

# EIPX

## FT Energy Income Partners Strategy ETF

The **FT Energy Income Partners Strategy ETF** (“the fund”) is an actively managed exchange-traded fund (“ETF”) that seeks risk-adjusted total return by investing at least 80% of its net assets (plus any borrowing for investment purposes) in a portfolio of equity securities in the broader energy market.

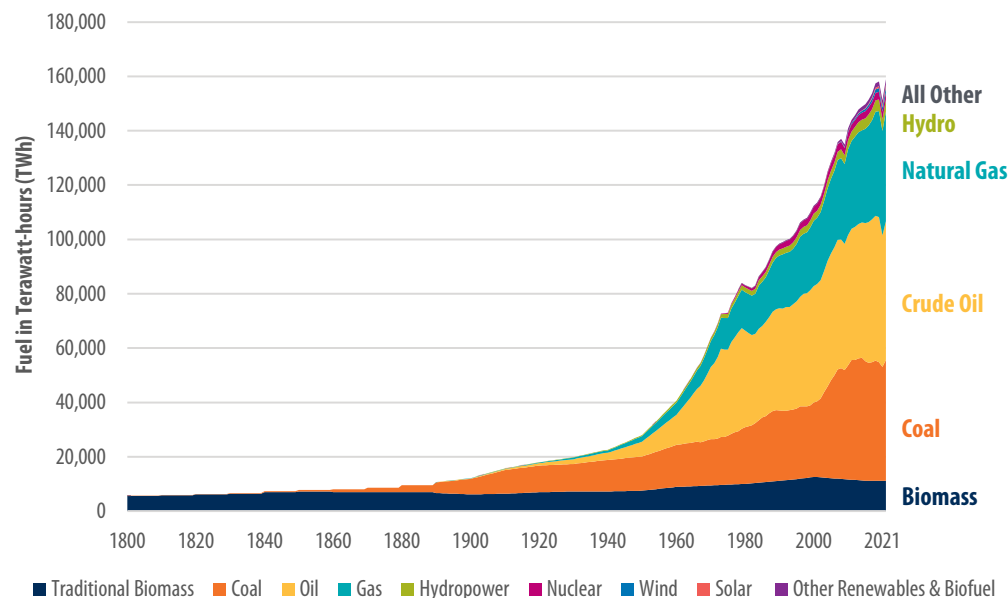
### UNCONSTRAINED ENERGY EXPOSURE | A PIPELINE TO INCOME AND GROWTH

Rapid changes to the energy system, driven by innovations such as shale, renewable energy and storage, and government policies relating to sustainability have created a wider range of opportunities in the energy industry than in the past. Energy Income Partners, LLC (“EIP”), the fund’s sub-advisor, believes that the attractive characteristics of the energy business can be materially enhanced through a rigorous application of investment research and portfolio construction tools that incorporate their wide industry knowledge and the discipline to balance potential total returns among yield, growth and changes in valuation. EIPX offers an opportunity to invest in dividend-paying energy companies. By expanding selection across companies in the energy sector, the utility sector (excluding water utilities) and other sectors, the fund provides broader access to today’s energy and related industries.

### CHANGES IN ENERGY CONSUMPTION

The modern energy system has been transitioning for over 150 years towards fuels that are cheaper, more reliable, safer and cleaner. The graph below shows the changes in primary energy sources from 1800 to 2021, illustrating that, while long-term changes may be dramatic, de-carbonizing the world’s energy system could take decades.

**Chart 1: Global Primary Energy Consumption 1800-2021**



Source: Our World in Data as of 12/31/2021.

### FUND DETAILS

Fund Ticker	EIPX
CUSIP	33739Q8042
Intraday NAV	EIPXIV
Fund Inception Date	11/2/22
Investment Advisor	First Trust Advisors L.P.
Investment Sub-Advisor	Energy Income Partners, LLC
Primary Listing	NYSE Arca

### POTENTIAL BENEFITS OF EIPX

**Income and Growth:** EIP believes that a professionally managed portfolio of dividend-paying energy companies offers an attractive balance of income and growth.

**Active Management:** Use of rigorous investment research and analytical tools applied to stock selection and portfolio construction provides a value-added service to the individual investing in these asset classes.

**Experienced Team:** EIP has many years of experience investing in the energy sector and believes that investment success in the sector requires a working knowledge of the entire energy sector.

# Understanding the Entire Energy System

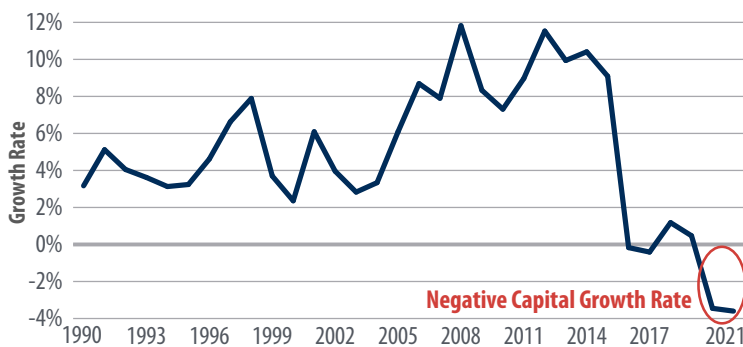
EIP believes that investment success in the energy sector requires an understanding of the interworking mechanisms that drive the entire energy system, including:

- A fundamental knowledge of the cost and performance-related competitiveness of competing fuels such as oil, coal, hydrogen, renewables and nuclear
- The incentives suppliers and customers respond to
- The impact of environmental and other regulations at the local, state and federal levels, along with international trade

These dynamics and how they are perceived by investors create opportunity, in EIP's opinion.

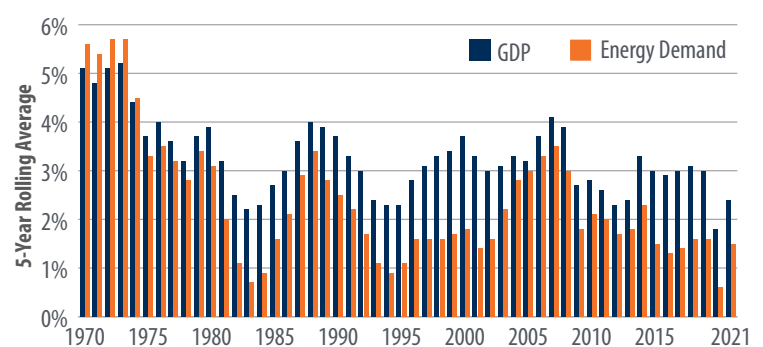
Capital discipline among the oil and gas producers today remains the most bullish development in the energy sector, according to EIP. Global capital spending for oil and gas has collapsed due to previous over-investment, poor historical returns and environmental, social, and governance ("ESG") pressures. Cash flows are now being redirected to share repurchase, debt reduction, special dividends and renewables. Although EIP views these trends as positive for investors, the current amount of capital spending is not sufficient to grow or sustain productive capacity (see chart 2). Fossil fuels such as natural gas, oil, and coal still account for more than 82% of global primary energy use, according to the bp Statistical Review of World Energy, June 2022. Global real gross domestic product ("GDP") has a strong historical relationship to global primary energy use. Over the last fifty plus years, there has not been a five-year period when average global GDP or average global primary energy use has been negative (see chart 3). The lack of conventional oil and gas supply growth, and the potential for demand growth over the next five plus years, provides solid fundamentals for conventional energy investors, in EIP's opinion.

**Chart 2: Capital Growth Rate for Major Oil Companies**



Source: FactSet, Bloomberg, EIP estimates. The above chart calculates the capital growth rate of a composite of major oil companies selected by EIP using annual company reported data sourced from Bloomberg. The composite included the following companies (tickers): XOM, CVX, COP, SHEL, BP LN, OXY, EOG, TTE FP, DVN, MRO, APA. Inclusions of other companies may change the information above and EIP's analysis. References to specific securities should not be construed as a recommendation to buy or sell, should not be assumed profitable, and are for illustrative purposes only.

**Chart 3: Global YoY Growth: GDP vs. Primary Energy Demand**



Source: World Bank, bp Statistical Review of World Energy – June 2022, EIP Estimates. YOY = Year-over-year. This information is based on assumptions made by EIP, changes to the assumptions will affect the information provided.

## Energy Companies\*

EIPX provides exposure to the broad energy market by investing in companies from the following GICS sectors\*\*:



### Energy Sector

Companies engaged in exploration & production, refining & marketing and storage & transportation of oil & gas and coal & consumable fuels. It also includes companies that offer oil & gas equipment and services.



### Utility Sector (Excluding Water Utilities)

Companies such as electric and gas utilities. It also includes independent power producers & energy traders and companies that engage in generation and distribution of electricity using renewable sources.



### Other GICS Sectors

Companies in any other GICS sectors that derive at least 50% of their revenue or profits from exploration, development, production, gathering, transportation, processing, storing, refining, distribution, mining or marketing, of:

natural gas • natural gas liquids (including propane) • crude oil • refined petroleum products • petrochemicals • electricity • coal • uranium • hydrogen or other energy sources • renewable energy production • renewable energy equipment • energy storage • carbon • carbon dioxide • carbon dioxide and fugitive methane mitigation and management • electric transmission, distribution, storage and system reliability support.

\*Energy Companies also include companies providing engineering, consulting and construction services that derive at least 50% of their revenues or profits from the above.

\*\*Global Industry Classification Standard ("GICS") is a four-tiered, hierarchical industry classification system that consists of 11 sectors, 24 industry groups, 69 industries and 158 sub-industries. The GICS methodology is widely accepted as an industry analytical framework for investment research, portfolio management and asset allocation.



The fund’s portfolio is selected based upon EIP’s belief that a professionally managed portfolio of energy companies offers an attractive balance of income and growth through a combination of dividends and capital appreciation. Through the analysis described below, and the use of rigorous investment research and analytical tools applied to stock selection and portfolio construction, EIP focuses primarily on a company’s yield, growth, and valuation.

**Yield Analysis** | Seeks companies with stable cash flows and higher-than-average dividend payout ratios or companies with cyclical cash flows that have lower and more sustainable dividend payout ratios.

**Growth Analysis** | Focuses on increasing per share earnings and cash flow, with a belief that free cash flow can drive reinvestment or share repurchase, each of which can drive per share growth.

**Valuation Analysis** | Seeks companies that have the potential to experience positive changes in value, where business restructuring, changes in management or asset mix, or changes in government policy may positively impact investor perception about a company’s future.



**ABOUT EIP**

Founded in 2003, EIP manages an approximate \$4.8 billion portfolio (as of September 30, 2022) of well managed publicly traded energy companies that own natural monopolies or provide services under long term contracts that deliver stable and growing earnings. EIP’s expertise spans the entire energy sector but its investment focus is on companies that benefit from technological improvements that drive down the cost and environmental impact of the energy system while improving reliability and safety. The energy transition will take a long time so a fundamental knowledge of the cost and performance-related competitiveness of competing fuels such as oil, coal, hydrogen, renewables and nuclear is critical to investment success in energy over time.

**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 TYSELAND**

Co-Portfolio Manager and Principal of EIP

*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 SAI 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.

The Canadian economy is heavily dependent on the demand for natural resources and agricultural products. Canada is a major producer of certain commodities and any conditions that affect the supply and demand of these products could have a negative impact on the Canadian market as a whole and any a fund that invests in the securities of Canadian issuers.

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.

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.

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.

Energy infrastructure companies may be directly affected by energy commodity prices, especially those companies which own the underlying energy commodity. A decrease in the production or availability of commodities or a decrease in the volume of such commodities available for transportation, processing, storage or distribution may adversely impact the financial performance of energy infrastructure companies. In addition, energy infrastructure companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, which may negatively impact their financial performance.

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.

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.

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, 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 the U.S. has resumed "reasonably" normal business activity, many countries continue to impose lockdown measures. Additionally, there is no guarantee that vaccines will be effective against emerging variants of the disease.

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 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.

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.

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. 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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