First Trust

A GUIDE TO Alternative ETFs

Alternative investments may employ complex strategies, have unique investment and risk characteristics and may not be suitable for all investors.

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Alternative investments ("alternatives") can be a valuable addition to an investment portfolio. They provide investors with access to a different set of return/risk drivers by using investment techniques and asset classes that are not traditionally available in long-only portfolios. Historically, access to alternatives was reserved for large institutional investors, with specific income, net worth, or professional-licensing thresholds, often with more limited liquidity and transparency. That has changed.

The **First Trust Alternatives Investment Team** specializes in public, liquid alternative investment strategies delivered through the efficiency and accessibility of the exchange-traded fund (ETF) structure, providing intraday liquidity, transparent holdings, tax efficiency, and operational simplicity. They offer active management through disciplined strategies grounded in research, risk analysis, and portfolio construction, making institutional-quality alternative strategies accessible to a broader range of investors.

Potential Advantages of Alternative ETFs

Daily Liquidity
Shares can be purchased or sold throughout the trading day.

Holdings Transparency
Real-time pricing provides continuous visibility into portfolio value.

ETF Tax Efficiency
The ETF creation and redemption process may help reduce taxable capital gains distributions.

Operational Simplicity
No subscription agreements, accreditation requirements, capital calls, or lock-up periods.

Accessible Alternative Strategies
Alternative strategies are available with accessible minimums.

Portfolio Flexibility
Alternatives can be rebalanced, adjusted, or reallocated as market conditions evolve to seek enhanced risk-adjusted returns.

Diversification
Low correlation to stocks and bonds.

Inflation Sensitivity
Exposure to real assets and commodities.

Risk Management
Potentially reduced volatility and drawdowns.

Alternative investments may employ complex strategies, have unique investment and risk characteristics and may not be suitable for all investors. Diversification does not guarantee a profit or protect against a loss. There is no assurance the objectives will be achieved. This summary is not intended to be tax or legal advice. This summary cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This summary is being used to support the promotion or marketing of the transactions herein. The taxpayer should consult an independent tax professional. **Correlation** is a measure of the similarity of performance. **Drawdown** is the percentage decline in value between the peak and the trough during a specific period. An **option** is a contractual obligation between a buyer and a seller. The buyer of a call option has the right, but not the obligation, to purchase an agreed upon quantity of an underlying asset from the writer (seller) of the option at a predetermined price (the strike price) within a certain window of time (until the option's expiration). A premium is the income received by an investor who sells the option contract to another party.

Types of Alternative ETFs

Absolute Return

Seeks to generate positive returns across a variety of market environments while emphasizing capital preservation and risk management.

Commodities and Real Assets

Provides exposure to physical or futures-based commodities such as energy, metals, or agriculture. Commodity prices are influenced by supply, demand, and geopolitical factors, and can be volatile.

Long/Short Equity

Holds stocks the manager believes may perform well while also taking short positions in stocks the manager believes may decline. This approach carries equity market risk on both the long and short sides, and short positions can produce losses that are theoretically unlimited, since a shorted stock's price has no upper bound.

Managed Futures

Uses futures contracts across equities, bonds, currencies, and commodities to take long or short positions based on price trends.

Market Neutral

Aims to hold roughly offsetting long and short equity positions so that overall exposure to market direction is limited, seeking to generate returns primarily from the manager's security selection.

Multi-Strategy

Combines more than one alternative approach within a single fund.

Options-Based Income (Buy-Write/Covered Call)

Holds a stock or index position and sells call options against it in exchange for premium income. This approach can limit participation in strong market gains and does not protect against a decline in the underlying holding.

Alternative investments may employ complex strategies, have unique investment and risk characteristics and may not be suitable for all investors. **"Long" and "short"** are investment terms used to describe ownership of securities. To buy securities is to "go long. " The opposite of going long is "selling short." Short selling is an advanced trading strategy that involves selling a borrowed security. Short sellers make a profit if the price of the security goes down and they are able to buy the security at a lower amount than the price at which they sold the security short.

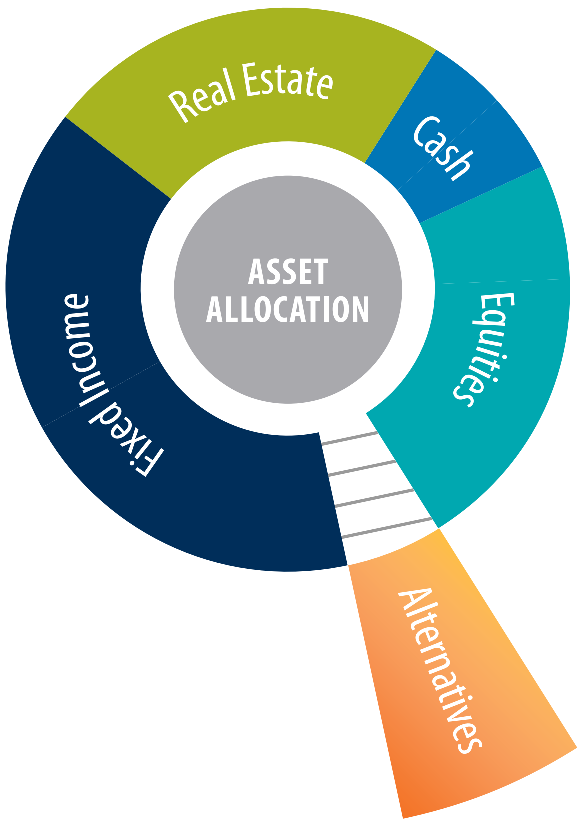
How Alternative ETFs Might Fit in a Portfolio

With the prevalence of volatility in today's markets, investment success may hinge on a well-constructed portfolio and the ability to buy or sell throughout the trading day. Sound portfolio construction begins with aligning investment goals to appropriate investment strategies such as asset allocation, diversification, cost control, risk management and applying periodic portfolio rebalancing.

Alternative strategies seek to provide a different set of risk/return drivers through investment techniques and asset classes that may perform well when traditional asset classes are underperforming. Alternative ETFs may invest in commodities or may use strategies that seek to minimize the impact of market volatility and other risks or to enhance income potential.

Depending on the alternative strategy, some investors use alternative investments alongside — not in place of — a core allocation to stocks and bonds. Objectives some investors pursue may include:

- Seeking return streams that may behave differently from stocks and bonds across market cycles
- Seeking a potential source of diversification during periods when stocks and bonds move together
- Seeking to generate income through option-related strategies, such as the covered-call approach
- Gaining exposure to commodities or other assets that may respond differently to inflation than stocks and bonds
- Seeking returns that depend more on a manager's process than on the overall direction of the market, such as the market-neutral approach



Diversification

Income Generation

Risk Management

Inflation Sensitivity

Lower-Correlation Return Streams

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Portfolio Managers

John Gambla, CFA®, FRM, PRM, MBA

Senior Portfolio Manager

Mr. Gambla is a Senior Portfolio Manager and Co-Head of the First Trust Alternatives Investment Team. John has over 34 years of investment experience spanning multiple asset classes and investment styles. John currently manages the First Trust Long/Short Equity ETF, the First Trust Global Tactical Commodity Strategy Fund, the First Trust Alternative Absolute Return Strategy ETF, the First Trust Managed Futures Strategy Fund, the First Trust BuyWrite Income ETF, the First Trust Nasdaq BuyWrite Income ETF, as well as various risk-managed and option-based strategies and overlays.

Prior to joining First Trust in 2011, John was Co-Chief Investment Officer at Nuveen HydePark Group LLC and was responsible for investment activities, research systems and infrastructure development. John also held a variety of positions at Nuveen Investments. John has extensive experience in portfolio management, derivatives, risk management and quantitative data analysis. John began his career in Finance at Abbott Laboratories.

John graduated Phi Beta Kappa with a Bachelor of Science in Genetics and Developmental Biology and a Bachelor of Arts in Finance from the University of Illinois at Urbana/Champaign and earned an MBA from the University of Chicago's Booth School of Business. He is a CFA Charterholder and holds FRM and PRM designations.

Rob Guttschow, CFA®, MBA

Senior Portfolio Manager

Mr. Guttschow is a Senior Portfolio Manager and Co-Head of the First Trust Alternatives Investment Team. Rob has over 30 years of investment experience spanning multiple asset classes and investment styles. Rob currently manages the First Trust Long/Short Equity ETF, the First Trust Global Tactical Commodity Strategy Fund, the First Trust Alternative Absolute Return Strategy ETF, the First Trust Managed Futures Strategy Fund, the First Trust BuyWrite Income ETF, the First Trust Nasdaq BuyWrite Income ETF, as well as various risk-managed and option-based strategies and overlays.

Prior to joining First Trust in 2011, Rob was Co-Chief Investment Officer at Nuveen HydePark Group LLC and was responsible for trading, portfolio management, performance attribution, and research. Previously, Rob was a Senior Portfolio Manager at Nuveen Asset Management, where he developed Nuveen's buy-side derivative desk for fixed-income and equity-portfolio hedging. Rob started his career at Lotsoff Capital Management where, at the time of his departure, he was a Partner and Managing Director. At Lotsoff Capital Management, he managed various fixed-income and equity-based strategies.

Rob received a BS in Materials Engineering (Ceramics) and an MBA from the University of Illinois at Urbana/Champaign in 1991 and 1993, respectively. Rob holds the Chartered Financial Analysis designation and is a member of the CFA Institute and the CFA Society of Chicago.

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First Trust Alternative ETFs

The First Trust Alternatives Investment Team started within First Trust Portfolios L.P. in 2011. The team, with extensive investment experience, has developed a full suite of alternative strategies. When utilized, alternative strategies can provide investors access to a different set of return/risk drivers through investment techniques and asset classes that are not traditionally available in long-only portfolios.

Investment Platform

Low Correlation Strategies	Hedged Equity Strategies	Option Overlay Strategies
Potential diversification benefits	Historically lower beta to S&P 500® Index	Historically lower beta to S&P 500® Index
Different set of return streams	Higher risk-adjusted return potential	Higher risk-adjusted return potential

Investment Approach

Disciplined, outcome-oriented strategies			Alternatives allocation potential benefits		
Systematic and repeatable	Based upon thoroughly researched statistical concepts	Grounded in risk analysis and mathematical portfolio construction	Increased diversification	Lower volatility	Reduced drawdowns

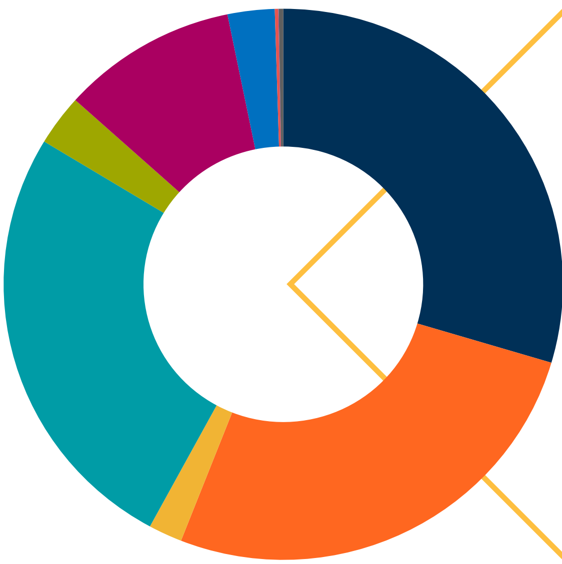
Team	Role	Industry Experience
John Gambla, CFA, FRM, PRM, MBA	Senior Portfolio Manager, Team Co-Head	30+ Years
Rob Guttschow, CFA, MBA	Senior Portfolio Manager, Team Co-Head	30+ Years
Chuck Brobst, MFM, MBA	Senior Analyst	30+ Years
Mathew Kammerzell, CFA	Senior Analyst	25+ Years
Charlie Reese, CMT	Analyst	30+ Years
Rick Doede	Analyst	20+ Years
Brad Seberhagen, CAIA	Client Portfolio Manager	20+ Years

Alternative investments may employ complex strategies, have unique investment and risk characteristics and may not be suitable for all investors. Diversification does not guarantee a profit or protect against a loss. **Beta** is a measure of price variability relative to the market. The **S&P 500® Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance.

Assets Under Management Approximately

$9.128 Billion

(As of 6/30/26)



Low Correlation Strategies

- **FTGC** | First Trust Global Tactical Commodity Strategy Fund
- **FMF** | First Trust Managed Futures Strategy Fund
- **FAAR** | First Trust Alternative Absolute Return Strategy ETF
- **LALT** | First Trust Multi-Strategy Alternative ETF

Hedged Equity Strategies

- **FTLS** | First Trust Long/Short Equity ETF
- **ESBG** | First Trust Enhanced Stocks, Bonds & Gold ETF
- **NTRL** | First Trust Equity Market Neutral ETF

Option Overlay Strategies

- **FTHI** | First Trust BuyWrite Income ETF
- **FTQI** | First Trust Nasdaq BuyWrite Income ETF
- **FTKI** | First Trust Small Cap BuyWrite Income ETF

Alternative investments may employ complex strategies, have unique investment and risk characteristics and may not be suitable for all investors.

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.

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.

Investments in bank loans are subject to the same risks as other debt securities, but the risks may be heightened because of limited public information available and because loan borrowers may be leveraged and tend to be more adversely affected by changes in market or economic conditions. The secondary market for bank loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

A fund's use of call options involves risks different from those associated with ordinary portfolio securities transactions and depends on the ability of a fund's portfolio managers to forecast market movements correctly. As the seller (writer) of a call option, a fund will tend to lose money if the value of the reference index or security rises above the strike price. When writing a call option, a fund will have no control over the exercise of the option by the option holder and the American style options sold by a fund may be exercised at any time before the option expiration date (as opposed to the European style options which may be exercised only on the expiration date). There may be times a fund needs to sell securities in order to settle the options, which may constitute a return of capital and make a fund less tax-efficient than other ETFs. Options may also involve the use of leverage, which could result in greater price volatility than other markets.

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.

The failure or bankruptcy of a fund's and the subsidiary's clearing broker could result in substantial loss of fund assets.

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.

Because the shares of CEFs cannot be redeemed upon demand, shares of many CEFs will trade on exchanges at market prices rather than net asset value, which may cause the shares to trade at a price greater than NAV (premium) or less than NAV (discount). A fund that invests in the shares of CEFs involves additional expenses that would not be present in a direct investment in the underlying funds. In addition, a fund's investment performance and risks will be related to the investment performance and risks of the underlying funds. CEFs may utilize leverage and the fund may be indirectly exposed to leverage.

Commodity prices can have significant volatility, and exposure to commodities can cause the value of a fund's shares to decline or fluctuate in a rapid and unpredictable manner.

Investments linked to the prices of commodities may be considered speculative and subject a fund to greater volatility than investments in traditional securities.

To avoid exceeding position limits set by the Commodity Futures Trading Commission, a fund may have to liquidate commodity contract positions at disadvantageous times or prices which may result in substantial loss of fund assets.

A Commodity Trust is not registered as an investment company under the 1940 Act and therefore, investors in such trusts will not have all the protections offered to investors in registered investment companies.

A fund may invest a significant percentage of its assets in a small number of ETFs. As a result, declines in the value or performance of one or more ETFs could have a significant negative impact on a fund's net asset value and your investment. A fund's performance will be largely dependent on the performance of these ETFs. In addition, if a fund holds a significant percentage of an ETF's outstanding shares, its purchases and sales may affect the ETF's size, market price, liquidity, bid/ask spreads, portfolio turnover, transaction costs, tax efficiency and ability to trade underlying securities advantageously. These risks may be greater for newer ETFs.

The fund may invest in ETPs that are advised by or affiliated with the Advisor providing a financial incentive for the fund to invest in ETPs for which it also serves as investment advisor. The Advisor may invest in an affiliated ETP even in circumstances where an unaffiliated ETP may have lower fees or better performance over certain time periods.

A convertible security is exposed to risks associated with both equity and debt securities. The value of convertibles may rise and fall with the market value of the underlying stock or vary with changes in interest rates and credit quality of the issuer.

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.

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.

Investments linked to the prices of currencies may be considered speculative and subject a fund to greater volatility than investments in traditional 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.

Depositary 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.

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.

A fund normally pays its income as distributions and therefore, a fund may be required to reduce its distributions if it has insufficient income. Additionally at times, a fund may need to sell securities when it would not otherwise do so and could cause distributions from that sale to constitute return of capital. Because of this, a fund may not be an appropriate investment for investors who do not want their principal investment in a fund to decrease over time or who do not wish to receive return of capital in a given period.

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.

Investments in emerging market securities are generally considered speculative and involve additional risks relating to political, economic and regulatory conditions.

Energy companies are subject to certain risks, including volatile fluctuations in price and supply of energy fuels, international politics, terrorist attacks, reduced demand, the success of exploration projects, natural disasters, clean-up and litigation costs relating to oil spills and environmental damage, and tax and other regulatory policies of various governments. Oil production and refining companies are subject to extensive federal, state and local environmental laws and regulations regarding air emissions and the disposal of hazardous materials and may be subject to tariffs. In addition, oil prices are generally subject to extreme volatility.

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.

A fund may invest in the shares of other ETFs, which involves additional expenses that would not be present in a direct investment in the underlying funds. In addition, a fund's investment performance and risks may be related to the investment performance and risks of the underlying funds.

Exchange-traded notes ("ETNs") are unsecured debt obligations whose valuation may be impacted by a downgrade in the issuer's credit rating. Additionally, the value of the ETN may be affected by time to maturity, the level of supply and demand for the ETN, volatility and lack of liquidity of the underlying market, changes in interest rates, and other economic or political events that affect the underlying market or assets.

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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.

Trading on foreign commodity markets is not regulated by any U.S. government agency and may involve risks not applicable to U.S. exchanges.

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 frequent trading of commodity futures contracts may increase the amount of commissions or mark-ups that a fund pays when it buys and sells contracts which may detract from a fund's performance.

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.

A commodity price may change substantially between periods of trading due to adverse news announcements.

The performance of a fund with significant exposure to gold through the use of gold futures may be materially affected by changes in the price of gold. Gold prices are influenced by supply and demand factors, including mining output, production costs, jewelry and technology demand, and central bank activity. Interest rates, inflation expectations, and monetary policy can also impact gold prices. While gold is often viewed as a hedge against inflation or market stress, there is no guarantee it will perform as expected, and prices may decline during periods of economic growth or reduced investor demand. Regulatory or tax changes related to gold may further affect a fund's performance.

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.

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.

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.

Large capitalization companies may grow at a slower rate than the overall market.

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 a 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.

Investments in companies that are the subject of a publicly announced transaction carry the risk the transaction is renegotiated, takes longer to complete than originally planned and that the transaction is never completed. Any such event could cause a fund to incur a loss. The risk/reward payout of merger arbitrage strategies typically is asymmetric, with the losses in failed transactions often far exceeding the gains in successful transactions.

Mid capitalization companies may experience greater price volatility than larger, more established companies.

Master limited partnerships ("MLPs") are subject to certain risks, including price and supply fluctuations caused by international politics, energy conservation, taxes, price controls, and other regulatory policies of various governments. In addition, there is the risk that MLPs could be taxed as corporations, resulting in decreased returns from such MLPs.

The benefit a fund derives from its investment in MLPs is largely dependent on their being treated as partnerships for U.S. federal income tax purposes. A change in current tax law or a change in the underlying business mix of a given MLP could result in an MLP being treated as a corporation for income tax purposes which would result in the MLP being required to pay income tax at the applicable corporate tax rate.

A fund that holds cash or invests in money market or short-term securities may be less likely to achieve its investment objective and could lose money.

Mortgage-related securities are more susceptible to adverse economic, political or regulatory events that affect the value of real estate.

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.

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.

Securities of non-U.S. 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-U.S. 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.

A fund's investment in equity securities and written call options are not correlated, meaning the performance is independent of one another. Market events may impact one position held by a fund more than the other position and the returns from a fund's investments in equity securities and written call options may not move in the same direction as one another.

High portfolio turnover may result in higher levels of transaction costs and may generate greater tax liabilities for shareholders.

Preferred securities combine some of the characteristics of both common stocks and bonds. Preferred stocks are typically subordinated to other debt instruments in terms of priority to corporate income, and therefore will be subject to greater credit risk than those debt instruments.

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.

Real Estate Investment Trusts ("REITs") are subject to the risks of investing in real estate, including, but not limited to, changes in the real estate market, vacancy rates and competition, volatile interest rates and economic recession. Increases in interest rates typically lower the present value of a REIT's future earnings stream and may make financing property purchases and improvements more costly. The value of a fund will generally decline when investors in REIT stocks anticipate or experience rising interest rates.

If a fund's counterparty defaults on its obligations and a fund is delayed or prevented from recovering collateral, or if the value of the collateral is insufficient, a fund may realize a loss.

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

Companies that issue loans tend to be highly leveraged and thus are more susceptible to the risks of interest deferral, default and/or bankruptcy. Loans are usually rated below investment grade but may also be unrated. As a result, the risks associated with these loans are similar to the risks of high-yield fixed income instruments. The senior loan market has seen a significant increase in loans with weaker lender protections which may impact recovery values and/or trading levels in the future.

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

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affected by an adverse economic or political development than a broadly diversified fund.

Securities of small- and mid-capitalization companies may experience greater price volatility and be less liquid than larger, more established companies.

Investments in sovereign bonds involve special risks because the governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due. In times of economic uncertainty, the prices of these securities may be more volatile than those of corporate debt or other government debt obligations.

If, in any year, a fund which intends to qualify as a Registered Investment Company (RIC) under the applicable tax laws fails to do so, it would be taxed as an ordinary corporation.

Subsidiary investment risk applies to a fund that invests in certain securities through a wholly-owned subsidiary of the fund that is organized under the laws of the Cayman Islands ("Subsidiary"). Changes in the laws of the U.S. and/or Cayman Islands could result in the inability of a fund to operate as intended. The Subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Thus, a fund that is an investor in the Subsidiary will not have all the protections offered to investors in registered investment companies.

Swap agreements may involve greater risks than direct investment in securities and could result in losses if the underlying reference asset does not perform as anticipated. In addition, many swaps trade over-the-counter and may be considered illiquid.

A fund may use swap agreements that seek to replicate the return characteristics of autocallable yield notes. Swap positions may require a fund to recognize income without receiving cash. Because a fund that intends to qualify as a regulated investment company (RIC) must distribute substantially all of its taxable income, which is based on gross income, it may be required to make distributions without having received corresponding cash. In such cases, a fund may need to sell assets or borrow to meet this requirement, which could adversely affect returns.

If, in any year, a fund which intends to qualify as a Registered Investment Company (RIC) under the applicable tax laws fails to do so, it would be taxed as an ordinary corporation. The federal income tax treatment of the securities in which a fund may invest, including a fund's option strategy, may not be clear or may be subject to recharacterization by the Internal Revenue Service. It could be more difficult to comply with the tax requirements applicable to RICs if the tax characterization of investments or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service.

If a fund does not qualify as a RIC for any taxable year and certain relief provisions were not available, a fund's taxable income would be subject to tax at the fund level and to a further tax at the shareholder level when such income is distributed. Further, there may be other tax implications to a fund based on the type of investments in a fund.

Total return swaps are agreements in which one party receives payments tied to the performance of an underlying security, basket, or index in exchange for payments based on a fixed or variable rate or the total return of another asset. Swap agreements involve greater risks than direct investment in securities, including tax treatment, tax regulation, credit, counterparty, liquidity, leverage, valuation, volatility, and correlation risk. The use of total return swaps is a highly specialized activity, and could result in losses if the underlying reference asset does not perform as anticipated.

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.

"Whipsaw" markets in which significant price movements develop but then repeatedly reverse, may cause substantial losses for a fund.

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