

SCIO

First Trust Structured Credit Income Opportunities ETF

The **First Trust Structured Credit Income Opportunities ETF** (the “fund”) is an actively managed exchange-traded fund (“ETF”) that seeks to maximize long-term income by investing at least 80% of its net assets (plus any borrowings for investment purposes) in structured credit investments.

A PACKAGE DEAL

Structured credit investments are created through a securitization process in which less liquid financial assets, such as single-family home mortgages or auto loans, are packaged into single interest-bearing debt securities. These securities, which are backed by the underlying assets, are then issued as securitized investments which can be purchased by investors. We believe the breadth and complexity of the structured credit market creates inefficiencies that may potentially serve as opportunities for active portfolio managers. The structured credit investments in which SCIO may invest include, but are not limited to:

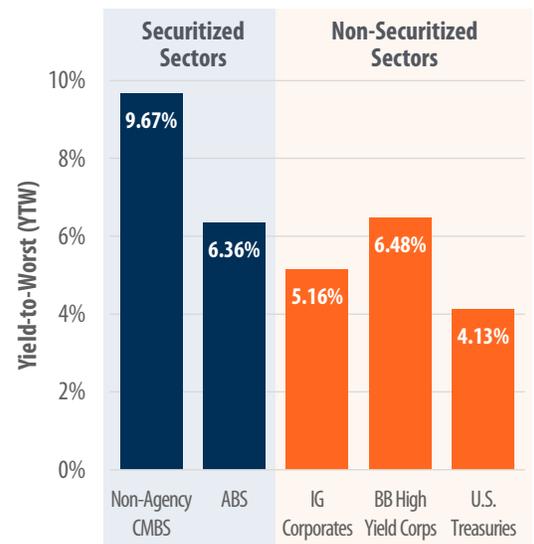
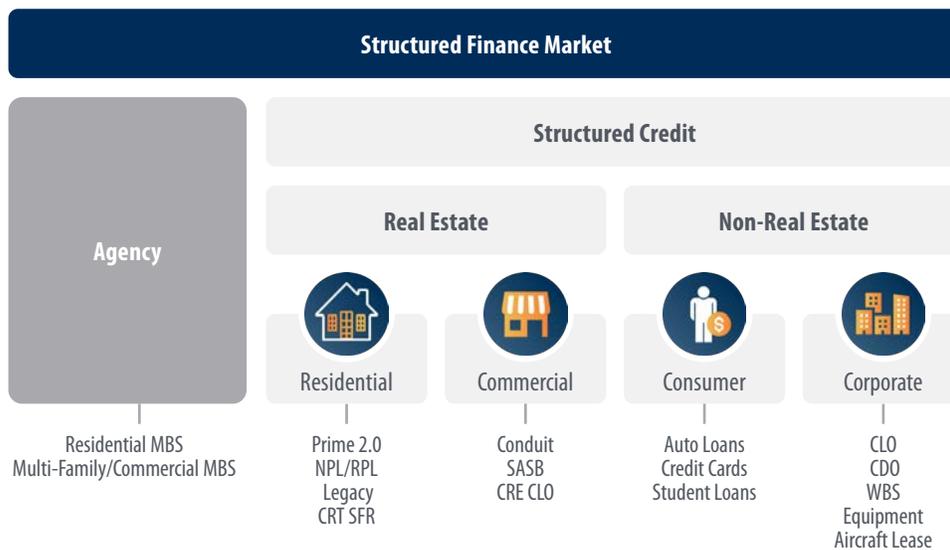
- Residential mortgage-backed securities (“RMBS”) • Asset-backed securities (“ABS”)
- Commercial mortgage-backed securities (“CMBS”) • To-be-announced (“TBA”) transactions
- Collateralized loan obligations (“CLOs”)

FUND DETAILS

Fund Ticker	SCIO
CUSIP	33738D770
Intraday NAV	SCIOIV
Fund Inception Date	2/27/24
Investment Advisor	First Trust Advisors L.P.
Primary Listing	NYSE Arca
Weighted Average Duration	-1 / +6 years

STRUCTURED FINANCE MARKET | A POTENTIAL YIELD ADVANTAGE

Structured finance pools relatively illiquid assets into tradable investments, providing financing from a broader range of participants. Securitized sectors may offer potential yield advantages relative to underlying credit quality compared to other fixed income investments, as shown in the chart to the right.



Source for charts: Securities Industry and Financial Markets Association (SIFMA). YTW data as of 12/29/2023. **Past performance is not a guarantee of future results.** Charts are for illustrative purposes only and not indicative of the fund. Non-Agency CMBS represented by ICE BofA AA-BBB US Fixed Rate CMBS Index. ABS represented by ICE BofA AA-BBB US Asset Backed Securities Index. Investment Grade (“IG”) Corporates represented by ICE BofA US Corporate Index. BB High Yield Corporates represented by ICE BofA BB US High Yield Index. U.S. Treasuries represented by ICE BofA US Treasury Index. Prime 2.0 is a sub-sector within RMBS. NPL refers to non-performing loan. RPL refers to re-performing loan. CRT refers to credit risk transfer. SFR refers to single family rental. SASB refers to single asset single borrower. CRE CLO refers to commercial real estate collateralized loan obligation. CDO refers to collateralized debt obligation. WBS refers to whole business securitizations. The asset categories shown here represent different types of investments that offer different characteristics in terms of income, tax treatment, capital appreciation and risk. Please see index definitions on page 3 and Risks Considerations section on the last page for additional information about risks and asset classes.

A Closer Look at Structured Credit

Listed below are a few types of structured finance products, along with examples of their lending functions.

SECURITIZATION TYPE

EXAMPLE ACTIVITY

FINANCING/CONTRACT

REPAYMENT/COLLATERAL

RMBS

RMBS are bonds collateralized by loans on single family residential properties. Bonds may take on the credit risk from the agency conforming borrowers (Fannie Mae and Freddie Mac) or non-conforming for various reasons.



Purchasing a home

Mortgage Loan

Principal and interest payments from pool of mortgage loans collateralized by physical property

CMBS

CMBS are bonds collateralized by mortgages on commercial properties such as multi-family, retail, industrial office and hospitality.



Buying an office building

Commercial Mortgage Loan

Principal and interest payments from pool of commercial mortgage loans collateralized by physical property

ABS

ABS are used to finance pools of like asset types such as auto loans, credit card receivables and aircraft leases. ABS securitizations often include features that can potentially help insulate bondholders from losses such as overcollateralization and excess spread, among others.



Buying a car

Car Loan

Principal and interest payments from pool of car loan payments collateralized by assets

CLO

CLOs are portfolios of bank loans that are securitized and sold to investors. CLOs pool together bank loans made to smaller companies that cannot access larger bond markets. CLOs are often managed which may potentially help to further insulate bondholders from losses in the underlying loans.



Starting a business

Bank Loan

Principal and interest payments collateralized by a portfolio of business assets

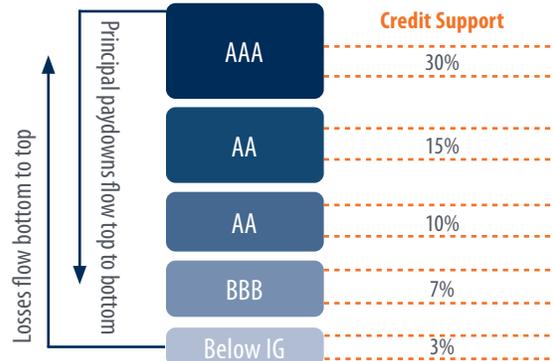
SECURITIZATION CASH FLOW HIERARCHY

Securitized investments have unique structured payment priorities that may offer a level of protection for investors because principal payments and losses flow in the opposite direction. Additionally, the underlying loans are often amortized meaning the debt is gradually reduced via regular payments over time. The cash flows generated by a securitized asset are assigned a priority, whereby senior securities are paid principal first and losses are absorbed by junior securities first. This structure offers different risk/return characteristics to investors depending on their place in the capital stack.

Collateral Pool



Securitization Capital Breakdown



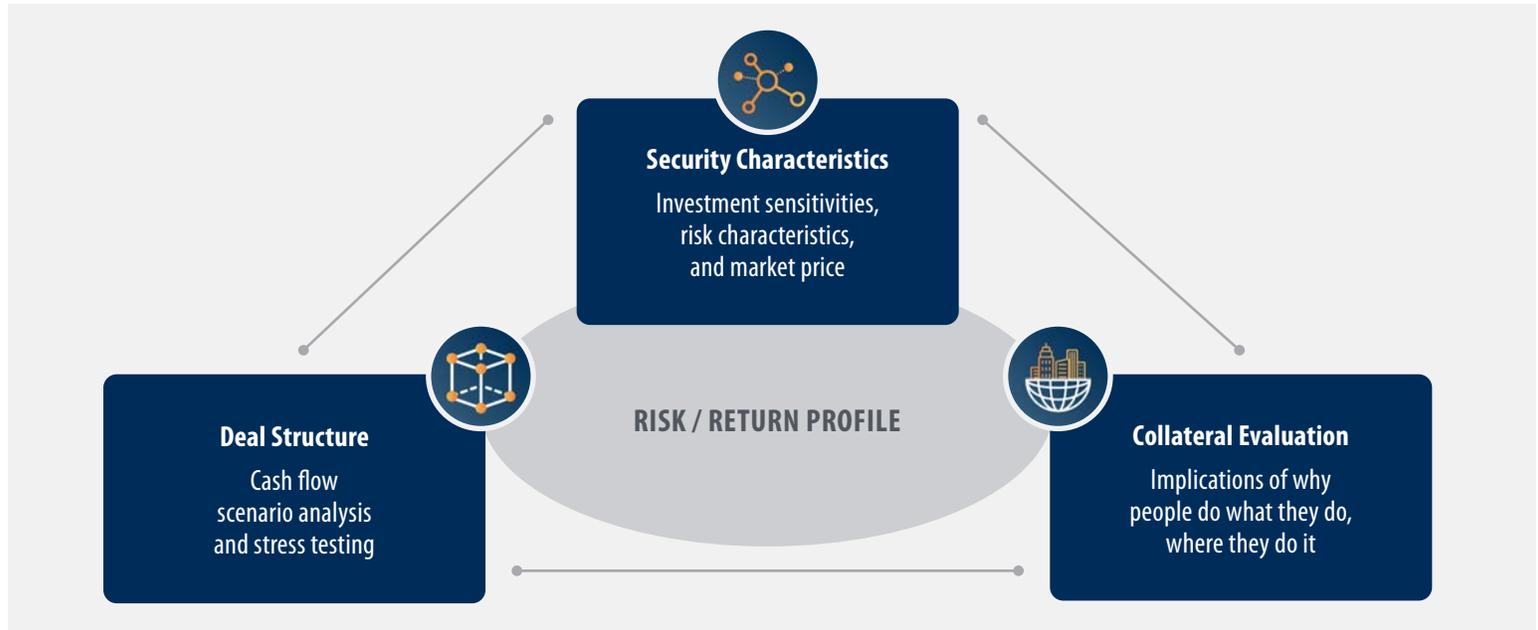
Borrower Equity

Subordination creates a hierarchy of payment and loss attribution. "Subordinated" securities are offered to potentially insulate "Senior" level securities from losses. AAA-rated "Senior" tranches with 30% credit support can potentially withstand 60% losses with 50% recovery value across the entire deal before realizing principal impairment. Different credit tranches may offer active managers opportunities across differing risk/return profiles.

Source: Morgan Stanley Research as of 12/29/2023.

The First Trust Government & Securitized Products Group (the “team”) selects and manages government and securitized components of select actively managed portfolios. The portfolio management team has over 100 years of combined investment experience managing retail and institutional real estate and mortgage-related assets and portfolios. They believe government and securitized assets offer the potential to generate high quality, attractive income.

SCIO SECURITY SELECTION PROCESS



POTENTIAL BENEFITS OF AN ACTIVELY MANAGED STRUCTURED FINANCE ETF

When managing the portfolio for SCIO, the portfolio management team uses top-down research focused on the global economy and macro trends that are core to fixed income and structured finance. The portfolio managers believe thorough and continuous monitoring of overall residential and commercial real estate as well as consumer fundamentals, quantitative portfolio modeling and the ability to rebalance the portfolio to stay within their strategic risk target is critical to achieving higher risk-adjusted returns. Quantitative portfolio modeling is used to evaluate expected relative portfolio performance and optimally create an efficient strategy based on various factors including but not limited to:

Interest rates

RMBS, CMBS and ABS spreads

Defaults and severities

Government and regulatory policy

Real estate and consumer fundamentals

Market volatility

SCIO PORTFOLIO MANAGEMENT TEAM

James Snyder
Senior Portfolio Manager

Jeremiah Charles
Senior Portfolio Manager

Owen Aronson
Portfolio Manager

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.

DEFINITIONS

Duration is a measure of the weighted average life of a bond, which takes into account the maturity of each payment of a bond including coupons and the final maturity payment. The value of longer duration bonds are more sensitive to interest rate changes than shorter duration bonds.

Fannie Mae (Federal National Mortgage Association) and **Freddie Mac** (Federal Home Loan Mortgage Corporation) are U.S. government-sponsored entities that package mortgages into MBS and help preserve the liquidity and stability in the secondary mortgage market.

ICE BofA AA-BBB US Fixed Rate CMBS Index provides a measure of the performance of USD-denominated investment grade fixed rate commercial mortgage backed securities publicly issued in the US domestic market with a credit rating of AA-BBB.

ICE BofA AA-BBB US Asset Backed Securities Index represents the portion of the ICE BofA U.S. Fixed Rate Asset Backed Securities Index composed solely of bonds including securities backed by loans, vehicles, and other such items excluding commercial real estate that are rated AA-BBB.

ICE BofA US Corporate Index tracks the performance of U.S.-dollar denominated investment grade (BBB/Baa-rated or better) corporate debt publicly issued in the U.S. domestic market.

ICE BofA BB US High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market composed solely of bonds that are rated BB.

ICE BofA US Treasury Index tracks the performance of U.S. dollar-denominated sovereign debt publicly issued by the U.S. government in its domestic market.

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.

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.

An investment in CMBX involves greater risks than if a fund had invested in commercial mortgage-backed securities directly. These risks include general market, liquidity, interest rate, counterparty, credit and leverage risks.

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.

An investment in credit default swaps involves greater risks than if a fund had invested in the reference obligation directly. These risks include general market, liquidity, counterparty, credit and leverage risks.

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. 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.

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.

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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.

Floating rate securities are structured so that the security's coupon rate fluctuates based upon the level of a reference rate. As a result, the coupon on floating rate securities will generally decline in a falling interest rate environment, causing a fund to experience a reduction in the income it receives from the security. A floating rate security's coupon rate resets periodically according to the terms of the security. Consequently, in a rising interest rate environment, floating rate securities with coupon rates that reset infrequently may lag behind the changes in market 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.

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.

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

The yield on an interest-only security is extremely sensitive to the rate of principal payments on the underlying mortgage assets and a rapid payment rate may have an adverse effect on a fund's yield to maturity from these securities. Conversely, principal-only securities tend to decline in value if prepayments are slower than anticipated.

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.

If a fund invests in securities of another investment company, a fund may bear its ratable share of that investment company's expenses as well as a fund's advisory and administrative fees, which may result in duplicative expenses. A fund may also incur brokerage costs if purchasing or selling shares of exchange-traded investment companies.

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.

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.

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.

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

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.

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.

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

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.