First Trust

# FTCB

## First Trust Core Investment Grade ETF

The **First Trust Core Investment Grade ETF** is an actively managed exchange-traded fund (ETF) that seeks to maximize long-term total return by investing 100% of its investment portfolio in investment grade ("IG") securities.

### QUALITY TO THE CORE

Finding opportunities to generate attractive income within appropriate risk parameters can be challenging. Larger allocations to below investment grade rated securities or longer duration instruments may result in an undesirable risk profile. By utilizing an investment portfolio that consists of 100% investment grade rated securities and an actively managed framework, the portfolio managers seek to maximize the potential risk and return profile through attractive, steady income potential within a risk-managed, high quality portfolio of investment grade fixed income securities. FTCB's investment universe includes, but is not limited to:

- U.S. Treasuries
- Treasury Inflation Protected Securities ("TIPS")
- Residential and Commercial Mortgage-Backed Securities (MBS)
- Asset-Backed Securities*
- U.S. Corporate Bonds
- Non-U.S. Fixed Income Securities
- Municipal Bonds
- Collateralized Loan Obligations ("CLOs")

### HIGH QUALITY FIXED INCOME INSTRUMENTS HAVE SHOWN RESILIENCE DURING RECESSIONS

During the last five recessionary periods, high quality bonds such as Treasuries, Agency MBS, Investment Grade Corporates ("IG Corporates") and Municipals have historically delivered higher returns compared to high yield bonds and equity securities as shown in the chart below.

### FUND DETAILS

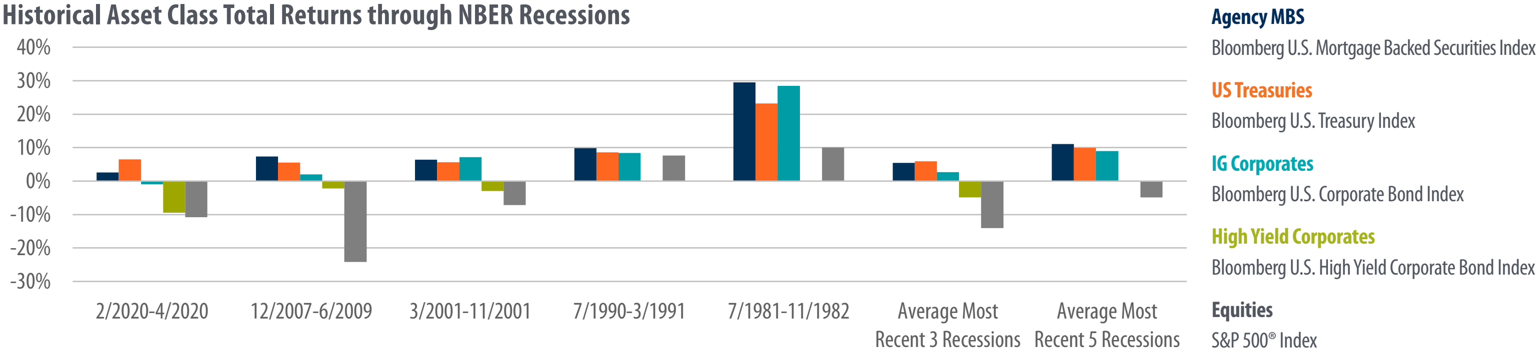
| | |
|---|---|
| Fund Ticker | FTCB |
| Investment Advisor | First Trust Advisors L.P |
| Inception Date | 11/7/23 |
| CUSIP | 33738D788 |
| Intraday NAV | FTCBIV |
| Primary Listing | NYSE Arca |
| Weighted Average Duration | +/- 2 years of Bloomberg U.S. Aggregate Bond Index |

### INVESTMENT FOCUS

**High Quality**
100% Investment Grade Rated Securities at the time of purchase

**Representation Across Asset Classes**
via exposure to U.S. Government, Agency, MBS, IG Corporates and Securitized sectors

**Historical Asset Class Total Returns through NBER Recessions**




Source: Morningstar Direct, NBER (National Bureau of Economic Research). NBER defines a period of recession as a significant decline in economic activity that is spread across the economy and lasts more than a few months. The asset categories shown within this guide are represented by the indices in the above chart and represent different types of investments that offer different characteristics in terms of income, tax treatment, capital appreciation and risk. **Bonds** are subject to fluctuations due to higher interest rates, economic recession, deterioration of the bond market or investors' perception thereof, possible downgrades and defaults of interest and/or principal. **Equities** are subject to risks, such as 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. **U.S. Treasury** obligations are backed by the "full faith and credit" of the U.S. government. Prices of fixed-income securities change in response to many factors and are subject to several risks, including credit risk, interest rate risk, and income risk. See Index Definitions on page 3, and Risk and Considerations on the last page, for additional information.

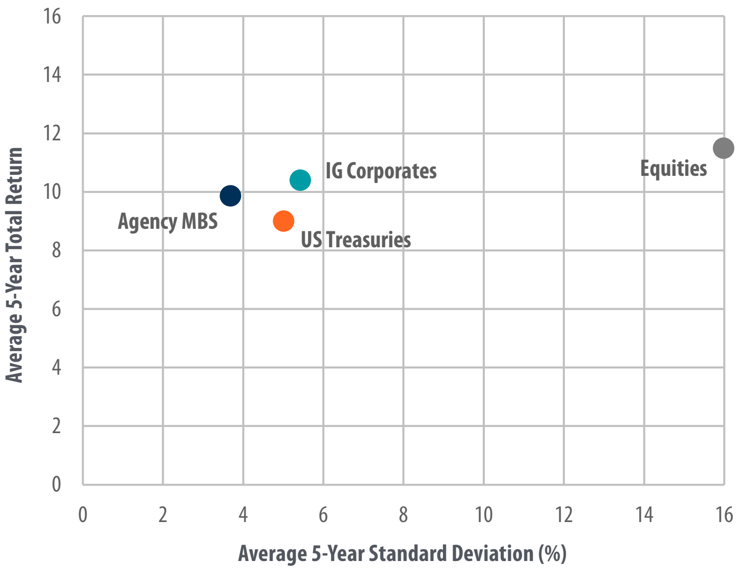
**Past performance is not a guarantee of future results.** For illustrative purposes and not indicative of any investment. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.

*FTCB's investment portfolio includes only investment grade securities purchased by FTCB's portfolio managers and does not include uninvested cash or any other asset unconnected to FTCB's intended portfolio, including, but not limited to, accounts receivable or assets received as part of an issuer workout.

## RISK AND REWARD OF BONDS VS. STOCKS FOLLOWING FEDERAL RESERVE ("FED") TIGHTENING

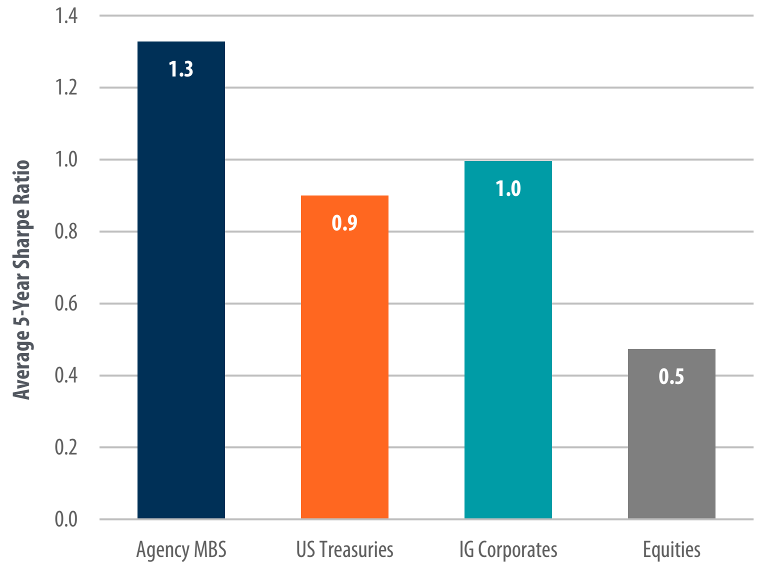
### Average Five-Year Risk/Return Following Peak Fed Funds Rate

Bonds have captured over 80% of the average five-year return of equities, following peak Fed Funds rates, with less volatility.




### Average Five-Year Sharpe Ratio Following Peak Fed Funds Rate

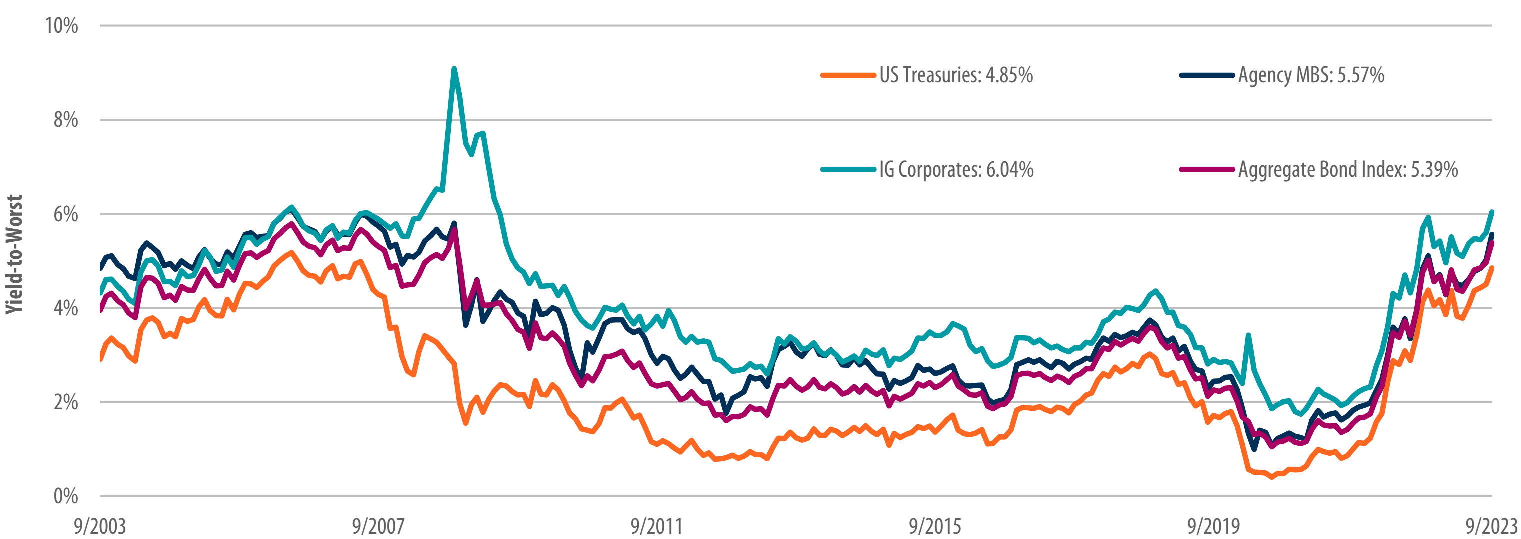
Bonds have exhibited significantly better risk adjusted returns than equities following peak Fed Funds rates.




Source: Morningstar Direct. Data since common inception on 1/31/1989 through 9/30/2023. The **federal funds rate** is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight. The **peak/terminal rate** is the ultimate interest rate level that the Federal Reserve sets as its target for a cycle of rate hikes or cuts. A **tightening cycle** is a cycle of interest rate hikes.

## INVESTMENT GRADE FIXED INCOME INDEX YIELDS ARE NEAR 20-YEAR HIGHS

Investment grade securities may be particularly timely in the current market environment when compared to the lower yields of the last 10 to 15 years. As of September 30, 2023, yields on the fixed income asset classes shown in the chart below were nearing their 20-year highs.




Source: Bloomberg. Data from 9/30/2003 through 9/30/2023.

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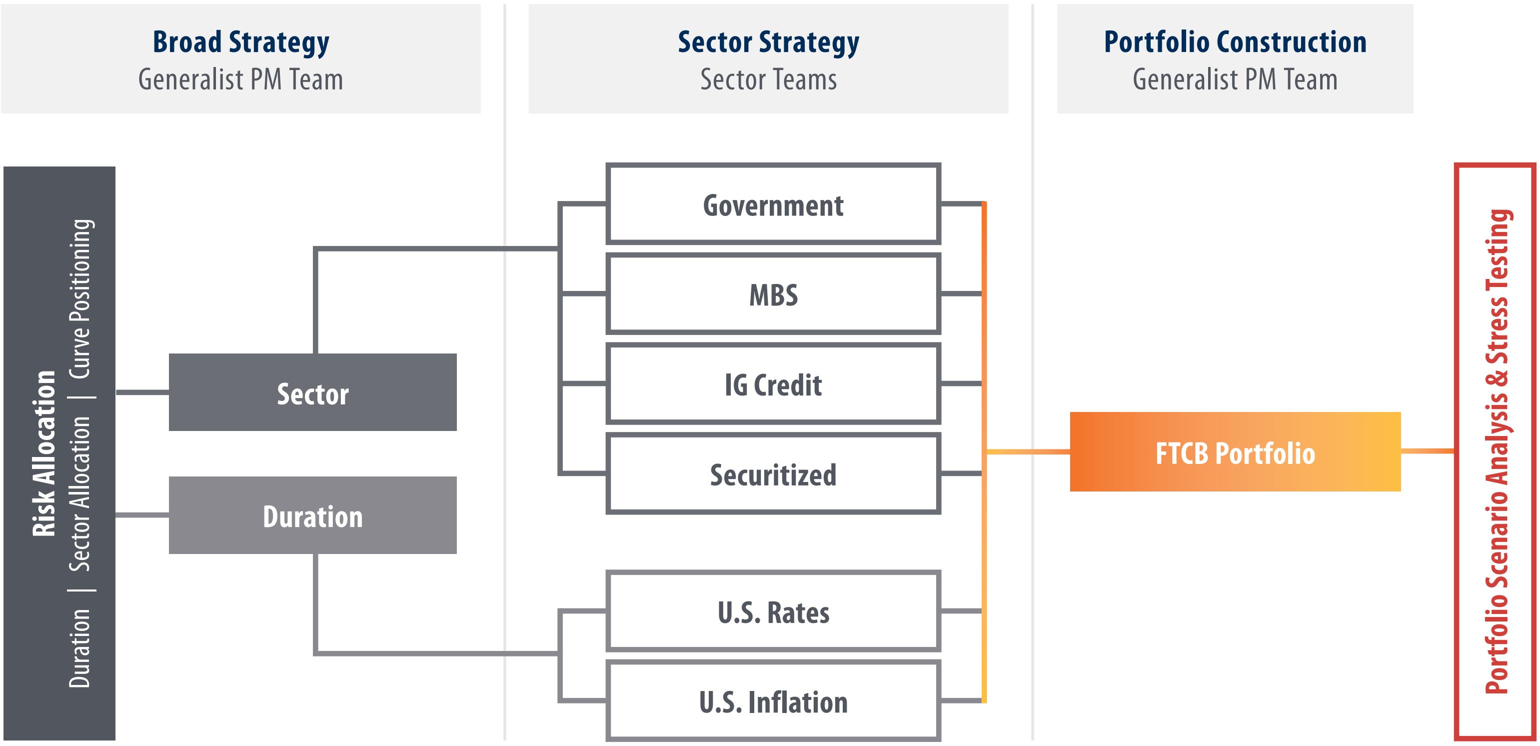
**Aggregate Bond Index** represented by Bloomberg U.S. Aggregate Bond Index. Please see previous page for additional asset categories represented in the above charts.

## PORTFOLIO CONSTRUCTION PROCESS

Utilizing over 150 years of combined expertise in fixed income markets, FTCB's Investment Management Team analyzes macroeconomic, quantitative and fundamental/technical foundational inputs to arrive at an overall risk allocation that identifies potential sources of alpha through both sector allocation and duration management. Investment decisions follow a clearly defined and repeatable process that undergoes constant scenario analysis and stress testing to seek to provide superior risk-adjusted returns over time.




## THE FTCB INVESTMENT MANAGEMENT TEAM

| | | | | | |
|---|---|---|---|---|---|
| **Jim Snyder** | **Jeremiah Charles** | **Todd Larson, CFA®** | **Owen Aronson** | **Nathan Simons, CFA®** | **Scott Skowronski, CFA®** |
| Senior Vice President, Senior Portfolio Manager | Senior Vice President, Senior Portfolio Manager | Senior Vice President, Senior Portfolio Manager | Vice President, Portfolio Manager | Vice President, Portfolio Manager | Senior Vice President, Portfolio Manager |
| Government & Securitized Products Group | Government & Securitized Products Group | Investment Grade Fixed Income Team | Government & Securitized Products Group | Investment Grade Fixed Income Team | Investment Grade Fixed Income Team |

#### INDEX DEFINITIONS

**Bloomberg U.S. Aggregate Bond Index -** Measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS.
**Bloomberg U.S. Corporate Bond Index -** Measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.
**Bloomberg U.S. High Yield Corporate Bond Index -** Measures the USD-denominated, high yield, fixed-rate corporate bond market.
**Bloomberg U.S. Mortgage Backed Securities Index -** Tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae, Fannie Mae, and Freddie Mac.
**Bloomberg U.S. Treasury Index -** Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.
**S&P 500® Index** - An unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

***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 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.**

All or a portion of a fund's otherwise exempt- interest dividends may be taxable to those shareholders subject to the federal and state alternative minimum tax.

Asset-backed securities are a type of debt security and are generally not backed by the full faith and credit of the U.S. government and are subject to the risk of default on the underlying asset or loan, particularly during periods of economic downturn.

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.

During periods of falling interest rates if an issuer calls higher-yielding debt instruments, a fund may be forced to invest the proceeds at lower interest rates, likely resulting in a decline in the fund's income.

A fund that effects all or a portion of its creations and redemptions for cash rather than in-kind may be less tax-efficient.

Collateralized loan obligations ("CLOs") carry additional risks, including the possibility that distributions from collateral securities will not be adequate to make interest or other payments, the quality of the collateral may decline in value or default, the possibility that the investments in CLOs are subordinate to other classes or tranches, and the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

A fund may be subject to the risk that a counterparty will not fulfill its obligations which may result in significant financial loss to a fund.

An issuer or other obligated party of a debt security may be unable or unwilling to make dividend, interest and/or principal payments when due and the value of a security may decline as a result.

Ratings assigned by a credit rating agency are opinions of such entities, not absolute standards of credit quality and they do not evaluate risks of securities. Any shortcomings or inefficiencies in the process of determining credit ratings may adversely affect the credit ratings of the securities held by a fund and their perceived or actual credit risk.

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. 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 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.

Investments in debt securities subject the holder to the credit risk of the issuer and the value of debt securities will generally change inversely with changes in interest rates. In addition, debt securities generally do not trade on a securities exchange making them less liquid and more difficult to value.

The use of derivatives instruments involves different and possibly greater risks than investing directly in securities including counterparty risk, valuation risk, volatility risk, and liquidity risk. Further, losses because of adverse movements in the price or value of the underlying asset, index or rate may be magnified by certain features of the derivatives.

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

A fund may invest in the shares of other ETFs, which involves additional expenses that would not be present in a direct investment in the underlying funds. In addition, a fund's investment performance and risks may be related to the investment performance and risks of the underlying funds.

Extension risk is the risk that, when interest rates rise, certain obligations will be paid off by the issuer (or other obligated party) more slowly than anticipated, causing the value of these debt securities to fall. Rising interest rates tend to extend the duration of debt securities, making their market value more sensitive to changes in interest rates.

The market for forward contracts is substantially unregulated and can experience lengthy periods of illiquidity, unusually high trading volume and other negative impacts, such as political intervention. Forward contracts can increase a fund's risk exposure to underlying references and their attendant risks, such as credit risk, currency risk, market risk, and interest rate risk, while also exposing a fund to counterparty risk, liquidity risk and valuation risk, among others.

The risk of a position in a futures contract may be very large compared to the relatively low level of margin a fund is required to deposit and a relatively small price movement in a futures contract may result in immediate and substantial loss relative to the size of margin deposit.

A fund's income may decline when interest rates fall or if there are defaults in its portfolio.

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.

Inflation-indexed debt securities, such as TIPS, are subject to the same risks as other debt securities. Although the holders of TIPS receive no less than the par value of the security at maturity, if a fund purchases TIPS in the secondary market whose principal values have previously been adjusted upward and there is a period of subsequent declining inflation rates, a fund may receive at maturity less than it invested and incur a loss.

Interest rate risk is the risk that the value of the debt securities in a fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term debt securities and higher for longer-term debt securities.

Leverage may result in losses that exceed the amount originally invested and may accelerate the rates of losses. Leverage tends to magnify, sometimes significantly, the effect of any increase or decrease in a fund's exposure to an asset or class of assets and may cause the value of a fund's shares to be volatile and sensitive to market swings.

Certain fund investments may be subject to restrictions on resale, trade over-the-counter or in limited volume, or lack an active trading market. Illiquid securities may trade at a discount and may be subject to wide fluctuations in market value.

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, 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.

Mortgage-related securities are more susceptible to adverse economic, political or regulatory events that affect the value of real estate.

The values of municipal securities may be adversely affected by local political and economic conditions and developments. Income from municipal securities could be declared taxable because of, among other things, unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of an issuer.

Inventories of municipal securities have decreased in recent years and some municipal securities may have resale restrictions lessening the ability to make a market in these securities. This reduction in market making capacity has the potential to decrease a fund's ability to buy or sell municipal securities and increase price volatility and trading costs.

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

There are no government or agency guarantees of payments in securities offered by non- government issuers, therefore they are subject to the credit risk of the issuer. Non-agency securities often trade "over-the-counter" and there may be a limited market for them making them difficult to value.

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 prices of options are volatile and the effective use of options depends on a fund's ability to terminate option positions at times deemed desirable to do so. There is no assurance that a fund will be able to effect closing transactions at any particular time or at an acceptable price.

Because OTC derivatives do not trade on an exchange, the parties to an OTC derivative face heightened levels of counterparty risk, liquidity risk and valuation risk.

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.

Prepayment risk is the risk that the issuer of a debt security will repay principal prior to the scheduled maturity date. Debt securities allowing prepayment may offer less potential for gains during a period of declining interest rates, as a fund may be required to reinvest the proceeds of any prepayment at lower interest rates.

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

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.

Investments in sovereign bonds involve special risks because the governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due. In times of economic uncertainty, the prices of these securities may be more volatile than those of corporate debt or other government debt obligations.

Swap agreements may involve greater risks than direct investment in securities and could result in losses if the underlying reference or asset does not perform as anticipated. In addition, many swaps trade over-the-counter and may be considered illiquid.

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.

Securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.

A fund may hold securities or other assets that may be valued on the basis of factors other than market quotations. This may occur because the asset or security does not trade on a centralized exchange, or in times of market turmoil or reduced liquidity. Portfolio holdings that are valued using techniques other than market quotations, including "fair valued" assets or securities, may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used. There is no assurance that a fund could sell or close out a portfolio position for the value established for it at any time.

The purchase of securities on a when-issued, TBA ("to be announced"), delayed delivery or forward commitment basis may give rise to investment leverage and increase a fund's volatility and exposure to default.

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.

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.

**Duration** is a mathematical calculation of the average life of a debt security (or portfolio of debt securities) that serves as a measure of its price risk.

**Sharpe Ratio** is a measure of excess reward per unit of volatility.

**Standard Deviation** is a measure of price variability (risk).