First Trust

STRATEGIC RISK MODEL PORTFOLIOS

1Q 2022 ALLOCATIONS

MODEL OVERVIEW

The First Trust Strategic Risk Model Portfolios consist of ETFs and are created by the First Trust Advisors Model Investment Committee. These models are aimed at total return while diversifying the risk exposure of various asset classes over the long term and are designed to provide financial professionals with a foundation to build scalable asset allocation solutions for their clients.

ASSET ALLOCATION VIEWS AND RATIONALE

EQUITY ALLOCATION

Macro Positioning	Favor U.S. Equity Outlook	We believe the U.S. economy will continue to grow significantly above trend in 2022, driven by strong consumer spending and industrial activity. Cash-rich consumer balance sheets, relatively low credit utilization, and a return of demand for consumer services provide a source of potential upside to personal spending. We expect industrial activity to remain robust as inventories need to increase to meet strong end market demand, and businesses are motivated to increase capital expenditures to both improve labor market productivity and enhance the reliability of supply chains. Additionally, we expect the impulse from profligate fiscal spending and monetary accommodation to remain stimulative to both growth and inflation, providing not only a boost to corporate revenue, but also profit margin as firms enjoy strong pricing power. We see the high level of innovation and labor market flexibility inherent in the U.S. system as providing the U.S. with inherent secular advantages. That said, given attractive valuation and the potential for a cyclical recovery and re-accelerating earnings growth abroad, we continue to see opportunities internationally, particularly in Europe.
Style Positioning	Favor Mid-Cap U.S. Equities and Value	We are maintaining our value emphasis this quarter, as we see the potential for a continued cyclical recovery in value-oriented sectors and industries, such as financial services and the industrial sector. On a size basis, both small and mid-cap equities look attractively valued relative to large-cap equities and, like value, should also benefit from the potential for continued above trend economic growth into 2022. We emphasize mid-cap equities over small-cap equities to lower the overall risk of the models.
Sector Positioning	Favor Industrials, Financials, and Energy vs. Other Sectors	We believe industrial sector stocks are poised to benefit from strong domestic manufacturing activity, robust corporate capital investment, and improved pricing power in an inflationary, tight inventory environment. We also favor banking stocks within the financial sector, which not only offer attractive valuation, but also could benefit from any steepening of the yield curve, as well as the potential for bad debt reserve releases and improved loan growth during a period of anticipated economic strength. In addition to the above sectors, we are emphasizing energy sector names, which should benefit from tighter oil inventories as demand growth improves over time, as well as internet related holdings, which benefit from increasing e-commerce penetration, and the ability to capitalize on vast troves of user generated data. While we continue to view pro-cyclical consumer discretionary stocks as well positioned to benefit from the robust environment for consumer spending, we reduce exposure to this sector on valuation.
International Positioning	Favor European Equities	We maintain our overweight positioning in Europe, while modestly reducing our positioning in Emerging Market equities. We believe that valuation levels in European markets are attractive, and that the European economy stands to benefit from robust manufacturing activity, improvement in industrial activity and strong export growth. The European market also is more exposed than some markets, such as the technology heavy U.S., to business cycle sensitive sectors, such as industrials. Meanwhile, we are incrementally more cautious towards Emerging Market equities this quarter as Chinese growth continues to moderate, and increased regulatory scrutiny of corporate business practices weighs on sentiment toward Chinese equities.

ALTERNATIVES ALLOCATION

Strategy Positioning	Favor Absolute Return Strategies	Absolute return strategies, such as managed futures and long/short commodities, currently provide the potential for returns which are less correlated to traditional asset classes such as stocks and bonds, in our opinion. The low correlations to traditional asset classes help improve a model's overall diversification profile, potentially providing lower overall portfolio risk and an improved drawdown profile.

ASSET ALLOCATION VIEWS AND RATIONALE CONTINUED

FIXED INCOME OVERVIEW

We enter 2022 with a U.S. economy that is expected to grow above long-term trends, albeit at a slower pace than the growth posted in 2021, and an inflation rate that is running hotter than at any time in the last 39 years. The Fed has begun tightening monetary policy by beginning to taper its quantitative easing program and is expected to end the program entirely by the end of March. Once completed, we believe the Fed will also begin to increase short-term interest rates in the new year. Despite the indication of tighter financial conditions to come, the Fed posture towards monetary policy remains accommodative, and in this environment, with rich valuations across much of the fixed income landscape and robust credit fundamentals, our recommendation is to maintain a shorter duration relative to benchmarks and seek areas of the market that can offer durability, such as floating rate instruments, as rates increase.

SECTOR POSITIONING

Ultra-Short Maturity	As interest rates increase, we believe ultra-short securities will prove defensive in that they are likely to exhibit lower volatility relative to other fixed income sectors while offering the potential for enhanced income relative to cash. However, yields on these securities have remained near historic lows given the Fed's actions to keep short-term rates near 0%.
Mortgage-Backed Securities	We maintain exposure to agency mortgage-backed securities (MBS) because we believe they have limited credit risk and can reduce the overall model risk given their lower correlation to corporate credit. We believe generic and index-based MBS are most at risk as the Fed slows and eventually terminates its asset purchases. While MBS valuation levels are elevated and duration extension is a concern, we continue to actively manage this risk and have increasingly allocated to sub-sectors within MBS that offer income and duration risk management opportunities.
Senior Loans	Inflows into senior loan funds have reached 12 consecutive months, this after over 24 consecutive months outflows. We believe corporate fundamentals within the senior loan market remain robust as evidenced by the low default rate within the market. Bank loan spreads over LIBOR have been relatively stable despite interest rate volatility. Should interest rates move higher, as we expect them to, we believe the senior loan asset class will continue to benefit as investors seek areas of the market insulated from interest rate risk.
Investment Grade Corporate Bonds	We believe corporate credit fundamentals remain a strong point for the investment grade corporate market. Valuations have cheapened recently in the wake of interest rate volatility but remain tight on a historical basis. We believe rising rates are the primary risk to the broad investment grade corporate bond universe. Within the investment grade market, we prefer exposure to short duration securities.

MODEL ALLOCATIONS AS OF 12/31/21

EQUITY ALLOCATION	TICKER	CONSERVATIVE 17.0%	CONSERVATIVE GROWTH 35.0%	BALANCED GROWTH 50.0%	MODERATE GROWTH 70.0%	AGGRESSIVE GROWTH 85.0%
DOMESTIC CORE						
First Trust Large Cap Growth AlphaDEX® Fund	FTC	–	4.5%	4.5%	7.0%	8.5%
First Trust Large Cap Value AlphaDEX® Fund	FTA	–	7.5%	8.5%	11.0%	11.5%
First Trust Capital Strength ETF	FTCS	3.0%	5.0%	3.0%	3.5%	4.0%
First Trust Value Line® Dividend Index Fund	FVD	3.0%	5.5%	2.5%	2.0%	3.5%
First Trust Large Cap Core AlphaDEX® Fund	FEX	7.0%	–	–	–	–
First Trust NASDAQ-100 Equal Weighted Index Fund	QQEW	–	–	3.0%	–	–
First Trust Mid Cap Core AlphaDEX® Fund	FNX	–	–	3.0%	3.5%	5.0%
First Trust Rising Dividend Achievers ETF	RDVY	–	–	3.5%	3.0%	4.0%
INTERNATIONAL CORE						
First Trust Europe AlphaDEX® Fund	FEP	–	–	8.5%	9.5%	10.0%
First Trust Emerging Markets AlphaDEX® Fund	FEM	–	2.0%	2.0%	2.5%	4.0%
First Trust Developed Markets ex-US AlphaDEX® Fund	FDT	4.0%	7.5%	3.0%	6.5%	9.0%
SATELLITE						
First Trust Dow Jones Internet Index Fund	FDN	–	–	3.0%	4.0%	5.0%
First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR	–	3.0%	3.5%	3.5%	4.0%
First Trust NASDAQ-100-Technology Sector Index Fund	QTEC	–	–	–	5.5%	7.0%
First Trust Nasdaq Bank ETF	FTXO	–	–	2.0%	2.5%	3.0%
First Trust Consumer Discretionary AlphaDEX® Fund	FXD	–	–	–	3.5%	4.0%
First Trust Energy AlphaDEX® Fund	FXN	–	–	–	2.5%	2.5%
ALTERNATIVES ALLOCATION	**TICKER**	**8.0%**	**10.0%**	**12.0%**	**10.0%**	**5.0%**
First Trust Alternative Absolute Return Strategy ETF	FAAR	5.0%	6.0%	7.0%	5.0%	2.5%
First Trust Managed Futures Strategy Fund	FMF	3.0%	4.0%	5.0%	5.0%	2.5%
FIXED INCOME ALLOCATION	**TICKER**	**60.0%**	**50.0%**	**38.0%**	**20.0%**	**10.0%**
U.S. MORTGAGE-BACKED						
First Trust Low Duration Opportunities ETF	LMBS	20.0%	15.5%	5.0%	–	–
U.S. CORPORATE – HIGH YIELD						
First Trust Senior Loan Fund	FTSL	5.0%	4.5%	6.0%	5.0%	–
U.S. OPPORTUNISTIC CORE						
First Trust TCW Opportunistic Fixed Income ETF	FIXD	35.0%	30.0%	27.0%	15.0%	10.0%
SHORT MATURITY ALLOCATION	**TICKER**	**15.0%**	**5.0%**	**–**	**–**	**–**
First Trust Enhanced Short Maturity ETF	FTSM	15.0%	5.0%	–	–	–

ALLOCATION CHANGES AS OF 12/31/21

		CONSERVATIVE	CONSERVATIVE GROWTH	BALANCED GROWTH	MODERATE GROWTH	AGGRESSIVE GROWTH
EQUITY ALLOCATION	**TICKER**	–	–	–	–	–
DOMESTIC CORE						
First Trust Large Cap Growth AlphaDEX® Fund	FTC	–	–	–	–	–
First Trust Large Cap Value AlphaDEX® Fund	FTA	–	–	–	–	–
First Trust Capital Strength ETF	FTCS	–	–	–	+1.5%	+1.5%
First Trust Value Line® Dividend Index Fund	FVD	–	–	–	–	–
First Trust Large Cap Core AlphaDEX® Fund	FEX	–	–	–	–	–
First Trust NASDAQ-100 Equal Weighted Index Fund	QQEW	–	–	–	–	–
First Trust Mid Cap Core AlphaDEX® Fund	FNX	–	–	–	–	–
First Trust Rising Dividend Achievers ETF	RDVY	–	–	–	–	–
INTERNATIONAL CORE						
First Trust Europe AlphaDEX® Fund	FEP	–	–	–	–	–
First Trust Emerging Markets AlphaDEX® Fund	FEM	–	–	–	–	–
First Trust Developed Markets ex-US AlphaDEX® Fund	FDT	–	–	+3.0%	+3.5%	+1.5%
First Trust International Equity Opportunities ETF	FPXI	–	–	-3.0%	-5.0%	-3.0%
SATELLITE						
First Trust Dow Jones Internet Index Fund	FDN	–	–	–	–	–
First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR	–	+3.0%	+1.5%	–	–
First Trust NASDAQ-100-Technology Sector Index Fund	QTEC	–	–	–	+1.5%	+2.0%
First Trust Nasdaq Bank ETF	FTXO	–	–	+2.0%	–	–
First Trust Consumer Discretionary AlphaDEX® Fund	FXD	–	-3.0%	-3.5%	-1.5%	-2.0%
First Trust Energy AlphaDEX® Fund	FXN	–	–	–	–	–
ALTERNATIVES ALLOCATION	**TICKER**	–	–	–	–	–
First Trust Alternative Absolute Return Strategy ETF	FAAR	–	–	–	–	–
First Trust Managed Futures Strategy Fund	FMF	–	–	–	–	–
FIXED INCOME ALLOCATION	**TICKER**	–	–	–	–	–
U.S. MORTGAGE-BACKED						
First Trust Low Duration Opportunities ETF	LMBS	–	–	–	–	–
U.S. CORPORATE – HIGH YIELD						
First Trust Senior Loan Fund	FTSL	–	–	–	–	–
U.S. OPPORTUNISTIC CORE						
First Trust TCW Opportunistic Fixed Income ETF	FIXD	–	–	–	–	–
SHORT MATURITY ALLOCATION	**TICKER**	–	–	–	–	–
First Trust Enhanced Short Maturity ETF	FTSM	–	–	–	–	–

You should consider a 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 a First Trust fund. The prospectus or summary prospectus should be read carefully before investing.

FUND RISK CONSIDERATIONS

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 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 discount to a fund's net asset value and possibly face delisting.

A fund's shares will change in value, and you could lose money by investing in a fund. One of the principal risks of investing in a fund is market risk. Market risk is the risk that a particular stock owned by a fund, fund shares or stocks in general may fall in value. There can be no assurance that a fund's investment objective will be achieved. The outbreak of the respiratory disease designated as COVID-19 in December 2019 has caused significant volatility and declines in global financial markets, which have caused losses for investors. While the development of vaccines has slowed the spread of the virus and allowed for the resumption of "reasonably" normal business activity in the United States, many countries continue to impose lockdown measures in an attempt to slow the spread. Additionally, there is no guarantee that vaccines will be effective against emerging variants of the disease.

A fund's return may not match the return of its underlying index. A fund invests in securities included in the index regardless of investment merit and the securities held by a fund will generally not be bought or sold in response to market fluctuations.

In managing a fund's investment portfolio, the portfolio managers will apply investment techniques and risk analyses that may not have the desired result.

Asset-backed securities 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.

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.

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.

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. 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. Investments linked to the prices of commodities may be considered speculative and subject a fund to greater volatility than investments in traditional securities. A liquid secondary market may not exist for certain commodity-linked derivatives which may make it difficult for a fund to sell them at a desirable price.

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.

Covenant-lite loans contain fewer maintenance covenants than traditional loans and may not include terms that allow the lender to monitor the financial performance of the borrower and declare a default if certain criteria are breached. This may hinder a fund's ability to mitigate problems and increase a fund's exposure to losses on such investments.

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.

As the use of Internet technology has become more prevalent in the course of business, funds have become more susceptible to potential operational risks through breaches in cyber security.

Certain securities are subject to call, credit, inflation, income, interest rate, extension and prepayment risks. These risks could result in a decline in a security's value and/or income, increased volatility as interest rates rise or fall and have an adverse impact on a fund's performance.

A fund's investment in dividend-paying securities may cause a fund to underperform similar funds that do not consider an issuer's track record of paying dividends.

The stocks of companies that have recently conducted an initial public offering are often subject to price volatility and speculative trading. These stocks may have exhibited above average price appreciation in connection with the initial public offering prior to inclusion in a fund. The price of stocks included in a fund may not continue to appreciate and their performance may not replicate the performance exhibited in the past.

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.

The use of listed and OTC derivatives, including futures, options, swap agreements and forward contracts, can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives. These risks are heightened when a fund's portfolio managers use derivatives to enhance a fund's returns or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held by a fund.

Trading on foreign commodity markets is not regulated by any US government agency and may involve risks not applicable to US exchanges. 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. A commodity price may change substantially between periods of trading due to adverse news announcements.

The market value of floating rate securities may fall in a declining interest rate environment and may also fall in a rising interest rate environment if there is a lag between the rise in interest rates and the reset. Income earned by a fund on floating rate securities may decline due to lower coupon payments on floating-rate securities.

Stocks with growth characteristics tend to be more volatile than certain other stocks and their prices may fluctuate more dramatically than the overall stock market.

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 may be a constituent of one or more indices or models which could greatly affect a fund's trading activity, size and volatility.

There is no assurance that the index provider or its agents will compile or maintain the index accurately.

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

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

Leverage may result in losses that exceed the amount originally invested and may accelerate the rates of losses.

To the extent a fund invests in floating or variable rate obligations that use the London Interbank Offered Rate ("LIBOR") as a reference interest rate, it is subject to LIBOR Risk. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, will cease making LIBOR available as a reference rate over a phase-out period that will begin immediately after December 31, 2021. The unavailability or replacement of LIBOR may affect the value, liquidity or return on certain fund investments and may result in costs incurred in connection with closing out positions and entering into new trades. Any potential effects of the transition away from LIBOR on a fund or on certain instruments in which a fund invests can be difficult to ascertain, and they may vary depending on a variety of factors, and they could result in losses to a fund.

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.

A portfolio comprised of low volatility stocks may not produce investment exposure that has lower variability to changes in such stocks' price levels. Low volatility stocks are likely to underperform the broader market during periods of rapidly rising stock prices.

Mortgage-related securities are more susceptible to adverse economic, political or regulatory events that affect the value of real estate. They are also subject to the risk that the rate of mortgage prepayments decreases, which extends the average life of a security and increases the interest rate exposure.

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.

Securities of non-U.S. issuers are subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting non-U.S. issuers. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries. Depositary receipts may be less liquid than the underlying shares in their primary trading market.

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.

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

Short selling creates special risks which could result in increased gains or losses and volatility of returns. Because losses on short sales arise from increases in the value of the security sold short, such losses are theoretically unlimited.

A fund with significant exposure to a single asset class, country, region, industry, or sector may be more affected by an adverse economic or political development than a broadly diversified fund.

Securities of small- and mid-capitalization companies may experience greater price volatility and be less liquid than larger, more established companies. There can be no assurance that the securities held by a fund will stay within a fund's intended market capitalization range.

A fund does not invest directly in commodities. Rather, it invests in a wholly-owned subsidiary, which will have the same investment objective as a fund, but unlike a fund, it may invest without limitation in commodities. 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, as an investor in the subsidiary, will not have all the protections offered to investors in registered investment companies.

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 purchase of TBA ("to be announced") securities may give rise to investment leverage and increase a fund's volatility. In addition, default by, or bankruptcy of, a counterparty to a TBA transaction would expose a fund to possible losses.

Trading on the exchange may be halted due to market conditions or other reasons. There can be no assurance that the requirements to maintain the listing of a fund on the exchange 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.

Due to the lack of centralized information and trading, and variations in lot sizes of certain debt securities, the valuation of debt securities may carry more uncertainty and risk than that of publicly traded securities.

Portfolio holdings that are valued using techniques other than market quotations may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used.

Value stocks are subject to the risk that valuations never improve or that the returns on value stocks are less than returns on other styles of investing or the overall stock market.

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 to a fund.

First Trust Advisors L.P. is registered as a commodity pool operator and commodity trading advisor and is also a member of the National Futures Association.

First Trust Advisors L.P. is the adviser to the First Trust funds. First Trust Advisors L.P. is an affiliate of First Trust Portfolios L.P., the funds' distributor.

Please visit www.ftportfolios.com for the holdings of each First Trust fund and to read a full description of each fund's specific risks before investing.

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