

A STRATEGY FOR RISING DIVIDENDS FROM SMALL AND MID CAPITALIZATION COMPANIES

High quality dividends are often associated with larger, well-established companies, yet smaller companies with strong balance sheets and financial flexibility may also provide a good source of income as well as capital appreciation and dividend growth potential. Many rising dividend strategies screen strictly for historical dividend growth. However, a history of dividend growth does not guarantee that a company will sustain them. We believe a more sensible approach includes both historical and forward looking factors to screen for high quality dividend-growers. SDVY is an exchange-traded fund (ETF) that seeks investment results that correspond generally to the price and yield, before fees and expenses, of the Nasdaq US Small Mid Cap Rising Dividend Achievers™ Index. The index selection process results in a portfolio of 100 small and mid capitalization (cap) companies with a history of raising their dividends and the capacity to continue to increase their dividends over time.

DIVIDEND GROWTH | Every company must have paid a dividend in the trailing twelve-month (TTM) period greater than the dividend paid in the TTM period three and five years prior. A company's ability to reliably increase its dividend can be an indication of its financial strength and discipline.

EARNINGS PER SHARE (EPS) | Every company must have positive EPS in the most recent fiscal year greater than the earnings per share three fiscal years prior. EPS is very important to dividend growth because without growth in EPS, there cannot be sustainable growth in the dividend.

CASH TO DEBT RATIO | Every company must have a cash to debt ratio greater than 25%. Cash to debt ratio compares a company's operating cash flow to its total debt to provide an indication of the company's ability to cover total debt with its yearly cash flow from operations. The higher the percentage ratio, the better the company's ability to carry its total debt.

PAYOUT RATIO | Every company must have a TTM payout ratio no greater than 65%. Dividend payout ratio is calculated as annual dividend per share divided by earnings per share and provides an idea of how well a company's earnings support its dividend payments.

REASONS TO CONSIDER DIVIDEND-PAYING STOCKS

- History shows that, over the long-term, dividends provide a key component of total return.
- Historically, dividends have made up a significant portion of stock market total return. According to data from Ibbotson and Associates, a division of Morningstar, dividends provided approximately 39% of the 10.27% average annual total return on the S&P 500® Index, from 1926 through 2023.
- Due to the fact that corporations are not obligated to share their earnings with stockholders, dividends may be viewed as a sign of a company's profitability as well as management's assessment of the future, in our opinion.

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.

OVERALL MORNINGSTAR RATING™



Among 458 funds in the Small Value category. This fund was rated 4 stars/458 funds (3 years), 5 stars/427 funds (5 years) based on risk adjusted returns.[^]

FUND FACTS

Fund Ticker	SDVY
CUSIP	33741X102
Intraday NAV	SDVYIV
Fund Inception Date	11/1/17
Expense Ratio	0.60%
Primary Listing	Nasdaq
Rebalance Frequency	Quarterly

STRONG DIVIDEND GROWTH POTENTIAL

We believe small and mid cap companies are well positioned for continued dividend growth. As of 1/31/2024, the free cash flow yield for the Nasdaq US Small Mid Cap Rising Dividend Achievers™ Index was 5.91%, higher than its dividend yield of 2.31%.¹ This implies that index constituents generally may have room to increase dividends without necessarily reducing current investments in future growth opportunities or drawing cash from their balance sheets.

As shown in the table below, the companies that were included in the Nasdaq US Small Mid Cap Rising Dividend Achievers™ Index as of 1/31/2024 have shown strong dividend growth rates, on average, over the past 3 and 5 year periods.

Annualized Average Dividend Growth of the Companies Included in the Nasdaq US Small Mid Cap Rising Dividend Achievers™ Index

3-Years	21.02%
5-Years	16.71%

Sources: CapitalIQ, Bloomberg Finance L.P. All data as of 1/31/24. Data is for illustrative purposes only and is not indicative of any actual investment. Dividend growth among the companies included in the fund may not necessarily correlate with the overall performance of the fund. There is no guarantee that companies will declare dividends in the future or that, if declared, they will either remain at current levels or increase over time. **Past performance is no guarantee of future results.**

¹Free cash flow represents the cash generated by a company, net of its investments to maintain or grow its business. Financials are excluded from free cash flow yield. Weighted harmonic average is for only positive free cash flow yields.

NASDAQ US SMALL MID CAP RISING DIVIDEND ACHIEVERS™ INDEX CONSTRUCTION PROCESS

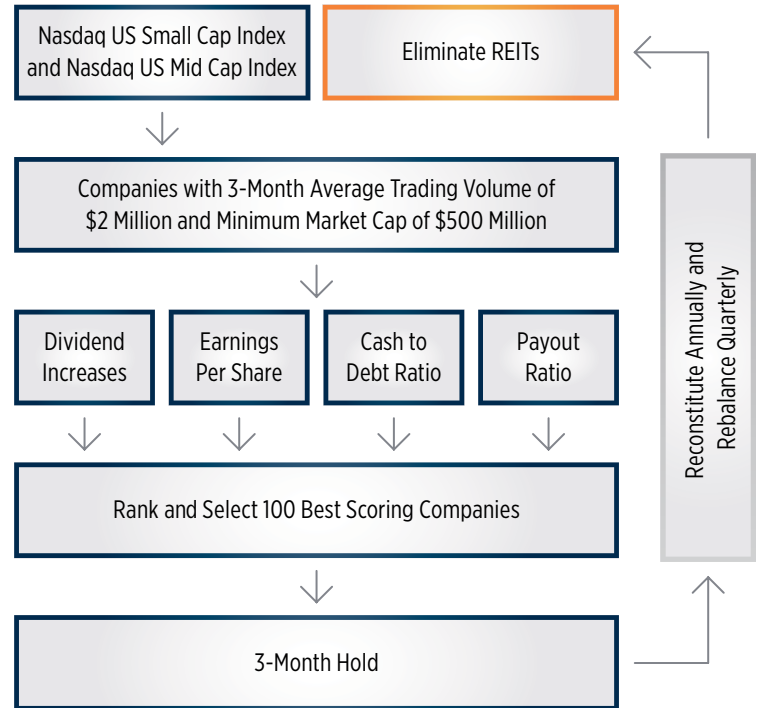
The Nasdaq US Small Mid Cap Rising Dividend Achievers™ Index is comprised of 100 companies with a history of raising their dividends. These companies also exhibit the characteristics to continue to do so in the future. The index construction process creates what we believe is an attractive blend of historical and forward looking screens intended to measure a company's ability to grow its dividend, along with its share price.

UNIVERSE | According to the index provider, begin with the Nasdaq US Mid Cap Index and the Nasdaq US Small Cap Index and eliminate those companies classified as a Real Estate Investment Trust (REIT) by the Industry Classification Benchmark. The companies with a minimum three-month average daily dollar trading volume of \$2 million are considered.

EXAMINE HISTORICAL FINANCIAL RESULTS | Every security must have a minimum market capitalization of \$500 million and must meet stringent eligibility criteria. Historical dividend increases, earnings per share, debt ratio and payout ratio are examined.

SELECT COMPANIES WITH LOWEST COMBINED SCORE | Eligible securities are ranked by a combined factor of dollar dividend increase over the previous five year period, current dividend yield, and payout ratio, subject to a maximum of 30% from any one sector and 75% from the mid cap or small cap size classification.

EQUALLY WEIGHT AND REPEAT QUARTERLY | The index is equally weighted on each rebalancing effective date. The index is reconstituted annually and rebalanced quarterly.



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.

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.

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.

Companies that issue dividend-paying securities are not required to continue to pay dividends on such securities. Therefore, there is a possibility that such companies could reduce or eliminate the payment of dividends in the future.

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.

Financial services companies are subject to the adverse effects of economic recession, currency exchange rates, government regulation, decreases in the availability of capital, volatile interest rates, portfolio concentration in geographic markets, industries or products, and competition from new entrants in their fields of business.

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.

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

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.

There can be no assurance that the securities held by a fund will stay within a fund's intended market capitalization range.

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.

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 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.

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.

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.

^As of 1/31/24, the Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. ©2024 Morningstar, Inc. All Rights Reserved. The Morningstar Rating™ information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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