Action In the Face of Uncertainty: Building A Rate Resilient Fixed Income Portfolio

First Trust Advisors L.P.
Leveraged Finance Investment Team

March 2015

William Housey, CFA
Senior Portfolio Manager
Senior Vice President
Treasury Yields Have Declined for Over 30 Years

Historical 10 Year Treasury Yield
January 1962 – February 2015

Long Term Average Yield: 6.46%
1.99%
2/28/2015

Source: Bloomberg, LP
The chart is for illustrative purposes only. Past performance is no guarantee of future results.
US Bank Holdings of Treasuries and Agency Debt ($Billions)

Data through 1/31/2015
Belgium is a main contributor in the purchasing of U.S. Treasury bonds.

Data through 12/31/2014
*Belgium is a main contributor in the purchasing of U.S. Treasury bonds.
The Strengthening USD

DXY Currency*

In 2014: The USD appreciated 13.6% relative to the Euro

YTD 2015: The USD appreciated 10.7% relative to the Euro

Source: Bloomberg

*The DXY (U.S. Dollar Index) is a measure of the value of the U.S. Dollar (USD) relative to a basket of 6 major world currencies. It is a weighted measure using the USD’s movements relative to other select currencies in an attempt to represent our major trading partners. The current mix is 57.6% Euro (EUR), 13.6% Japanese Yen (JPY), 11.9% Pound Sterling (GBP), 9.1% Canadian Dollar (CAD), 4.2% Swedish Krona (SEK) and 3.6% Swiss Franc (CHF).

The chart is for illustrative purposes only. Past performance is no guarantee of future results.

*1/1/2013 through 12/31/2014. For illustrative purposes only. Prior results are no guarantee of continued trends.

For broker use only. Not for use with the public.
Fixed Income Opportunity Set

In a persistently low interest-rate environment, we believe investors have few options to generate a high level of income without assuming significant interest rate risk.

Sources: Barclays Capital, S&P LCD, First Trust Advisors L.P. The chart is for illustrative purposes only and not indicative of any fund. Senior Secured Floating Rate Loans represented by the S&P LSTA Leveraged Loan Index. All data as of 12/31/2014.
Sources: Bloomberg and Standard & Poor’s Leveraged Commentary and Data February 2015. High-yield bonds are represented by the BofA Merrill US High-Yield Master II Constrained Index. Senior loans are represented by the S&P/LSTA (Loan Syndications and Trading Association) U.S. Leveraged Loan Index (LLI). The average spread over LIBOR is discounted spread to three-year life. This chart is for illustrative purposes only and not indicative of any fund. Past performance is no guarantee of future results.
Senior Loan & High Yield Bond Default Rate

Senior Loan and High Yield Historical Default Rates
December 1999 - March 2015

Source: Standard & Poor’s LCD and JP Morgan high yield research. Universe includes Senior Loans and High-Yield Bonds.
The chart is for illustrative purposes only and not indicative of any fund. Past performance is not indicative of future results.
Oil & Gas Exposure

BAML High-Yield Index Energy Exposure
January 1999 - February 2015
Peaked at 15.64%
09/30/2014
13.53%
2/28/2015

S&P/LSTA Leveraged Loan Index Energy Exposure
January 1999 - February 2015
Peaked at 5.29%
09/30/2005
4.61%
2/28/2015

BAML High-Yield Index vs HYLS Since Inception
1.55%
2/28/2015

S&P/LSTA LLI vs FTSL Since Inception
(5/2/2013 - 2/28/2015)
0.73%
2/28/2015

Sources: Bloomberg, LP and Standard & Poor’s LCD research
Data is current through 2/28/2015

For broker use only. Not for use with the public.
First Trust’s Disciplined Approach

The investment process is a balanced combination of bottom-up fundamental credit analysis and portfolio construction.

- **Asset Selection** involves evaluation of the macro-economy, industry trends, consistency of cash flows, collateral coverage, and management quality.
- **Portfolio Construction** focuses on relative value within a risk management framework.
FTSL Performance Since Inception

- FTSL: +4.60%
- Benchmark: +3.34%
- Outperformance: +1.26%

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting ftportfolios.com.

*Returns are cumulative total returns based on NAV. The data shown begins with the first full month of fund performance. FTSL inception: 5/1/13. FTSL Benchmark: S&P/LSTA Leveraged Loan 100 Index. See standardized fund performance elsewhere in this presentation.

For broker use only. Not for use with the public.
HYLS Performance Since Inception

HYLS: +11.29%
Benchmark: +8.85%
Outperformance: +2.44%

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting ftportfolios.com.

*Returns are cumulative total returns based on NAV. The data shown begins with the first full month of performance for HYLS. HYLS inception: 2/25/13. HYLS Benchmark: BofA Merrill Lynch U.S. High Yield Constrained Index (HUC0). See standardized fund performance elsewhere in this presentation.

For broker use only. Not for use with the public.
**Funds Managed by First Trust Leveraged Financed Team***

<table>
<thead>
<tr>
<th>Exchange-Traded Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Trust Tactical High Yield ETF</strong></td>
</tr>
<tr>
<td>This fund invests primarily in high-yield debt securities, including high-yield bonds and senior loans. The fund intends to maintain both long and short positions in securities.</td>
</tr>
<tr>
<td>Ticker: HYLS</td>
</tr>
<tr>
<td>Intraday NAV Ticker: HYLSIV</td>
</tr>
<tr>
<td>Exchange: NASDAQ</td>
</tr>
<tr>
<td>Net Weighted Avg. Effective Duration (Includes Short)(^1): 2.99 years</td>
</tr>
<tr>
<td>- Monthly distribution frequency</td>
</tr>
<tr>
<td>- Active management</td>
</tr>
<tr>
<td>- Tactical short</td>
</tr>
<tr>
<td>- Income potential in a low interest rate environment</td>
</tr>
<tr>
<td>- Seeks high current income, while potentially limiting interest rate risk</td>
</tr>
<tr>
<td>- Diversification</td>
</tr>
<tr>
<td><strong>First Trust Senior Loan Fund</strong></td>
</tr>
<tr>
<td>This fund invests primarily in Senior Loans and may also invest in high-yield bonds, warrants, and equity securities. Unlike index-based senior loan ETFs, the fund is actively managed and seeks to generate both attractive risk-adjusted and absolute returns over time.</td>
</tr>
<tr>
<td>Ticker: FTSL</td>
</tr>
<tr>
<td>Intraday NAV Ticker: FTSLIV</td>
</tr>
<tr>
<td>Exchange: NASDAQ</td>
</tr>
<tr>
<td>Weighted Avg. Effective Duration(^1): 0.80 years</td>
</tr>
<tr>
<td>- Monthly distribution frequency</td>
</tr>
<tr>
<td>- Active management</td>
</tr>
<tr>
<td>- Senior loans are generally secured debt instruments</td>
</tr>
<tr>
<td>- Income potential in a low interest rate environment</td>
</tr>
<tr>
<td>- Floating rate</td>
</tr>
</tbody>
</table>

---

- Excludes Closed-End Funds, Canadian Funds and funds where the First Trust Advisors Leveraged Finance Team manages only a portion of the portfolio. All information is as of 1/31/2015. Please refer to a fund’s current prospectus for a complete description of fees and expenses.
- \(^1\) Measures a bond’s sensitivity to interest rate changes that reflects the change in a bond’s price given a change in yield. The weighted average effective duration for HYLS is for both the long & short positions of the fund as of 1/31/15.

For broker use only. Not for use with the public.
**Why now?**

- **Economic backdrop…**
  - Supportive of senior loan & high-yield credit performance:
    - Modest economic growth
    - Low default rates
    - Generally sound corporate health
  - Potentially offering an attractive yield in a low interest rate environment

- **FT Leveraged Finance strategies — providing solutions in the current environment…**
  - Through an actively managed strategy, the portfolios may:
    - Limit/mitigate interest rate risk
    - Limit potential credit losses through continuous credit monitoring and active selection
    - Potentially add additional return opportunities through positive carry of long/short portfolio and short positions (HYLS)

- **Experienced Team…**
  - Bottom-up fundamentally driven credit process within a risk-controlled portfolio construction framework
  - Successful track record
Appendix
Average Annualized Total Returns Since Inception (as of 1/31/2015)

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting ftportfolios.com.

See standardized fund performance elsewhere in this presentation.

HYLS inception: 2/25/2013
HYLS Benchmark: BofA Merrill Lynch US High Yield Constrained Index
FTSL inception: 5/1/2013
FTSL Benchmark: S&P/LSTA Leveraged Loan 100 Index
FDHIX inception: 11/1/2012
FDHIX Blended Index: 50/50 BofA Merrill Lynch US High Yield Constrained Index / S&P/LSTA Leveraged Loan Index

For broker use only. Not for use with the public.
First Trust Tactical High Yield ETF (HYLS)

Potential Benefits of Investing

- Actively managed high-yield portfolio with a tactical short component.
- Seeks to generate both attractive risk-adjusted and absolute returns over time.
- Seeks to provide high current income, while potentially limiting interest rate risk.
- Management expertise.
- Low correlation to other asset classes.

<table>
<thead>
<tr>
<th>Performance Summary (%) as of 1/31/15</th>
<th>1 Year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAV</td>
<td>1.90</td>
<td>5.59</td>
</tr>
<tr>
<td>Market Price</td>
<td>1.27</td>
<td>5.41</td>
</tr>
<tr>
<td><strong>Index Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BofA Merrill Lynch US High Yield</td>
<td>2.45</td>
<td>4.58</td>
</tr>
<tr>
<td>Constrained Index</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance Summary (%) as of 12/31/14</th>
<th>1 Year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAV</td>
<td>2.43</td>
<td>5.79</td>
</tr>
<tr>
<td>Market Price</td>
<td>2.22</td>
<td>5.76</td>
</tr>
<tr>
<td><strong>Index Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BofA Merrill Lynch US High Yield</td>
<td>2.51</td>
<td>4.41</td>
</tr>
<tr>
<td>Constrained Index</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Fund Details**

- **Fund Ticker**: HYLS
- **Fund Inception**: 2/25/13
- **CUSIP**: 33738D408
- **Intraday NAV**: HYLSIV
- **Primary Listing**: NASDAQ
- **30-Day SEC Yield**: 5.75%
- **Management Fee**: 0.95%
- **Leverage Costs*****: 0.34%
- **Total Annual Expenses**: 1.29%

*Market Price returns are based on the midpoint of the bid/ask spread. Returns are average annualized total returns.

**As of 1/31/15. 30-day SEC yield is calculated by dividing the net investment income per share earned during the most recent 30-day period by the maximum offering price per share on the last day of the period.

***Leverage costs include expenses associated with short sales transactions that potentially raise the total annual expenses of an investor.

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting ftportfolios.com.

For broker use only. Not for use with the public.
**Portfolio Characteristics:**
**First Trust Tactical High Yield ETF (HYLS)**

**Top 10 Holdings**
Based on Market Value as of January 31, 2015

<table>
<thead>
<tr>
<th>Borrower</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Communications Operating LLC</td>
<td>2.39%</td>
</tr>
<tr>
<td>CHS/Community Health Systems, Inc.</td>
<td>2.14%</td>
</tr>
<tr>
<td>Sinclair Television Group, Inc.</td>
<td>2.04%</td>
</tr>
<tr>
<td>Level 3 Financing, Inc.</td>
<td>2.01%</td>
</tr>
<tr>
<td>MGM Resorts International</td>
<td>1.99%</td>
</tr>
<tr>
<td>Infor (US), Inc.</td>
<td>1.98%</td>
</tr>
<tr>
<td>BMC Software Finance, Inc.</td>
<td>1.84%</td>
</tr>
<tr>
<td>Albertsons LLC</td>
<td>1.81%</td>
</tr>
<tr>
<td>Numericable U.S. LLC</td>
<td>1.81%</td>
</tr>
<tr>
<td>Amaya Holdings B.V.</td>
<td>1.78%</td>
</tr>
</tbody>
</table>

**Top 5 Industries**
Based on Market Value as of January 31, 2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media</td>
<td>13.63%</td>
</tr>
<tr>
<td>Health Care Providers &amp; Services</td>
<td>11.10%</td>
</tr>
<tr>
<td>Hotels, Restaurants &amp; Leisure</td>
<td>10.19%</td>
</tr>
<tr>
<td>Diversified Telecommunication Services</td>
<td>6.34%</td>
</tr>
<tr>
<td>Food Products</td>
<td>5.80%</td>
</tr>
</tbody>
</table>

As of 1/31/15, HYLS had approximately $424.8 million in long assets.

Portfolio holdings are subject to change.

*Note: The modifiers “+” or “-” are not included for purposes of the credit rating distribution.*
First Trust Senior Loan Fund (FTSL)

Potential Benefits of Investing

- **Senior Loans:** Senior loans are generally secured by the assets of a given company. Senior loans secured position within a capital structure may mitigate losses in the event of a default.

- **Floating Rate:** The fund may provide an element of protection against rising interest rates because of the floating-rate feature of the senior loans in which the fund invests.

- **Active Management:** FTSL is an actively managed senior loan ETF, providing credit risk management, enhanced liquidity and transparency for senior loan investors.

Fund Details

<table>
<thead>
<tr>
<th>Performance Summary (%) as of 1/31/15</th>
<th>1 Year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAV</td>
<td>1.69</td>
<td>2.24</td>
</tr>
<tr>
<td>Market Price</td>
<td>1.50</td>
<td>2.20</td>
</tr>
<tr>
<td><strong>Index Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P/LSTA Leveraged Loan 100 Index</td>
<td>0.56</td>
<td>1.93</td>
</tr>
<tr>
<td>Markit iBoxx USD Leveraged Loan Index</td>
<td>1.09</td>
<td>2.30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance Summary (%) as of 12/31/14</th>
<th>1 Year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAV</td>
<td>1.90</td>
<td>2.14</td>
</tr>
<tr>
<td>Market Price</td>
<td>2.63</td>
<td>2.67</td>
</tr>
<tr>
<td><strong>Index Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P/LSTA Leveraged Loan 100 Index</td>
<td>0.99</td>
<td>1.92</td>
</tr>
<tr>
<td>Markit iBoxx USD Leveraged Loan Index</td>
<td>1.40</td>
<td>2.21</td>
</tr>
</tbody>
</table>

**Market Price returns are based on the midpoint of the bid/ask spread. Returns are average annualized total returns.**

The S&P/LSTA U.S. Leveraged Loan 100 Index is a market value-weighted index designed to measure the performance of the largest segment of the U.S. syndicated leveraged loan market.

The Markit iBoxx USD Liquid Leveraged Loan Index selects the 100 most liquid senior loans in the market.

Indexes are unmanaged and an investor cannot invest directly in an index.

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting ftportfolios.com.

*As of 1/31/15. 30-day SEC yield is calculated by dividing the net investment income per share earned during the most recent 30-day period by the maximum offering price per share on the last day of the period.

For broker use only. Not for use with the public.
As of 1/31/2015, FTSL had approximately $209.1 million in assets.

Top 10 Holdings
Based on Market Value as of January 31, 2015

<table>
<thead>
<tr>
<th>Borrower</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMC Software Finance, Inc.</td>
<td>3.17%</td>
</tr>
<tr>
<td>Dell, Inc.</td>
<td>2.63%</td>
</tr>
<tr>
<td>CHS/Community Health Systems, Inc.</td>
<td>2.45%</td>
</tr>
<tr>
<td>Freescale Semiconductor, Inc.</td>
<td>2.43%</td>
</tr>
<tr>
<td>Albertsons LLC</td>
<td>2.37%</td>
</tr>
<tr>
<td>Caesars Growth Partners LLC</td>
<td>2.33%</td>
</tr>
<tr>
<td>Formula One (Delta 2 Lux S.A.R.L.)</td>
<td>2.30%</td>
</tr>
<tr>
<td>BJ’s Wholesale Club, Inc.</td>
<td>2.28%</td>
</tr>
<tr>
<td>Ortho-Clinical Diagnostics, Inc.</td>
<td>2.27%</td>
</tr>
<tr>
<td>Amaya Holdings B.V.</td>
<td>2.21%</td>
</tr>
</tbody>
</table>

Top 5 Industries
Based on Market Value as of January 31, 2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels, Restaurants &amp; Leisure</td>
<td>12.61%</td>
</tr>
<tr>
<td>Media</td>
<td>9.32%</td>
</tr>
<tr>
<td>Health Care Providers &amp; Services</td>
<td>8.78%</td>
</tr>
<tr>
<td>Life Sciences Tools &amp; Services</td>
<td>6.14%</td>
</tr>
<tr>
<td>Software</td>
<td>5.92%</td>
</tr>
</tbody>
</table>

Portfolio holdings are subject to change.

As of 1/31/2015, FTSL had approximately $209.1 million in assets.

*Note: The modifiers “+” or “-” are not included for purposes of the credit rating distribution.
First Trust Short Duration High Income Fund

Fund Summary – Share Classes (as of 1/31/2015)

Potential Benefits of Investing

- Tactical - Seek the best relative value opportunities across a universe of below investment-grade high-yield bonds and bank loans. Portfolio may capitalize on capital structure opportunities and seek attractive risk-adjusted returns across a broad below investment-grade universe.
- Short duration – the combination of floating rate loans and high-yield bonds is expected to provide a short duration portfolio.
- Management expertise – Rigorous credit process tends to result in a higher credit quality portfolio than the benchmark (Lower exposure to CCC and below rated assets)

Average Annual Total Returns (%) Performance data shown is before tax.

<table>
<thead>
<tr>
<th>(%)</th>
<th>Inception Date</th>
<th>3 Months</th>
<th>YTD</th>
<th>1 Year</th>
<th>Since Inception</th>
<th>Net Expense Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td>11/01/12</td>
<td>-0.15</td>
<td>0.29</td>
<td>1.84</td>
<td>4.79</td>
<td>1.25</td>
</tr>
<tr>
<td>Class C</td>
<td>11/01/12</td>
<td>-0.33</td>
<td>0.23</td>
<td>1.07</td>
<td>3.99</td>
<td>2.00</td>
</tr>
<tr>
<td>Class I</td>
<td>11/01/12</td>
<td>-0.09</td>
<td>0.31</td>
<td>2.09</td>
<td>5.04</td>
<td>1.00</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch US High Yield Master II Constrained Index</td>
<td>-1.50</td>
<td>0.69</td>
<td>2.45</td>
<td>5.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P/LSTA Leveraged Loan Index</td>
<td>-0.45</td>
<td>0.32</td>
<td>1.26</td>
<td>3.68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blended Index**</td>
<td>-0.97</td>
<td>0.50</td>
<td>1.87</td>
<td>4.71</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Maximum Offering Price

<table>
<thead>
<tr>
<th>(%)</th>
<th>Inception Date</th>
<th>3 Months</th>
<th>YTD</th>
<th>1 Year</th>
<th>Since Inception</th>
<th>Net Expense Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>11/01/12</td>
<td>-3.62</td>
<td>-3.24</td>
<td>-1.72</td>
<td>3.13</td>
<td>1.25</td>
</tr>
<tr>
<td>Class C</td>
<td>11/01/12</td>
<td>-1.32</td>
<td>-0.77</td>
<td>0.09</td>
<td>3.99</td>
<td>2.00</td>
</tr>
</tbody>
</table>

130-day SEC yield is calculated by dividing the net investment income per share earned during the most recent 30-day period by the maximum offering price per share on the last day of the period.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit ftportfolios.com for the most recent month-end performance. Performance figures reflect reinvested distributions and changes in net asset value (NAV). Maximum offering price figures reflect 3.5% up-front sales charge for Class A Shares and 1% contingent deferred sales charge for Class C Shares. Investment return and principal value will vary so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all other performance figures are annualized. A sales charge may apply as follows: Class A Shares: Maximum up-front sales charge of 3.50% Class C Shares: Contingent Deferred Sales Charge of 1.00%. See the prospectus for details. Performance listed with sales charge reflects the maximum sales charge.

*As of 6/30/14, pursuant to contract, First Trust has agreed to waive fees and/or pay fund expenses to prevent the net expense ratio of any class of shares of the fund from exceeding 1.00% per year, excluding 12b-1 distribution and service fees, at least until 2/28/2016. Net expense ratio shown above includes 12b-1 distribution and service fees. The total annual operating expenses before any contractual fee waivers and/or expense reimbursements by the advisor would have been: Class A: 1.54%, Class C: 2.29% and Class I: 1.29%. Currently, the net expense ratio is the amount applied to each share’s NAV.

**Blended Index: 50% Bank of America Merrill Lynch US High Yield Master II Constrained Index / 50% S&P/LSTA Index. The Bank of America Merrill Lynch US High Yield Master II Constrained Index is a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default. The S&P/LSTA Leveraged Loan Index is a leveraged loan index which covers the U.S. Loan market. The index reflects the market-weighted performance of institutional leveraged loans in the U.S. loan market based upon real-time market weightings, spreads and interest payments. All of the index components are the institutional tranches (Term Loan A, Term Loan B and higher and Second Lien) of loans syndicated to U.S. loan investors. Performance information for both of these indexes are for illustrative purposes only. The Indexes do not charge management fees or brokerage expenses and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index. All index returns assume that dividends are reinvested when they are received.

For broker use only. Not for use with the public.
**First Trust Short Duration High Income Fund**  
(as of 12/31/2014)

Average Annual Total Returns (%)  
Performance data shown is before tax.

<table>
<thead>
<tr>
<th>(%)</th>
<th>Inception Date</th>
<th>3 Months</th>
<th>YTD</th>
<th>1 Year</th>
<th>Since Inception</th>
<th>Net Expense Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td>11/01/12</td>
<td>0.48</td>
<td>2.04</td>
<td>2.04</td>
<td>4.84</td>
<td>1.25</td>
</tr>
<tr>
<td>Class C</td>
<td>11/01/12</td>
<td>0.30</td>
<td>1.29</td>
<td>1.29</td>
<td>4.04</td>
<td>2.00</td>
</tr>
<tr>
<td>Class I</td>
<td>11/01/12</td>
<td>0.55</td>
<td>2.30</td>
<td>2.30</td>
<td>5.09</td>
<td>1.00</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch US High Yield Master II Constrained Index</td>
<td>-1.06</td>
<td>2.51</td>
<td>2.51</td>
<td>5.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P/LSTA Leveraged Loan Index</td>
<td>-0.51</td>
<td>1.60</td>
<td>1.60</td>
<td>3.68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blended Index**</td>
<td>-0.78</td>
<td>2.07</td>
<td>2.07</td>
<td>4.66</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Maximum Offering Price

<table>
<thead>
<tr>
<th>(%)</th>
<th>Class A</th>
<th>Class C</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Months</td>
<td>-3.03</td>
<td>-0.70</td>
</tr>
<tr>
<td>YTD</td>
<td>-1.54</td>
<td>0.30</td>
</tr>
<tr>
<td>1 Year</td>
<td>-1.54</td>
<td>0.30</td>
</tr>
<tr>
<td>Since Inception</td>
<td>3.12</td>
<td>4.04</td>
</tr>
<tr>
<td>Class A</td>
<td>11/01/12</td>
<td></td>
</tr>
<tr>
<td>Class C</td>
<td>11/01/12</td>
<td></td>
</tr>
</tbody>
</table>

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit ftportfolios.com for the most recent month-end performance. Performance figures reflect reinvested distributions and changes in net asset value (NAV). Maximum offering price figures reflect 3.5% up-front sales charge for Class A Shares and 1% contingent deferred sales charge for Class C Shares. Investment return and principal value will vary so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all other performance figures are annualized. A sales charge may apply as follows: Class A Shares: Maximum up-front sales charge of 3.50%. Class C Shares: Contingent Deferred Sales Charge of 1.00%. See the prospectus for details. Performance listed with sales charge reflects the maximum sales charge.

*As of 6/30/14, pursuant to contract, First Trust has agreed to waive fees and/or pay fund expenses to prevent the net expense ratio of any class of shares of the fund from exceeding 1.00% per year, excluding 12b-1 distribution and service fees, at least until 2/28/2016. Net expense ratio shown above includes 12b-1 distribution and service fees. The total annual operating expenses before any contractual fee waivers and/or expense reimbursements by the advisor would have been: Class A: 1.54%, Class C: 2.29% and Class I: 1.29%. Currently, the net expense ratio is the amount applied to each share’s NAV.

**Blended Index**: 50% Bank of America Merrill Lynch US High Yield Master II Constrained Index / 50% S&P/LSTA Index. The Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index is a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default. The S&P/LSTA Leveraged Loan Index is a leveraged loan index which covers the U.S. Loan market. The index reflects the market-weighted performance of institutional leveraged loans in the U.S. loan market based upon real-time market weightings, spreads and interest payments. All of the index components are the institutional tranches (Term Loan A, Term Loan B and Higher and Second Lien) of loans syndicated to U.S. loan investors. Performance information for both of these indexes are for illustrative purposes only. The Indexes do not charge management fees or brokerage expenses and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index. All index returns assume that dividends are reinvested when they are received.
Portfolio Characteristics: First Trust Short Duration High Income Fund (FDHIX)

Top 10 Holdings
Based on Market Value as of January 31, 2015

<table>
<thead>
<tr>
<th>Borrower</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caesars Growth Partners LLC</td>
<td>2.31%</td>
</tr>
<tr>
<td>Amaya Gaming Group</td>
<td>2.09%</td>
</tr>
<tr>
<td>InVentiv Health, Inc.</td>
<td>2.09%</td>
</tr>
<tr>
<td>Albertsons LLC</td>
<td>2.05%</td>
</tr>
<tr>
<td>Portillo Restaurant Group</td>
<td>2.05%</td>
</tr>
<tr>
<td>BMC Software</td>
<td>1.97%</td>
</tr>
<tr>
<td>Dell International</td>
<td>1.85%</td>
</tr>
<tr>
<td>Infor Software Parent LLC/Infor Software Parent, Inc.</td>
<td>1.62%</td>
</tr>
<tr>
<td>Formula One (AlphaTopco Ltd.)</td>
<td>1.59%</td>
</tr>
<tr>
<td>Ortho-Clinical Diagnostics, Inc.</td>
<td>1.54%</td>
</tr>
</tbody>
</table>

Top 5 Industries
Based on Market Value as of January 31, 2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels, Restaurants &amp; Leisure</td>
<td>13.67%</td>
</tr>
<tr>
<td>Media</td>
<td>11.88%</td>
</tr>
<tr>
<td>Health Care Providers &amp; Services</td>
<td>6.57%</td>
</tr>
<tr>
<td>Life Sciences Tools &amp; Services</td>
<td>6.46%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>5.16%</td>
</tr>
</tbody>
</table>

As of 1/31/2015, the First Trust SDHI Fund had approximately $159.7 million in assets.

*Note: The modifiers “+” or “-” are not included for purposes of the credit rating distribution.

Portfolio holdings are subject to change.

Blended Index: 50% Bank of America Merrill Lynch US High Yield Master II Constrained Index / 50% S&P/LSTA Index
HYLS Long/Short Strategy Expands the Universe of Return Opportunities

- Allows the portfolio to potentially benefit from securities that the investment team believes will underperform the high-yield bond market.
- Intended to allow the Fund to maintain additional long positions while keeping the Fund’s net exposure to the market at a similar level to a long only strategy.
- Shorting high-yield bonds has a natural risk control mechanism, as bonds typically do not trade significantly above par (or call price).
- Allows the ability to potentially exploit relative value opportunities within a company’s capital structure or within an industry group.
- Ability to potentially reduce the volatility of returns over a market cycle compared to a long only strategy.

How Does a Long/Short Strategy Work?
For every $100 the Fund invests:

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy $100 worth of securities long</td>
<td>Borrow securities and sell short $30</td>
<td>Buy $30 worth of securities long using the short sale proceeds</td>
</tr>
</tbody>
</table>

130% Long
30% Short

100% Net Market Exposure

Shorting may result in greater gains or greater losses. Short selling creates special risks which could result in increased volatility of returns. There is no guarantee that any leveraging strategy the fund employs will be successful during any period in which it is employed. This example is for illustrative purposes only.

Portfolio Managers

William Housey, CFA  
*Senior Vice President, Senior Portfolio Manager*  
(18 years experience)

Scott D. Fries, CFA  
*Senior Vice President, Portfolio Manager*  
(20 years experience)

Peter Fasone, CFA  
*Vice President, Portfolio Manager*  
(29 years experience)
First Trust Advisors

Leveraged Finance Team

Portfolio Management*

William Housey, CFA
Senior Portfolio Manager
18 years experience

Scott Fries, CFA
Portfolio Manager
20 years experience

Peter Fasone, CFA
Portfolio Manager
29 years experience

Credit Analytics

Jeff Scott, CFA
Chief Credit Officer
25 years experience
Healthcare, Retail

Orlando Purpura, CFA
Chief Credit Officer
25 years experience
Energy, Finance, Tech

William Housey, CFA
18 years experience
Utilities, Airlines

Greg Olsen, CFA
22 years experience
Gaming, Food, Leisure, Cable

Peter Fasone, CFA
29 years experience
Chemicals, Telecom, Paper/Pack

Scott Fries, CFA
20 years experience
Auto, Publishing, Real Estate, Finance

Brian Kessler, CFA
10 years experience
Generalist

Nathan Miller, CFA
10 years experience
Generalist

Jeffrey Johnson
Generalist

Operations

Ryan Kommers
Director of Operations
18 years experience

Christopher Bradley
Operations Assoc.

Trading

Andy Rybak, CFA
Head Trader
15 years experience

Institutional Sales

Paul McGinn
Jonathan Ackerhalt
Alex Brozyna
Eric Stolber

866-848-9727
Institutionalinvestors@ftportfolios.com

*William Housey is the Senior Portfolio Manager for the First Trust Senior Floating Rate Income Fund II, the First Trust Short Duration High Income Fund, the First Trust Tactical High Yield ETF, and the First Trust Senior Loan ETF.

Scott Fries is a Co-Portfolio Manager for the First Trust Senior Floating Rate Income Fund II, the First Trust Short Duration High Income Fund, the First Trust Tactical High Yield ETF and the First Trust Senior Loan ETF.

Peter Fasone is a Co-Portfolio Manager for the First Trust Short Duration High Income Fund and the First Trust Tactical High Yield ETF.
First Trust Advisors Leveraged Finance Team Biographies

William Housey, CFA – Senior Vice President, Senior Portfolio Manager
Mr. Housey joined First Trust Advisors in June 2010 as the Senior Portfolio Manager for the Leveraged Finance Investment Team and has 18 years of investment experience. Prior to joining First Trust, Mr. Housey was at Morgan Stanley Investment Management and its wholly owned subsidiary, Van Kampen Funds, Inc. for 11 years where he last served as Executive Director and Co-Portfolio Manager. Mr. Housey has extensive experience in the portfolio management of both leveraged and unleveraged credit products, including senior loans, high-yield bonds, credit derivatives and corporate restructurings. Mr. Housey received a B.S. in Finance from Eastern Illinois University and an M.B.A. in Finance as well as Management and Strategy from Northwestern University's Kellogg School of Business. He also holds the FINRA Series 7, Series 52 and Series 63 licenses. Mr. Housey also holds the Chartered Financial Analyst designation. He is a member of the CFA Institute and the CFA Society of Chicago. Mr. Housey also serves on the Village of Glen Ellyn, IL Police Pension Board.

Scott D. Fries, CFA – Senior Vice President, Portfolio Manager
Mr. Fries joined First Trust Advisors in June 2010 as Portfolio Manager in the Leveraged Finance Investment Team and has 20 years of investment industry experience. Prior to joining First Trust, Mr. Fries spent 15 years at Morgan Stanley/Van Kampen Funds, Inc. where he most recently served as Executive Director and Co-Portfolio Manager of Institutional Separately Managed Accounts. Mr. Fries received a B.A. in International Business from Illinois Wesleyan University and an M.B.A. in Finance from DePaul University. Mr. Fries holds the Chartered Financial Analyst designation. He is a member of the CFA Institute and the CFA Society of Chicago.

Peter Fasone, CFA – Vice President, Portfolio Manager
Mr. Fasone joined First Trust Advisors in December 2011. He serves as a Portfolio Manager and has 29 years of industry experience, most recently as Senior Global Credit Analyst with BNP Paribas Asset Management. Since 1996, his focus has been primarily on investing in high yield and investment grade bonds for total return and structured credit portfolios. Prior to BNP, Mr. Fasone served as Portfolio Manager and Senior Analyst for Fortis Investments. From 2001 to 2008 he was Vice President and Senior Analyst at ABN AMRO Asset Management where he assumed a leadership role in designing and implementing a disciplined investment process for ABN's $1 billion global high yield fund. Mr. Fasone received a B.S. degree from Arizona State University and an M.B.A. degree from DePaul University's Kellstadt Graduate School of Business. He holds the Chartered Financial Analyst designation and a Certified Public Accountant designation. He is a member of the CFA Institute and the CFA Society of Chicago.

Orlando Purpura, CFA – Vice President, Chief Credit Officer
Mr. Purpura joined First Trust Advisors in May 2013 as Chief Credit Officer of the Leveraged Finance Investment Team and has 25 years of investment industry experience. Prior to joining First Trust, Mr. Purpura was at Allstate Investments LLC where he served as Portfolio Manager in the Equity Special Situations Group that invested in the public equity of companies in various stages of distress. Additionally, he also was a Portfolio Manager in the Private Placement Group where he completed corporate restructurings and workouts for troubled credits held in the investment portfolio. Prior to Allstate Investments, Orlando was a founding partner at Tall Tree Investment Management LLC, an institutional money manager that focuses on Senior Secured Bank Loans in structured finance vehicles. Before moving to TallTree, Orlando was a Senior Distressed Debt Analyst and Workout specialist at Van Kampen Investments where he specialized in leading the credit oversight and trading strategy for workouts and restructurings across various industries. In the early 1990s, Orlando began his credit career at Sanwa Business Credit Corporation that specialized in below investment grade non-traditional lending and leasing. Mr. Purpura received a B.S. in Finance from Elmhurst College and an M.B.A. in Finance from DePaul University. Mr. Purpura holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago. He also is an affiliate member of the Chartered Market Institute, Chicago Chapter.
First Trust Advisors Leveraged Finance Team Biographies

**Gregory Olsen, CFA – Senior Vice President, Portfolio Specialist and Senior Credit Analyst**
Mr. Olsen is a Senior Credit Analyst and Portfolio Specialist for the Leveraged Finance Investment Team at First Trust Advisors and has 22 years of investment experience. Mr. Olsen served most recently as Executive Director and Portfolio Specialist in leveraged finance for Morgan Stanley/Van Kampen. His professional experience is concentrated within the credit markets including senior secured loans, high-yield bonds, and convertible securities. Mr. Olsen has traveled extensively throughout the world to work with a broad range of institutional and retail clients. His client experience spans sovereign wealth funds, pension plans, foundations, corporations, family offices, high net worth retail, and traditional retail investors in North America, Europe and Asia. Mr. Olsen received a B.S. in business administration from Illinois Wesleyan University and an M.B.A. with a concentration in finance from DePaul University. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago.

**Jeffrey Scott, CFA – Vice President, Chief Credit Officer**
Mr. Scott is Chief Credit Officer for the Leveraged Finance Investment Team at First Trust Advisors. He has 25 years of experience in the investment management industry and has extensive experience in credit analysis, product development, and product management. Prior to joining First Trust Advisors, Jeff served as an Assistant Portfolio Manager and as a Senior Credit Analyst for Morgan Stanley/Van Kampen from October 2008 to June 2010. As Assistant Portfolio Manager, Jeff served on a team that managed over $4.0 billion of Senior Loan assets in three separate funds: Van Kampen Senior Loan Fund; Van Kampen Senior Income Trust; and Van Kampen Dynamic Credit Opportunities Fund. His responsibilities included assisting with portfolio construction, buy and sell decision making, and monitoring fund liquidity and leverage. Mr. Scott earned a B.S. in finance and economics from Elmhurst College and an M.B.A. with specialization in analytical finance and econometrics and statistics from the University of Chicago. He also holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago.

**Andy Rybak, CFA – Vice President, Trader**
Mr. Rybak is the Trader for the Leveraged Finance Investment Team at First Trust Advisors. Mr. Rybak has approximately 15 years of investment industry experience. Prior to joining First Trust, he served as a Senior Associate and team leader overseeing Portfolio Management Support within the Morgan Stanley / Van Kampen Senior Loan Operations Group. Previously at Morgan Stanley / Van Kampen, he worked in the Financial Control group, as well as in the Non-Financial Data and Reporting Group. Mr. Rybak has a B.S. in marketing and an M.B.A. in finance from Lewis University. Mr. Rybak holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago.

**Brian Kessler, CFA – Vice President, Assoc. Credit Analyst**
Mr. Kessler is an Associate Credit Analyst for the Leveraged Finance Investment Team at First Trust Advisors. Mr. Kessler is a Generalist, providing research support to the team. He has approximately 10 years of financial experience, all of which have been at First Trust. He received his B.A. from Western Michigan University. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago.
Nathan Miller, CFA – Associate, Assoc. Credit Analyst
Mr. Miller is an Associate Credit Analyst for the Leveraged Finance Investment Team at First Trust Advisors. Mr. Miller is a Generalist, providing research support to the team. He has 10 years of investment industry experience. Prior to joining First Trust, he served as an equity analyst at Guggenheim Funds, performing research and selection for Unit Investment Trusts. Mr. Miller received a B.S. in Finance from University of Illinois at Chicago. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago.

Jeffrey Johnson – Associate, Assoc. Analyst
Mr. Johnson is an Associate Analyst for the Leveraged Finance Investment Team at First Trust Advisors. Mr. Johnson specializes in research and data collection. He began his career at First Trust in June 2014. Mr. Johnson graduated from Illinois Wesleyan University, where he received a B.A. in Business Administration, specializing in Finance.

Ryan Kommers – Vice President, Manager of Operations
Mr. Kommers is Manager of Operations for the Leveraged Finance Investment Team at First Trust Advisors. Mr. Kommers has 18 years of investment industry experience. Prior to joining First Trust, he served as Vice President, co-manager and compliance officer of structured products in the Senior Loan Group at Morgan Stanley / Van Kampen. Prior to his role as Co-manager of Operations, Mr. Kommers was an operations specialist for the Senior Loan Group. Mr. Kommers received a B.A. in history from University of Illinois.

Christopher Bradley – Associate, Operations Associate
Mr. Bradley is an Operations Associate for the Leveraged Finance Investment Team at First Trust Advisors. Mr. Bradley specializes in trade settlement and data recon. He began his career at First Trust in June 2013. Mr. Bradley graduated from Wheaton College, where he received a B.A. in Economics.
You could lose money by investing in the Fund. There can be no assurance that the Fund will achieve its investment objectives. An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

**BANK LOANS RISK.** An investment in bank loans subjects the Fund to credit risk, which is heightened for loans in which the Fund invests because companies that issue such loans tend to be highly leveraged and thus are more susceptible to the risks of interest deferral, default and/or bankruptcy. Senior floating rate loans, in which the Fund invests, 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 below-investment grade fixed income instruments. An economic downturn would generally lead to a higher non-payment rate, and a senior floating rate loan may lose significant market value before a default occurs. Moreover, any specific collateral used to secure a senior floating rate loan may decline in value or become illiquid, which would adversely affect the loan’s value. Unlike the securities markets, there is no central clearinghouse for loan trades, and the loan market has not established enforceable settlement standards or remedies for failure to settle. Therefore, portfolio transactions in loans may have uncertain settlement time periods. Senior floating rate loans are subject to a number of risks described elsewhere in this prospectus, including liquidity risk and the risk of investing in below-investment grade fixed income instruments. Furthermore, increases in interest rates may result in greater volatility of senior floating rate loans and average interest rate duration may fluctuate with movements in interest rates.

**CONVERTIBLE BONDS RISK.** The market values of convertible bonds tend to decline as interest rates increase and, conversely, to increase as interest rates decline. A convertible bond’s market value also tends to reflect the market price of the common stock of the issuing company.

**CREDIT RISK.** Credit risk is the risk that an issuer of a security may be unable or unwilling to make dividend, interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer’s ability or willingness to make such payments. Credit risk may be heightened for the Fund because it invests a substantial portion of its net assets in high yield or “junk” debt; such securities, while generally offering higher yields than investment grade debt with similar maturities, involve greater risks, including the possibility of dividend or interest deferral, default or bankruptcy, and are regarded as predominantly speculative with respect to the issuer’s capacity to pay dividends or interest and repay principal. Credit risk is heightened for loans in which the Fund invests because companies that issue such loans tend to be highly leveraged and thus are more susceptible to the risks of interest deferral, default and/or bankruptcy.

**CURRENCY RISK.** The Fund may hold investments that are denominated in non-U.S. currencies, or in securities that provide exposure to such currencies, currency exchange rates or interest rates denominated in such currencies. Changes in currency exchange rates and the relative value of non-U.S. currencies will affect the value of the Fund’s investment and the value of your Fund shares. Currency exchange rates can be very volatile and can change quickly and unpredictably. As a result, the value of an investment in the Fund may change quickly and without warning and you may lose money.
HIGH YIELD SECURITIES RISK. High yield securities, or “junk bonds,” are subject to greater market fluctuations and risk of loss than securities with higher investment ratings. These securities are issued by companies that may have limited operating history, narrowly focused operations, and/or other impediments to the timely payment of periodic interest and principal at maturity. If the economy slows down or dips into recession, the issuers of high yield securities may not have sufficient resources to continue making timely payment of periodic interest and principal at maturity. The market for high yield securities is smaller and less liquid than that for investment grade securities. High yield securities are generally not listed on a national securities exchange but trade in the over-the-counter markets. Due to the smaller, less liquid market for high yield securities, the bid-offer spread on such securities is generally greater than it is for investment grade securities and the purchase or sale of such securities may take longer to complete.

INCOME RISK. If interest rates fall, the income from the Fund’s portfolio may decline as the Fund generally holds floating rate debt that will adjust lower with falling interest rates. For loans, interest rates typically reset every 30 to 90 days.

INTEREST RATE RISK. Interest rate risk is the risk that the value of the debt securities held by the Fund will decline because of rising market interest rates. Interest rate risk is generally lower for shorter term investments and higher for longer term investments. Duration is a common measure of interest rate risk, which measures a bond’s expected life on a present value basis, taking into account the bond’s yield, interest payments and final maturity. Duration is a reasonably accurate measure of a bond’s price sensitivity to changes in interest rates. The longer the duration of a bond, the greater the bond’s price sensitivity is to changes in interest rates.

LIQUIDITY RISK. The Fund invests a substantial portion of its assets in lower-quality debt issued by companies that are highly leveraged. Lower-quality debt tends to be less liquid than higher-quality debt. Moreover, smaller debt issues tend to be less liquid than larger debt issues. If the economy experiences a sudden downturn, or if the debt markets for such companies become distressed, the Fund may have particular difficulty selling its assets in sufficient amounts, at reasonable prices and in a sufficiently timely manner to raise the cash necessary to meet any potentially heavy redemption requests by Fund shareholders.

MARKET RISK. Market risk is the risk that a particular security owned by the Fund or shares of the Fund in general may fall in value. Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in securities prices. Overall Fund share values could decline generally or could underperform other investments.

NON-U.S. SECURITIES RISK. Non-U.S. securities are subject to higher volatility than securities of domestic issuers due to possible adverse political, social or economic developments; restrictions on foreign investment or exchange of securities; lack of liquidity; currency exchange rates; excessive taxation; government seizure of assets; different legal or accounting standards; and less government supervision and regulation of exchanges in foreign countries.

PREPAYMENT RISK. Loans and other fixed income investments are subject to prepayment risk. The degree to which borrowers prepay loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the financial condition of the borrower and competitive conditions among loan investors, among others. As such, prepayments cannot be predicted with accuracy. Upon a prepayment, either in part or in full, the actual outstanding debt on which the Fund derives interest income will be reduced. The Fund may not be able to reinvest the proceeds received on terms as favorable as the prepaid loan.
ETF Risks and Considerations

ETF CHARACTERISTICS

The funds list and principally trade their shares on the NASDAQ Stock Market LLC. Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Market prices may differ to some degree from the net asset value of the shares. Investors who sell fund shares may receive less than the share’s net asset value. Shares may be sold throughout the day on the exchange through any brokerage account. However, unlike mutual funds, shares may only be redeemed directly from the funds by authorized participants, in very large creation/redemption units.

FIRST TRUST SENIOR LOAN FUND (FTSL) RISKS

The fund’s shares will change in value and you could lose money by investing in the fund. The fund is subject to management risk because it is an actively managed portfolio. In managing the fund’s investment portfolio, the advisor will apply investment techniques and risk analyses that may not have the desired result. There can be no assurance that the fund’s investment objectives will be achieved.

The fund is subject to market risk. Market risk is the risk that a particular security owned by the fund or shares of the fund in general may fall in value.

Senior floating-rate 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. High-yield securities, or “junk” bonds, are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, may be highly speculative. These securities are issued by companies that may have limited operating history, narrowly focused operations, and/or other impediments to the timely payment of periodic interest and principal at maturity. The market for high-yield securities is smaller and less liquid than that for investment grade securities.

Senior Loan securities are subject to numerous risks, including credit risk, interest rate risk, income risk and prepayment risk. Credit risk is the risk that an issuer of a security will be unable or unwilling to make dividend, interest and/or principal payments when due and that the value of a security may decline as a result. Credit risk may be heightened for senior loans because companies that issue loans tend to be highly leveraged and thus are more susceptible to the risks of interest deferral, default and/or bankruptcy. Interest rate risk is the risk that if interest rates rise, the prices of the fixed-rate instruments held by the fund may fall. Income risk is the risk that if interest rates fall, the income from the fund’s portfolio will decline as the fund intends to hold floating-rate debt that will adjust lower with falling interest rates. Loans are subject to pre-payment risk. The degree to which borrowers prepay loans may be affected by general business conditions, the financial condition of the borrower and competitive conditions among loan investors, among others. The fund may not be able to reinvest the proceeds received on terms as favorable as the prepaid loan.

The fund invests in securities of non-U.S. issuers which are subject to higher volatility than securities of U.S. issuers. Because the fund’s NAV is determined on the basis of U.S. dollars and the fund invests in non-U.S. securities, you may lose money if the local currency of a non-U.S. market depreciates against the U.S. dollar.

The fund currently intends to effect a significant portion of creations and redemptions for cash, rather than in-kind securities. As a result, the fund may be less tax-efficient.

The fund is classified as “non-diversified” and may invest a relatively high percentage of its assets in a limited number of issuers. As a result, the 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.

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.
ETF Risks and Considerations Continued

FIRST TRUST TACTICAL HIGH YIELD ETF (HYLS) RISKS

The fund’s shares will change in value and you could lose money by investing in the fund. The fund is subject to management risk because it is an actively managed portfolio. In managing the fund’s investment portfolio, the advisor will apply investment techniques and risk analyses that may not have the desired result. There can be no assurance that the fund’s investment objectives will be achieved.

The fund is subject to market risk. Market risk is the risk that a particular security owned by the fund or shares of the fund in general may fall in value.

High-yield securities, or "junk" bonds, are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, may be highly speculative. These securities are issued by companies that may have limited operating history, narrowly focused operations, and/or other impediments to the timely payment of periodic interest and principal at maturity. The market for high-yield securities is smaller and less liquid than that for investment grade securities.

High-yield securities are subject to credit risk, interest rate risk, and income risk. Credit risk is the risk that an issuer of a security will be unable or unwilling to make dividend, interest and/or principal payments when due and that the value of a security may decline as a result. Interest rate risk is the risk that if interest rates rise, the prices of the fixed-rate instruments held by the fund may fall. Income risk is the risk that if interest rates fall, the income from the fund’s portfolio will decline as the fund intends to hold floating-rate debt that will adjust lower with falling interest rates.

Companies that issue loans tend to be highly leveraged and thus are more susceptible to the risks of interest deferral, default and/or bankruptcy. Senior floating rate loans, in which the fund may invest, 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. Loans are subject to prepayment risk. The degree to which borrowers prepay loans may be affected by general business conditions, the financial condition of the borrower and competitive conditions among loan investors, among others. The fund may not be able to reinvest the proceeds received on terms as favorable as the prepaid loan.

The market values of convertible bonds tend to decline as interest rates increase and, conversely, to increase as interest rates decline. A convertible bond’s market value also tends to reflect the market price of the common stock of the issuing company.

The fund may invest in distressed securities and many distressed securities are illiquid or trade in low volumes and thus may be more difficult to value. In times of unusual or adverse market, economic, regulatory or political conditions, the fund may not be able, fully or partially, to implement its short selling strategy. Short selling creates special risks which could result in increased volatility of returns and may result in greater gains or greater losses.

The fund invests in securities of non-U.S. issuers which are subject to higher volatility than securities of U.S. issuers. Because the fund’s NAV is determined on the basis of U.S. dollars and the fund invests in non-U.S. securities, you may lose money if the local currency of a non-U.S. market depreciates against the U.S. dollar.

The fund currently intends to effect a portion of creations and redemptions for cash, rather than in-kind securities. As a result, the fund may be less tax-efficient.

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 Barclays Capital US Aggregate Bond Index covers the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS.

The Barclays Capital 1-5 Year US TIPS Index tracks inflation-protected securities issued by the U.S. Treasury with maturities from 1 and up to 5 years.

The Barclays Capital 1-3 Year Treasury Index consists of public obligations of the U.S. Treasury with maturities from 1 and up to 3 years.

The Barclays Capital US Government Index is comprised of the U.S. Treasury and U.S. Agency Indices and includes Treasuries and U.S. agency debentures.

The Barclays Capital US Corporate Investment Grade Index consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

The S&P/LSTA Leveraged Loan 100 Index is designed to track the current outstanding balance and spread over LIBOR for fully funded term loans.

The BofA Merrill Lynch U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market but caps issuer exposure at 2%.

The BofA Merrill Lynch Fixed Rate Preferred Securities Index tracks the performance of fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market.

The Barclays Capital Intermediate U.S. Treasury Index includes all publicly issued U.S. Treasury securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years, are rated investment grade, and have $250 million or more of outstanding face value.

The Russell 1000 Index is an unmanaged index of 1000 stocks used to measure the largest and most liquid stocks based and traded in the U.S.

The Alerian MLP Index is a composite of the 50 most prominent energy master limited partnerships calculated using a float-adjusted market capitalization methodology.

The Barclays Capital U.S. Mortgage-Backed Securities (MBS) Index covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

The Barclays Capital US Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

The Barclays Emerging Markets Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers.

The Credit Suisse Leveraged Loan Index is an index designed to mirror the investable universe of the $US-denominated leveraged loan market.

The Markit iBoxx USD Leveraged Loan Index selects the 100 most liquid senior loans in the market.

The Barclays Capital Municipal Bond Index covers the USD-denominated long-term tax exempt bond market.
You should consider each 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 funds. The prospectus or summary prospectus should be read carefully before investing.