MARB
First Trust Merger Arbitrage ETF

The **First Trust Merger Arbitrage ETF** is an actively managed exchange-traded fund (ETF) that seeks to provide investors with capital appreciation by establishing long and short positions in the equity securities of companies that are involved in a publicly-announced significant corporate event, such as a merger or acquisition.

WHAT IS MERGER ARBITRAGE?

Merger arbitrage is an investment strategy driven by a corporate event which may impact an involved company's stock price. When executed well, a merger arbitrage strategy has the potential to produce a differentiated and robust absolute return stream. Merger arbitrage involves purchasing the stock of a company being acquired ("target company"), while shorting the stock of the acquiring company. The spread is the difference in price between the trading price of the target company's stock following the public announcement of the corporate event and the contractual price to be paid for the target company stock in the future when the transaction closes. If the transaction closes, the spread is earned but if it fails to close, the downside may be larger than the spread.

WHY INVEST IN MARB?

Vivaldi Asset Management, LLC ("Vivaldi"), the fund's sub-advisor, aims to take advantage of the return opportunity presented by the potential profit, or "spread", emerging from the announcement of a merger or acquisition. The risks and returns of traditional stock investing generally depend on company-specific factors, such as profitability and prospects for growth, and on broader economic factors, such as interest rates, inflation, global trade and political risks. Alternatively, Vivaldi believes the risks and returns of merger-arbitrage investing are largely isolated from the daily movements of the stock market and instead primarily depend on the successful or unsuccessful completion of a merger or acquisition. Using a rigorous process, Vivaldi identifies the mergers that they believe are attractive by assessing a number of factors, including, but not limited to:

- Deal terms – Vivaldi only invests in publicly announced merger transactions
- Deal risk – the probability that the merger will be completed
- Relative attractiveness – identifying the best deals relative to others in the arbitrage universe
- Unique risks – including risks that may decrease the likelihood that a transaction will close

HYPOTHETICAL EXAMPLE OF PRICE ACTIVITY FROM A PUBLICLY ANNOUNCED MERGER

This example is for illustrative purposes and not indicative of any actual investment. Not intended to imply or guarantee that a merger arbitrage strategy will be successful.

Fund Details

Fund Ticker	MARB
Investment Advisor	First Trust Advisors L.P.
Investment Sub-Advisor	Vivaldi Asset Management, LLC
CUSIP	33740J203
Intraday NAV	MARBIV
Fund Inception Date	2/4/2020
Primary Listing	NYSE Arca

POTENTIAL BENEFITS OF MERGER ARBITRAGE

Historically low correlation to stock and bond markets

Absolute return potential

Diversification from traditional asset classes

May provide downside risk mitigation

Historically performs well in a rising interest rate environment

LOW CORRELATION TO STOCKS AND BONDS

The performance of companies involved in a corporate event has historically moved independently of traditional asset classes. Once a merger or acquisition is announced, in Vivaldi's view, the effective "market risk" of that target company is replaced with "deal completion" risk. This has historically produced an overall portfolio that will move almost entirely independent of broader equity markets, which is a key feature of the diversification benefit of merger arbitrage, although diversification does not guarantee a profit nor protect against loss.

Table 1 illustrates the low historical correlation between the Merger & Acquisition (M&A) Index, as measured by the HFRX Merger Arbitrage Index, and equities and bonds. Because companies involved in a corporate event are not highly correlated with other asset classes, they can potentially decrease portfolio volatility, enhance overall return and provide meaningful diversification to an asset allocation strategy.

Correlation is a statistical measure that provides a way to evaluate the potential diversification benefits of combining different assets. Correlation is measured on a scale ranging between -1 and +1. A correlation of +1 means that the two investments have moved in perfect tandem with each other. Alternatively, perfect negative correlation of -1 means that when one security moves in one direction, the other security will move in the opposite direction.

TABLE 1: CORRELATION OF M&A INDEX RETURNS
12/31/2009 to 12/31/2019

Period	Equities	Fixed Income
1 Year	0.13	0.08
3 Years	0.27	0.22
5 Years	0.19	0.17
10 Years	0.48	(0.01)

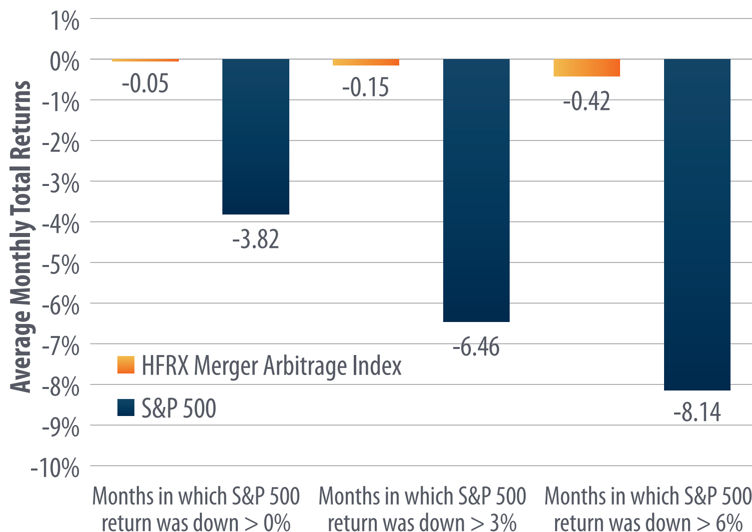
RETURN POTENTIAL AND INTEREST RATES

A merger arbitrage strategy may benefit during periods of rising interest rates because the spread generally incorporates a higher risk-free rate of return than traditional fixed-income asset classes. The potential return stream offers an attractive fixed income alternative given that the strategy often exhibits volatility similar to investment grade bonds while, at the same time, typically providing low correlation to bonds. The merger arbitrage strategy has historically thrived in a rising interest rate environment when an investor's fixed income portfolio may have suffered losses.

DOWNSIDE MITIGATION

During the most recent periods of decline in the S&P 500 Index, the M&A Index outperformed, as illustrated in Chart 1. Vivaldi believes merger arbitrage strategies have the potential to mitigate large drawdowns.

CHART 1: AVERAGE MONTHLY RETURNS DURING S&P 500 DRAWDOWNS
12/31/2009 to 12/31/2019



Source for Table and Chart: Bloomberg. For illustrative purposes and not indicative of the fund. **Past performance is not a guarantee of future results.** The returns shown were the results of certain market factors that may not be repeated in the future. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index. It is important to note that there are differences between the investment objectives and risks of merger arbitrage strategies versus the securities that comprise the other indexes shown in the charts. Equity securities are subject to several risks, including an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities or the general condition of the stock market. Fixed Income securities are subject to interest rate and credit risk. If interest rates rise, the prices of fixed-rate instruments may fall. An issuer of a fixed income security may be unable or unwilling to make dividend, interest, and/or principal payments when due and the value of a security may decline because of concerns of the issuers ability to make such payments.

Definitions

"Long" and **"short"** are investment terms used to describe ownership of securities. To buy securities is to "go long." The opposite of going long is "selling short." **Short selling** is an advanced trading strategy that involves selling a borrowed security. Short sellers make a profit if the price of the security goes down and they are able to buy the security at a lower amount than the price at which they sold the security short.

Risk-free rate of return is the theoretical rate of return of an investment with zero risk. The risk-free rate represents the interest an investor would expect from a risk-free investment over a specified period of time.

Drawdown is the measure of decline in an investment from an assets peak value to its lowest point over a period of time.

Definitions Continued

M&A Index is represented by the **HFRX Merger Arbitrage Index (HFRXMA)**, which is designed to be representative of merger arbitrage strategies primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

S&P 500 is represented by the **S&P 500 Total Return Index** which is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

Equities are represented by the **S&P 500 Total Return Index.**

Fixed Income is represented by the **Bloomberg Barclays US Aggregate Total Return Index** which measures the performance of the US investment grade bond market.

RESEARCH

Vivaldi's investment process relies on real-time quantitative-based research to evaluate how attractive each transaction is relative to other deals in the arbitrage universe. The fund adheres to that quantitative criteria to separate which deals to invest in and which to avoid.

SECURITY SELECTION

The portfolio may include equity securities issued by U.S. and non U.S. companies, including ADRs. The fund may invest in small, mid and large capitalization securities. Only securities of companies that have publicly announced transactions of mergers and/or acquisitions are eligible for inclusion in the fund's portfolio. Vivaldi will generally go "long" the target company and may at times go "short" the acquiring company. In the event that the sub-advisor cannot find enough securities that satisfy its investment criteria, the fund may hold cash or cash equivalents.

PORTFOLIO CONSTRUCTION

The portfolio will generally comprise announced merger holdings, weighted based on Vivaldi's analysis and judgment of the embedded risk-adjusted return. Vivaldi limits sector concentration to approximately 25%.

PORTFOLIO MONITORING

The foundation of Vivaldi's strategy is to invest in what they deem to be high-quality, publicly-announced merger transactions that represent the greatest annualized return potential relative to various risk factors. From there, the investment team performs ongoing research to seek investment opportunities and actively manage risk in the portfolio. This ongoing risk management has potential to create attractive risk-reward scenarios and minimize downside risk in deal break scenarios.

VIVALDI ASSET MANAGEMENT, LLC

Vivaldi is an SEC registered investment adviser, founded in 2013 and headquartered in Chicago, Illinois, that specializes in structuring and managing alternative investment, multi-manager, and multi-strategy mutual funds. Vivaldi prides itself on its ability to combine rigorous research and risk management processes with disciplined portfolio construction and management.

VIVALDI PORTFOLIO MANAGEMENT TEAM

Michael Peck, CFA, President and Co-Chief Investment Officer
Scott Hergott, Co-Chief Investment Officer
Brian Murphy, Portfolio Manager
Jeff O'Brien, Portfolio Manager
Daniel Lancz, Portfolio Manager
Michael Grayson, Portfolio Manager

Risks & Considerations

You should consider a 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 a fund. The prospectus or summary prospectus should be read carefully before investing.

Risk Considerations

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 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 discount to a fund's net asset value and possibly face delisting.

A fund's shares will change in value, and you could lose money by investing in a fund. Market risk is that a particular security or shares of a fund may fall in value. In managing a fund's investment portfolio, the advisor will apply investment techniques and risk analyses that may not have the desired result. There can be no assurance that a fund's investment objective will be achieved.

A fund may be a constituent of one or more indices which could greatly affect a fund's trading activity, size and volatility.

Securities issued by companies concentrated in a particular industry or sector involves additional risks, including limited diversification. Small capitalization and mid capitalization companies may experience greater price volatility than larger, more established companies.

Securities of non-U.S. issuers are 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. Depositary receipts may be less liquid than the underlying shares in their primary trading market.

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.

Investments in companies that are the subject of a publicly-announced transaction carry the risk the transaction is renegotiated, takes longer to complete than originally planned and that the transaction is never completed. Any such event could cause a fund to incur a loss.

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.

Shorting may result in greater gains or greater losses. Short selling creates special risks which could result in increased volatility of returns. Because losses on short sales arise from increases in the value of the security sold short, such losses are theoretically unlimited.

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

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.

Large inflows and outflows may impact a newer fund's market exposure for limited periods of times.

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 advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

Please see the fund's prospectus for a complete list of all the risks of investing in the fund.