

# CARZ

## First Trust S-Network Future Vehicles & Technology ETF



The **First Trust S-Network Future Vehicles & Technology 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 S-Network Electric & Future Vehicle Ecosystem Index (the "index").

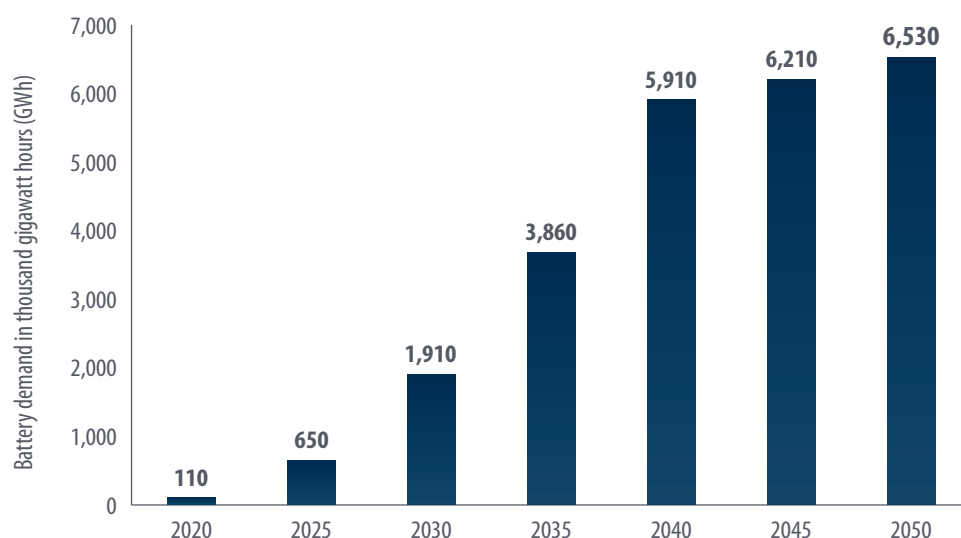
### SHIFTING INTO A NEW GEAR

The automobile industry is undergoing fundamental transformations as consumers shift away from traditional fuel-powered vehicles to all-electric and hybrid electric vehicles. With the price of gasoline rising; an increasingly global focus on sustainability concerns around oil dependence; advances in the technologies behind vehicle and battery materials to improve drivable range; and growing access to vehicle charging stations via infrastructural initiatives, there may be continued demand for electric and autonomous vehicle technologies as these innovative technologies grow and evolve. **CARZ** provides exposure to future vehicles companies and technology companies.

**Future Vehicles Companies** | have at least 50% of their assets in, or derive at least 50% of their revenues or profits from one of the following business segments: electric and autonomous vehicle manufacturing; electric and autonomous vehicle enabling technologies; electric and autonomous vehicle enabling materials; and the development and manufacture of future automotive technology and products.

**Technology Companies** | have at least 50% of their assets in, or derive at least 50% of their revenues or profits from, the information technology sector.

### PROJECTED DEMAND FOR ELECTRIC VEHICLE BATTERIES WORLDWIDE FROM 2020-2050



Source: Statista, June 2020. There is no guarantee that past trends will continue or projections will be realized.

### FUND DETAILS

Fund Ticker	CARZ
Investment Advisor	First Trust Advisors L.P.
CUSIP	33734X309
Intraday NAV	CARZIV
Fund Inception Date <sup>1</sup>	5/9/11
Primary Listing	Nasdaq
Rebalance Frequency	Quarterly

<sup>1</sup>On January 26, 2022, the fund's underlying index changed from the Nasdaq Global Auto Index<sup>SM</sup> to the S-Network Electric & Future Vehicle Ecosystem Index.

### ELECTRIC VEHICLES INDUSTRY POISED FOR GROWTH

- The global electric vehicle market size is expected to reach an estimated \$803 billion USD by 2027 with a compound annual growth rate (CAGR) of more than 20 percent from 2019-2027.<sup>2</sup>
- It is projected that 25% of new cars sold will be battery-powered by 2030, increasing to over 80% by 2050.<sup>3</sup>
- The worldwide market for cathode for lithium ion batteries, estimated at \$22.16 billion USD in 2022, is expected to reach \$89.35 billion USD by 2030.<sup>4</sup>



<sup>2</sup>Source: Statista, August 2021.

<sup>3</sup>Source: Statista, September 2020.

<sup>4</sup>Source: Grand View Research, 2022.

## INDEX CONSTRUCTION PROCESS

**UNIVERSE** | Begin with a universe of common stocks and depositary receipts of future vehicles companies and technology companies listed on a recognized global securities exchange and engaged in the electric and autonomous vehicle manufacturing; enabling materials; or enabling technologies sectors.

**SECURITY CLASSIFICATION** | Each company is classified as either "Pure-Play" or "Diversified." **Pure-Play** companies derive at least 50% of their revenue from business activities related to the sectors above. Companies are considered **Diversified** if they fulfill the following criteria: derive more than 20% of their total revenues and such revenues are independently reported in their financial reports from business activities related to the sectors above; applicable revenues are likely to have a material impact on their overall share price performance; research and development investments in the technology are at the forefront of their future initiatives; or their applicable business is likely to have a significant impact on one of the above sectors as a whole.

**ELIGIBILITY** | According to the index provider, each security must have a minimum market capitalization of \$500 million; three-month average daily trading value of at least \$5 million; a minimum float-adjusted market capitalization of \$100 million; and a minimum free float of 20% of shares outstanding.

**SECURITY SELECTION & WEIGHTING** | Companies are ranked in order of float-adjusted market capitalization. The top 100 eligible Pure-Play companies will be selected for inclusion in the index. If there are less than 100 Pure-Play companies, eligible Diversified companies will be selected. Securities are weighted by float-adjusted market capitalization. The maximum weight assigned to a single security is 4.5% and the minimum is 0.5% (with larger cap companies receiving higher weightings within the approximate range).

**REBALANCING** | The index is rebalanced and reconstituted quarterly.

*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

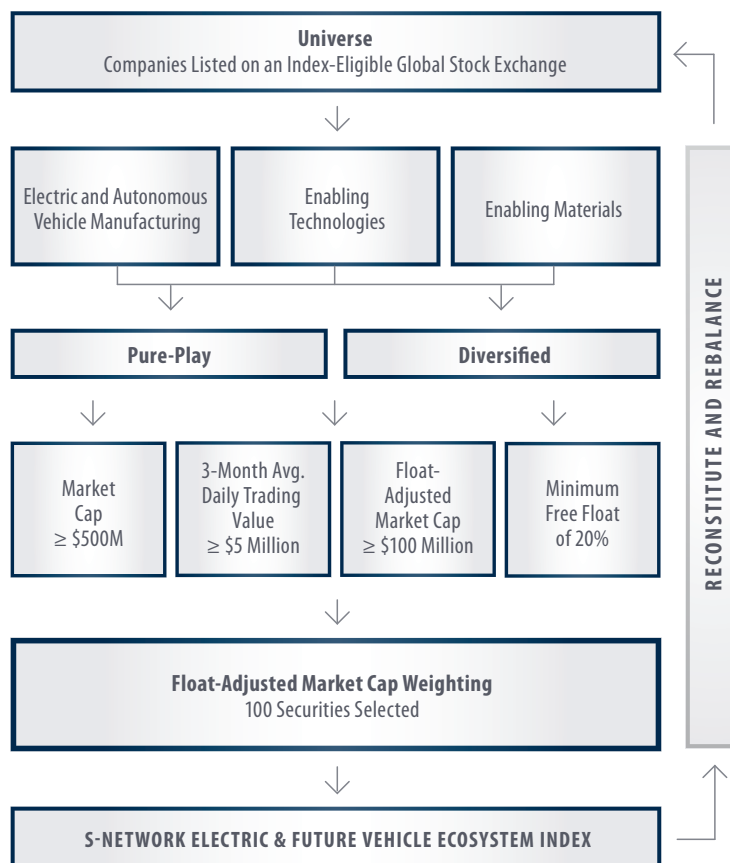
**You could lose money by investing in a fund. An investment in a fund is not a deposit of a bank and is not insured or guaranteed. There can be no assurance that a fund's objective(s) will be achieved. Investors buying or selling shares on the secondary market may incur customary brokerage commissions. 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.**

Some Asian economies are highly dependent on trade with other countries and there is a high concentration of market capitalization and trading volume in a small number of Asian issuers as well as a high concentration of investors and financial intermediaries. Certain Asian countries experience expropriation and nationalization of assets, confiscatory taxation, currency manipulation, political instability, armed conflict and social instability as a result of religious, ethnic, socio-economic and/or political unrest. In particular, escalated tensions involving North Korea could have severe adverse effect on Asian economies. Recent developments between the U.S. and China have heightened concerns of increased tariffs and restrictions on trade.

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 automotive industry can be highly cyclical, and companies in the industry may suffer periodic operating losses. The industry can be significantly affected by labor relations and fluctuating component prices. While most of the major automotive manufacturers are large companies, others may be non-diversified in both product line and customer base and may be more vulnerable to events that negatively impact the industry.

Please see additional risks on the following page.



The success of consumer discretionary companies is tied closely to the performance of the overall U.S. and international economies, interest rates, competition, consumer confidence, disposable household income and consumer spending. Changes in demographics and consumer tastes can also affect the demand for consumer discretionary products.

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.

## RISK CONSIDERATIONS CONTINUED

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.

Electric vehicle technology is relatively new and subject to risks associated with a developing industry including intense competition, delays, or other complications in connection with production, rapid products obsolescence, increased government regulation and market volatility. These companies are also heavily dependent on intellectual property rights, and challenges to or misappropriation of such rights, or competitor's developing similar or superior technology, could have a material adverse effect. Electric vehicle companies are also susceptible to litigation based on product liability claims and can be significantly affected by insurance costs.

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.

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.

Large capitalization companies may grow at a slower rate than the overall market.

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.

Mid capitalization companies may experience greater price volatility than larger, more established companies.

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.

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.

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.

High portfolio turnover may result in higher levels of transaction costs and may generate greater tax liabilities for shareholders.

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.

Companies involved in activities related to the mining, refining and/or manufacturing of rare earth metals may be significantly affected by events relating to political and economic developments and regulations, energy conservation efforts, the success of exploration projects, commodity prices, depletion of resources, mandated expenditures for safety and pollution control devices, and potential environmental damage claims.

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.

In China, direct ownership of companies in certain sectors by foreign individuals and entities is prohibited. In order to allow for foreign investment in these businesses, many Chinese companies have created variable interest entities ("VIEs") structures to enable indirect foreign ownership. VIEs are not formally recognized under Chinese law. Intervention by the Chinese government with respect to VIEs could significantly affect the Chinese company's performance and the enforceability of the VIE's contractual arrangements that establish the links between the Chinese company and the shell company in which the Fund invests. VIEs are also subject to the investment risks associated with the underlying Chinese issuer or operating company. Chinese companies are not subject to the same degree of regulatory requirements or accounting standards and oversight as companies in more developed countries. As a result, information about the Chinese securities and VIEs in which the Fund invests may be less reliable and incomplete.

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.

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**Free float** refers to the number of outstanding shares that are available to the public for trade.