

FAI

First Trust Bloomberg Artificial Intelligence ETF



The **First Trust Bloomberg Artificial Intelligence ETF (FAI)** 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 Bloomberg Artificial Intelligence Index (the “index”).

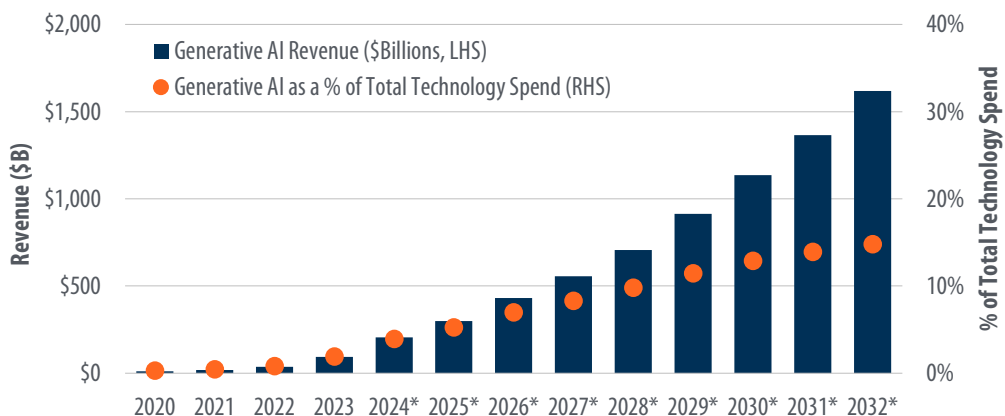
The Age of AI

Artificial intelligence (“AI”) is rapidly advancing and increasingly embedding itself into various aspects of daily life, from personalized recommendations to autonomous vehicles. The evolving impact of AI in healthcare, finance, manufacturing, and entertainment is reshaping how we live our lives on a global scale. The **First Trust Bloomberg Artificial Intelligence ETF** provides exposure to the performance of companies that develop or facilitate solutions such as deep learning, machine learning, natural language processing and image and speech recognition. Companies must also belong to one or more of the following Exposure Categories within the Artificial Intelligence Ecosystem, as determined by Bloomberg Intelligence (“BI”).

- **Application Software** | Companies that provide AI application software development
- **Infrastructure Software** | Companies that provide AI infrastructure development
- **Hyperscaler** | Companies integral to AI proliferation across multiple business layers
- **Hardware** | Companies that provide AI hardware and storage
- **Semiconductors** | Companies that provide semiconductor solutions for AI

Generative AI Spending

Generative AI, a subset of AI, utilizes deep learning models to process large amounts of data and create content for its users. The global generative AI market is expected to see significant expansion in the coming years. The chart below illustrates projected growth from 2021 to 2032.



Source: Bloomberg Intelligence. Forecasts based on data from IDC, eMarketer, Statista. Data as of March 2024.
*Projected. There is no guarantee that past trends will continue, or projections will be realized.

Fund Details

Fund Ticker	FAI
CUSIP	33734X739
Fund Inception Date	11/20/2024
Investment Advisor	First Trust Advisors L.P.
Primary Listing	NYSE Arca

Consider These Factors

- The global AI market size was valued at \$207.9 billion in 2023 and is anticipated to reach \$1.8 trillion by 2030, increasing at a CAGR of 36.6% from 2023 to 2030.¹
- AI is estimated to contribute trillions in manufacturing (\$3.8 trillion), wholesale and retail (\$2.2 trillion), professional services (\$1.5 trillion), and financial services (\$1.2 trillion).²
- AI has significant value-creation potential for semiconductors which are used for both creation and usage of AI technology. The **global semiconductor industry is projected to climb to \$1 trillion by 2030**, up from approximately \$600 billion in 2021, according to McKinsey & Company.

^{1,2}Source: Statista, April 2023.

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.

Bloomberg Artificial Intelligence Index Construction Process

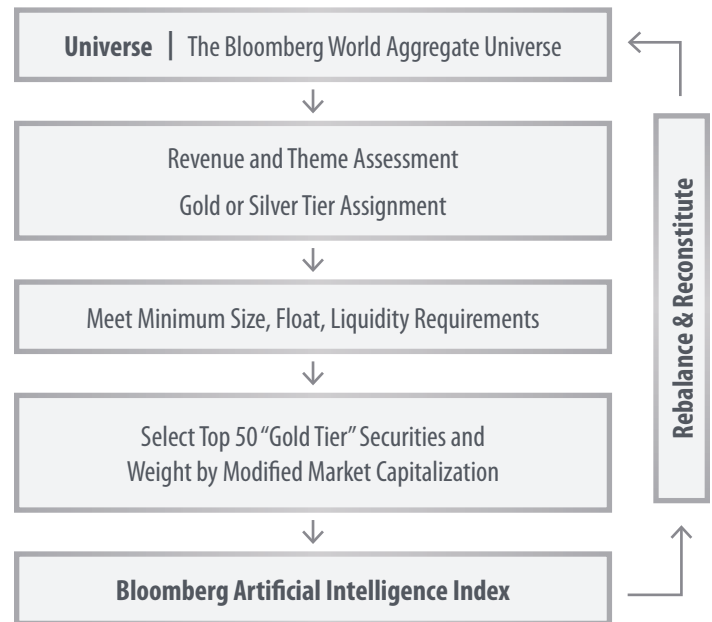
Universe | Begin with a universe of all the securities comprising the Bloomberg World Aggregate Universe within the Artificial Intelligence ecosystem, as determined by BI.

Scoring | Companies are scored based on the sum of combined Revenue and Theme Assessments which reflect a company's near-term revenue exposure to AI and positioning and ability to execute within the AI competitive landscape, according to BI. These companies are then assigned a Gold Tier or Silver Tier. Only companies within the Gold Tier, which have the highest exposure to AI, are eligible for index inclusion.

Eligibility Criteria | According to the index provider, a company must belong to at least one or more of the Exposure Categories on the previous page to be eligible for inclusion. A security must also meet minimum issuer free float market capitalization and liquidity requirements and be listed on a Bloomberg Global Equity Index (excluding the Shanghai or Shenzhen Stock Connect exchanges).

Security Selection & Weighting | Securities are sorted by their Revenue Assessment in ascending order and by issuer free float market capitalization in descending order. The top 50 securities in the sorted list are selected for inclusion in the index

Weighting & Rebalancing | The securities are weighted according to a modified market capitalization that adjusts for their Revenue Assessment and issuer free float market capitalization. The index is rebalanced and reconstituted 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.

Artificial intelligence companies tend to be more volatile and they may have limited product lines, markets, financial resources or personnel and are subject to the risks of changes in business cycles, world economic growth, technological progress, costs of research and development, and government regulation. These companies are also heavily dependent on intellectual property rights, and challenges to or misappropriation of such rights could have a material adverse effect on such companies. Additionally, artificial intelligence technology could face increased regulatory scrutiny in the future, which may limit the development of this technology and impede the growth of companies that develop and/or utilize artificial intelligence.

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.

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; however, the Federal Reserve has recently lowered interest rates and may continue to do so. 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.

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.

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.

Since securities that trade on non-US exchanges are closed when a fund's primary listing is open, there are likely to be deviations between the current price of an underlying security and the last quoted price from the closed foreign market, resulting in premiums or discounts to a fund's NAV.

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 large, more established companies.

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

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-US 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-US 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.

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.

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.

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