

The **First Trust California Municipal High Income ETF** is an actively managed exchange-traded fund (ETF) that seeks to provide income that is exempt from regular federal income taxes and California income taxes. Long-term capital appreciation is a secondary objective.

WHY CONSIDER FCAL?

- The portfolio managers’ distinctive investment process is driven by fundamental research and informed by a quantitative overlay to seek securities that may perform well on a total return basis in various interest rate environments.
- We believe this approach of seeking attractive income along with capital appreciation is unique relative to many competitors who focus on income and capital preservation.
- The fund’s intermediate duration focus seeks to provide some protection against interest rate movements while maintaining current income.
- Active management allows the experienced portfolio team to seek to take advantage of developing opportunities.

INVESTMENT OVERVIEW

Under normal market conditions, the fund seeks to achieve its investment objectives by investing at least 80% of its net assets (including investment borrowings) in municipal debt securities that pay interest that is exempt from regular federal income taxes and California income taxes (collectively, “municipal securities”). Municipal securities will be issued by or on behalf of the State of California or territories or possessions of the U.S. (including, but not limited to, Puerto Rico, the U.S. Virgin Islands and Guam). The fund is managed by First Trust Advisors L.P. using a disciplined approach that focuses on a combination of quantitative analysis and fundamental research. The portfolio managers focus on individual bond selection and seek to take advantage of the inefficiencies within the municipal market to find higher-yielding, undervalued bonds. The portfolio construction process currently focuses on bonds with the following attributes:

- **Average Maturity:** The fund may invest in municipal securities of any maturity, but is currently focused on the 7 to 14 year maturity range, which we believe can provide some protection against rising interest rates relative to longer-term securities in the current environment.
- **Credit Rating:** The fund will normally invest a minimum of 50% of its net assets in municipal securities that are rated investment grade or unrated securities that we believe to be of comparable quality. A maximum of 50% of total net assets can be invested in below investment grade securities, commonly referred to as high yield or junk bonds.
- **Sector/Sub-Industry Profile:** The sector breakdown is centered on municipal securities that meet a basic infrastructure need or critical service within their communities and are necessary regardless of the economic cycle. Examples of these types of bonds include charter schools, hospitals, senior living facilities, special tax districts, toll roads and utilities.

Duration is a measure of a bond’s sensitivity to interest rate changes that reflects the change in a bond’s price given a change in yield.

The **Bloomberg 10 Year California Exempt Index** is the subset of bonds of the Bloomberg Municipal Bond Index that were issued by California issuers and have 10 years to maturity.

INVESTMENT STRATEGY FOCUS

- Federal and California state tax-exempt monthly income potential
- Capital appreciation potential
- Potential to outperform relevant municipal securities indexes

Fund Details

Fund Ticker	FCAL
Investment Advisor	First Trust Advisors L.P.
CUSIP	33739P863
Intraday NAV	FCALIV
Fund Inception Date	6/20/17
Primary Listing	Nasdaq
Benchmark	Bloomberg 10 Year California Exempt Index

FIRST TRUST MUNICIPAL SECURITIES TEAM

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Tax-Advantaged Income

MUNICIPAL BOND BASICS

A municipal bond is a debt obligation of a state or local government entity which is used to help build America's infrastructure by raising money to finance public projects such as airports, charter schools, toll roads, hospitals, senior living facilities, ports, universities, and water and sewer facilities. In return, investors in tax-exempt municipal bonds receive income which is free from federal income taxes, and in some cases, state and local income taxes.

In addition to their ability to provide tax-exempt income, municipal bonds have traditionally been considered a lower risk investment because of the essential nature of government entities and the security interests often offered to investors. Municipal bonds are typically classified according to purpose and security interests as either revenue bonds or general obligation bonds. Revenue bonds are typically used by an issuer to finance the cost of a revenue producing project such as a toll road, a hospital, a school, etc. Revenues derived from the project are then used to pay principal and interest on the bonds. Investors often receive a lien on the project (such as a mortgage or a tax lien) and the project's revenues are pledged to ensure repayment of the bonds. General obligation bonds, on the other hand, are backed by the full faith and credit of the issuing municipality, which has the ability to use its taxing power to increase revenues to ensure timely principal and interest payments.

TAXABLE EQUIVALENT YIELD ADVANTAGE

Tax-exempt municipal bonds may provide investors with significant tax savings. For investors in higher tax brackets, municipals can offer greater after-tax yields than taxable debt securities of similar maturities and credit quality, including Treasuries and corporate bonds. Taxable equivalent yields represent the amount of pre-tax return an investor would need to earn in a taxable investment in order to equal that of a tax-exempt investment.

The chart below illustrates the taxable equivalent yield at different combined federal and California state income tax levels. As you can see, if an investor is in the 45.30% combined tax bracket, a 4.00% tax-free yield has a taxable equivalent yield of 7.31%. In other words, an investor would need to get a 7.31% yield from a taxable bond to equal the 4.00% payout of the tax-free municipal bond.

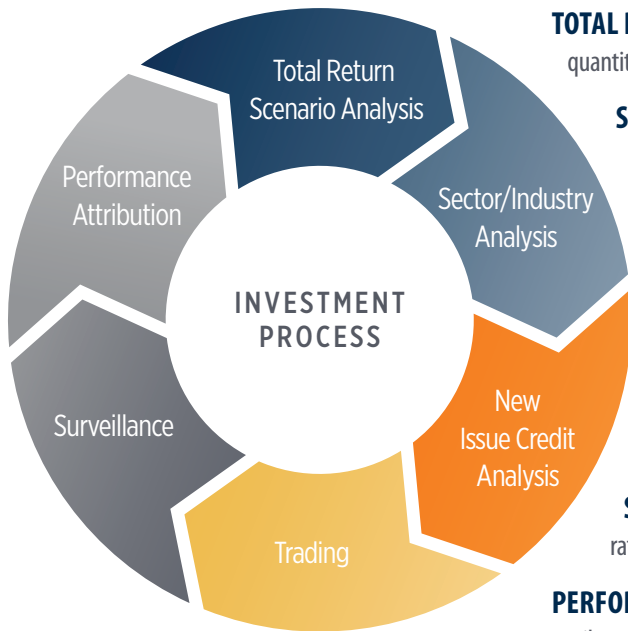
Tax-Free vs. Taxable Equivalent Yield for California

Federally Tax-Free Yield	2025 Combined Federal/State Tax Rate										
	12.00%	18.00%	31.30%	33.30%	41.30%	45.30%	46.30%	48.30%	49.30%	50.30%	54.10%*
	Taxable Equivalent Yield										
3.00%	3.41%	3.66%	4.37%	4.50%	5.11%	5.48%	5.59%	5.80%	5.92%	6.04%	6.54%
3.50%	3.98%	4.27%	5.09%	5.25%	5.96%	6.40%	6.52%	6.77%	6.90%	7.04%	7.63%
4.00%	4.55%	4.88%	5.82%	6.00%	6.81%	7.31%	7.45%	7.74%	7.89%	8.05%	8.71%
4.50%	5.11%	5.49%	6.55%	6.75%	7.67%	8.23%	8.38%	8.70%	8.88%	9.05%	9.80%
5.00%	5.68%	6.10%	7.28%	7.50%	8.52%	9.14%	9.31%	9.67%	9.86%	10.06%	10.89%
5.50%	6.25%	6.71%	8.01%	8.25%	9.37%	10.05%	10.24%	10.64%	10.85%	11.07%	11.98%

This example is for illustrative purposes only and should not be regarded as tax advice or considered indicative of the yields of the bonds which may be included in the portfolio. Note that the combined tax rates do not reflect any (i) federal or state limitations on the amount of allowable itemized deductions or any phase-outs of exemptions or credits, (ii) federal and state alternative minimum taxes or any taxes other than personal income taxes, or (iii) local taxes. The state tax brackets are those for 2024. The 2025 brackets will be adjusted based on changes in the California Consumer Price Index. These adjustments have not yet been released. The table assumes that federal taxable income is equal to state income subject to tax, and in cases where more than one state rate falls within a federal bracket, the highest state rate corresponding to the highest income within that federal bracket is used. Investors should consult their tax professional in regard to their specific tax situation.

*This is the maximum stated regular federal tax rate of 37.00%, plus the California stated tax rate of 12.30%, plus the California additional tax rate of 1.00%, plus the 3.80% Medicare tax rate.

The portfolio management team practices rigorous credit analysis of individual issuers coupled with a thorough understanding of the major opportunities and risks within municipal sectors. The investment process focuses on each of the following components:



TOTAL RETURN SCENARIO ANALYSIS | Evaluate individual bonds and portfolios of securities that are quantitatively exposed to interest rate, yield curve, and credit spread movements or “shocks”.

SECTOR/INDUSTRY ANALYSIS | Perform a top-down review of core sectors based on bottom-up analysis of individual credits to determine which municipal sectors to overweight, neutral weight, and underweight.

NEW ISSUE CREDIT ANALYSIS | New bond offerings are evaluated to determine if they are appropriate for the portfolio based on fundamental credit research on each borrower and individual bond security features.

TRADING | Analysis of how a bond might trade in the secondary market. Review includes total bond issuance size, underwriter willingness to make secondary markets, along with bond structural features such as coupon, maturity, call dates, and sinking fund payments.

SURVEILLANCE | Analyze holdings on a systematic basis to monitor any changes in credit trend. Credit rating momentum is monitored for each bond.

PERFORMANCE ATTRIBUTION | Perform a granular total return analysis by reviewing key portfolio attributes such as duration, credit rating, sector, and state. We can compare a portfolio’s performance to various benchmarks and discuss portfolio rebalancing/adjustments.

THE IMPORTANCE OF ACTIVE PORTFOLIO MANAGEMENT

We believe the events of the past few years have underscored the importance of professional portfolio management that focuses on individual bond selection. The municipal market was once considered uniform and virtually risk free. In reality, the municipal market is complex. First Trust applies extensive research on each individual municipal bond considered for the fund. We believe it is critical to understand an issuer’s ability to meet its financial obligations and not simply rely on its credit rating. Not only do the managers perform fundamental research, but they also apply quantitative total return analysis, at both the individual bond and portfolio level, in order to identify those bond structures that have the potential for better relative performance over multiple interest rate scenarios. Active portfolio management allows for portfolio adjustments, as necessary, when conditions change. We believe rigorous surveillance is an essential element of the investment process. Most investors do not have the time, experience or inclination, to provide in-depth credit research and analysis, or ongoing surveillance of bonds. We believe these are the keys to finding value and capturing opportunities in today’s credit-sensitive markets.

Risk 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 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.

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.

Events in California, including economic or political policy changes, tax base erosion, budget deficits and other financial difficulties, as well as changes in the credit ratings assigned to municipal issuers of California, are likely to affect a fund's investments and its performance.

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.

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.

The differences in yield between debt securities of different credit quality may increase which may reduce the market value of a fund's debt securities.

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. For example, changes in governmental fiscal and regulatory policies, disruptions to banking and real estate markets, actual and threatened international armed conflicts and hostilities, and public health crises, among other significant events, could have a material impact on the value of the fund's investments.

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.

Distressed securities are speculative and often illiquid or trade in low volumes and thus may be more difficult to value and pose a substantial risk of default.

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 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.

High yield securities, or "junk" bonds, are less liquid and are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, are considered to be highly speculative.

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.

Industrial development bonds are normally secured only by the revenues from the project and are not general obligations of the issuer or otherwise secured by state or local government tax receipts.

As inflation increases, the present value of a fund's assets and distributions may decline.

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.

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.

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 securities held in an escrow fund pledged to pay the principal and interest of a pre-refunded bond do not guarantee the price of the bond.

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.

Private activity bonds can have a substantially different credit profile than the municipality or public authority that issued them and may be negatively impacted by conditions affecting the general credit of the private enterprise or the project itself.

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.

A fund that is concentrated in specific states will be less diversified geographically and will therefore have greater exposure to adverse economic and political changes in those states.

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.

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.

A fund may invest in securities that exhibit more volatility than the market as a whole.

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.