

The **First Trust Municipal High Income ETF** is an actively managed exchange-traded fund (ETF) that seeks to provide federally tax-exempt income. Long-term capital appreciation is a secondary objective. 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 exempt from regular federal income taxes. At least 50% of its net assets are allocated to below investment-grade and unrated municipal securities.

WHY CONSIDER FMHI?

- The portfolio managers' distinctive investment process is driven by fundamental research and informed by a quantitative overlay to seek bonds that may perform well on a total return basis in various interest rate environments.
- Competitive income along with capital appreciation potential - we believe our process is unique relative to many competitors where the primary objective is income and the secondary objective is capital preservation.
- The fund's intermediate duration focus seeks to provide some protection against interest rate movements while maintaining current income.
- Active management allows our experienced portfolio team to seek to take advantage of developing opportunities.

INVESTMENT OVERVIEW

The fund is managed using a disciplined approach that focuses on a combination of quantitative analysis and fundamental research. We believe the key to investment success is an actively managed approach that focuses on individual bond selection. We 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** | We may invest in municipal securities of any maturity, but are currently focusing on the 5 to 18 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 municipal securities selected are weighted toward securities rated below investment-grade and unrated securities determined by the fund's advisor to be of comparable quality (collectively referred to as "high yield" or "junk" bonds), with an allocation to investment-grade rated 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 the types of bonds we will seek for this fund include municipal infrastructure projects such as airports, continuing care retirement communities, education, housing, electric utilities, hospitals, special assessment districts, toll roads, universities and water and sewer systems.

INVESTMENT STRATEGY FOCUS

- Federally tax-exempt monthly income potential
- Capital appreciation potential
- Lower investment grade rated bonds and high yield municipal bonds
- Potential to outperform relevant municipal securities indexes

Fund Facts

Fund Ticker	FMHI
Investment Advisor	First Trust Advisors L.P.
Fund Inception Date	11/1/17
CUSIP	33739P301
Intraday NAV	FMHIIV
Primary Listing	Nasdaq

FIRST TRUST MUNICIPAL SECURITIES TEAM

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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 as well.

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.

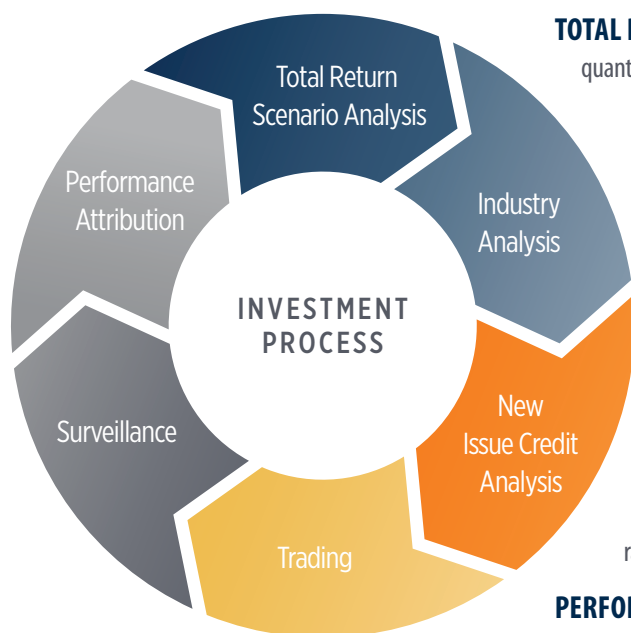
The chart to the right illustrates the taxable equivalent yield at five different federal income tax levels. As you can see, if an investor is in the 24% federal tax bracket, a 4.00% tax-free yield has a taxable equivalent yield of 5.26%. In other words, an investor would need to get a 5.26% yield from a taxable bond to equal the 4.00% payout of the tax-free municipal bond.

Tax-Free vs. Taxable Equivalent Yield

Federally Tax-Free Yield	2023 Federal Tax Rate				
	22%	24%	32%	35%	37%
	Taxable Equivalent Yield				
3.00%	3.85%	3.95%	4.41%	4.62%	4.76%
4.00%	5.13%	5.26%	5.88%	6.15%	6.35%
5.00%	6.41%	6.58%	7.35%	7.69%	7.94%
6.00%	7.69%	7.89%	8.82%	9.23%	9.52%

This example is for illustrative purposes only and should not be regarded as tax advice. This example should not be considered indicative of the yields of the bonds which may be included in the portfolio. Note that the Federal tax rates do not reflect any (i) federal limitations on the amount of allowable itemized deductions or any phase-outs of exemptions or credits, (ii) alternative minimum taxes or any taxes other than personal income taxes, or (iii) state or local taxes. Investors should consult their tax professional for more complete information with regard to their specific tax situation.

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”.

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 Advisors L.P. (“First Trust”) applies extensive research on each individual municipal bond we consider 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 we perform fundamental research, but we 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 us to make portfolio adjustments, as necessary, when conditions change. We believe rigorous surveillance is an essential element of our 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.

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.

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.

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.

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.

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.

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.

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. 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 vaccines have been developed, there is no guarantee that vaccines will be effective against future variants of the disease. 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.

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.

There is no assurance that a fund will be able to sell a portfolio security at the price established by a pricing service, which could result in a loss to a fund.

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.

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 may be unable to sell a restricted security on short notice or only sell them at a price below current value.

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.

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.

Zero coupon bonds do not pay interest on a current basis, they may be highly volatile, and they do not produce cash flow. A fund could be forced to liquidate zero coupon bond securities at an inopportune time to generate cash to distribute to shareholders as required by tax laws.

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.