain technology where blockchain has the most substantial impact on their respective businesses. Using a multi-faceted approach, each company will be assigned an individual score based on business focus, investment, market capitalization, liquidity and other factors. The 100 companies with the highest aggregate scores are selected.

**REBALANCE AND RECONSTITUTION** | The index is rebalanced and reconstituted semi-annually.

\*This rule does not apply to existing index constituents.



# Additional Considerations

*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 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

The fund's shares will change in value, and you could lose money by investing in the fund. One of the principal risks of investing in the fund is market risk. Market risk is the risk that a particular security owned by the fund, fund shares or securities in general may fall in value. There can be no assurance that the fund's investment objective will be achieved.

The fund may invest in securities issued by companies concentrated in a particular industry or sector, which involves additional risks including limited diversification. The fund may invest in small capitalization and mid capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

The prices of equity securities fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, such as market volatility, or when political or economic events affecting the issuers occur.

If the fund has lower average daily trading volumes, it may rely on a small number of third-party market makers to provide a market for the purchase and sale of shares.

An investment in a fund containing securities of non-U.S. issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting non-U.S. issuers. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries. The fund may invest in depositary receipts which may be less liquid than the underlying shares in their primary trading market. Changes in currency exchange rates and the relative value of non-U.S. currencies will affect the value of the fund's investment and the value of fund shares.

The fund currently has fewer assets than larger funds, and like other relatively new funds, large inflows and outflows may impact the fund's market exposure for limited periods of time.

Blockchain technology is an entirely new and relatively untested technology and may never be implemented to a scale that provides identifiable economic benefit to the companies included in the index. 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. The values of the companies included in the index may not be a reflection of their connection to blockchain technology, but may be based on other business operations. Currently, blockchain technology is primarily used for the recording of transactions in digital currency, which are extremely speculative, unregulated and volatile. Because digital assets registered in a blockchain do not have a standardized exchange, like a stock market, there is less liquidity for such assets and greater possibility of fraud or manipulation.

As the use of Internet technology has become more prevalent in the course of business, the fund has become more susceptible to potential operational risks through breaches in cyber security.

The fund is classified as "non-diversified" and may invest a relatively high percentage of its assets in a limited number of issuers. As a result, the 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.

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.

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