STRATEGIC RISK MODEL PORTFOLIOS

4Q 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	While we acknowledge the risks of persistent inflation and tightening Federal Reserve (Fed) policy, we believe the U.S. economy will remain resilient for some time, with a recession potentially looming in mid to late 2023. While inflation takes a toll, we believe strong wages, low household debt-to-income ratios, and a tight labor market will give consumers the capacity to withstand higher prices. We expect industrial activity to remain in modest expansion as businesses are motivated to increase capital expenditures to both improve labor marker productivity and enhance the reliability of supply chains. We believe asset-heavy cyclical industries may especially benefit from resilient economic growth, given the accretive profit margin impact of both strong pricing power and high-capacity utilization. We expect continued modest earnings growth overall in the U.S. market in the near term. We believe the valuations of the U.S. market are reasonable, as the market is pricing in substantial risk of a near term recession.
Style Positioning	Favor Value over Growth	In our view, growth equities continue to be priced at too high a premium to value given the current rising interest rate environment. We also expect continued investor impatience with longer duration "show me" stories, limiting the potential for a sustained rally in higher multiple growth equities. Consequently, we are maintaining our value emphasis this quarter. We do see the potential for a recovery in value-oriented sectors and industries, such as the financials and industrial sectors, as we believe the economy will avoid a recession until mid to late 2023. On a size basis, both small and mid-cap equities look attractively valued relative to large-cap equities. That said, we emphasize mid-cap equities over small-cap equities to lower the overall risk of the models.
Sector Positioning	Favor Energy, Healthcare, and Financials vs. Other Sectors	We are emphasizing energy sector names, which we expect to continue to generate strong cash flow, as recent years of underinvestment on the part of U.S. producers makes rapid supply recovery difficult. Sanctions on the Russian oil industry further limit supply. We also favor banking stocks within the financials sector, which not only offer attractive valuation, but also benefit from net interest income growth from higher interest rates and increasing credit utilization. In addition to the above sectors, we see opportunity in healthcare equities, not only due to the attractive valuation of the sector, but also the potential for the return of deferred elective healthcare services post-COVID and decreasing political risk in the wake of passage of recent legislation on drug pricing. We are not currently emphasizing the information technology sector overall, and especially favor less exposure to high valuation software industry names within the sector, as we see risk of further multiple compression. We are less positive towards internet equities than previously due to a less favorable outlook for digital ad spending.
International Positioning	Remain Underweight International Equities vs. U.S. Equities	We are less positive towards international equities and reduce exposure this quarter. While we believe that valuation levels in European markets are quite attractive, we believe that the inflationary impact of rising commodity prices, and the supply chain disruption of Russia's war on Ukraine will continue to weigh on the real incomes of consumers, and negatively impact business sentiment, posing downside risk to growth. We retain some caution towards Chinese equities for now, amid moderate growth, slowing fixed asset investment, and increased regulatory scrutiny of corporate business practices.

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.

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This information is not personalized investment advice, research or an investment recommendation from any First Trust entity regarding (i) the funds that make up the model portfolios, (ii) the use of the model portfolios in a client's best interest, or (iii) any security in particular, and is intended for use only by a third party financial professional, with other information, as a resource to help build a portfolio or as an input in the development of investment advice for its own clients. Financial professionals are responsible for making their own independent judgment as to how to use this information in its client's best interest. Only an investor and their financial professional know enough about their circumstances to make an investment decision. First Trust does not have investment discretion over, nor does it place trade orders for, any non-First Trust portfolios or accounts derived from this information. There is no guarantee that any investment strategy illustrated will be successful or achieve any particular result.

Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns.

ASSET ALLOCATION VIEWS AND RATIONALE CONTINUED

FIXED INCOME OVERVIEW

Due to persistently high inflation, the Fed has continued to reiterate its commitment to lowering inflation to its 2% target. The Federal Funds rate was increased by 75 basis points in each of the last three meetings, moving the upper bound to 3.25%. We expect the Fed to continue to raise interest rates into next year, stabilizing the Federal Funds terminal rate around 4.5% before pausing further interest rate increases and observing the implications of such a dramatic move in interest rates over such a short period of time. Importantly, given that the Fed's dual mandate centers on inflation and employment, both of which are typically lagging indicators with respect to overall economic activity, we believe the risk of a policy error by the Fed that results in recession has increased dramatically in 2023. Therefore, as the Fed continues to raise the Federal Funds rate, we continue to favor duration profiles short of the benchmark, but due to more balanced risks and rising recession risk, believe duration extension is warranted. Furthermore, given the potential for a shorter business cycle and increasing recession risk in 2023, we believe it is prudent to increase credit quality.

SECTOR POSITIONING

Ultra-Short Maturity	Short term interest rates have increased rapidly in tandem with the Fed hiking cycle and we expect this to continue over the near term. We expect short term interest rates to produce higher income and exhibit lower volatility than other fixed income sectors.
Mortgage-Backed Securities	Mortgage rates have risen rapidly, driving down refinancing activity which greatly extended durations. While housing is beginning to slow with headwinds primarily focused on affordability driven by supply and demand imbalances, Fed Chair Powell emphasized that they are not considering Mortgage-Backed Securities (MBS) sales over the near term, providing relief to agency MBS and valuations are at levels last experienced during the pandemic. We continue to favor defensive MBS structures and given the extension that has already occurred, increased recession risk and lower risk of Quantitative Tightening MBS sales over the near term, have a more favorable view of higher quality agency backed securities.
High-Yield Bonds	High-yield bonds generated attractive relative returns after prices had previously fallen to approximately 87 cents on the dollar and a 600 OAS (option-adjusted spread) at the end of the second quarter. Higher yields should mitigate some total return downside offsetting spread widening that may come with increasing recession risk. While high-yield spreads over U.S. Treasuries are near the long-term average and defaults are projected to remain low over the near term, we believe recession risk is rising in 2023 and therefore we expect earnings volatility, especially in cyclical and consumer-sensitive segments of the market moving forward. We favor increasing credit quality and owning sectors with acyclical earnings because we expect more favorable opportunities to increase the allocation to high-yield bonds at more attractive valuation levels.
Investment Grade Corporate Bonds	We believe corporate balance sheets are in a strong position outside of cyclical and consumer-oriented sectors. However, we believe forward-looking earnings growth expectations should fall further as companies face pressure from a strong U.S. dollar, slower economic growth and a weakening consumer. Spreads and nominal yields are attractive compared to the last 10 years but the bias in spreads is wider as we believe we are moving closer to a recession. Volatility and fund outflows remain a headwind but also provide opportunities for active managers, in our opinion. We favor defensive sector positioning and are more constructive on the front end of the yield curve where yield is well in excess of duration, although we see opportunities developing along the curve as bond prices fall to reflect higher rates.

MODEL ALLOCATIONS

AS OF 9/30/22

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	–	8.5%	8.5%	11.0%	11.5%
First Trust Capital Strength ETF	FTCS	4.0%	5.0%	3.0%	5.0%	6.0%
First Trust Value Line® Dividend Index Fund	FVD	5.0%	5.5%	2.5%	2.0%	3.5%
First Trust Large Cap Core AlphaDEX® Fund	FEX	5.0%	–	–	–	–
First Trust NASDAQ-100 Equal Weighted Index Fund	QQEW	–	–	3.0%	2.0%	2.5%
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	–	–	3.0%	2.5%	3.5%
First Trust Emerging Markets AlphaDEX® Fund	FEM	–	2.0%	2.0%	2.5%	4.0%
First Trust Developed Markets ex-US AlphaDEX® Fund	FDT	3.0%	5.0%	5.0%	9.0%	11.0%
SATELLITE						
First Trust Dow Jones Internet Index Fund	FDN	–	–	–	2.0%	2.5%
First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR	–	–	3.5%	3.5%	4.0%
First Trust NASDAQ Technology Dividend Index Fund	TDIV	–	–	–	4.5%	5.0%
First Trust Health Care AlphaDEX® Fund	FXH	–	3.0%	4.5%	5.5%	6.5%
First Trust Nasdaq Bank ETF	FTXO	–	–	2.0%	2.5%	3.0%
First Trust Energy AlphaDEX® Fund	FXN	–	1.5%	2.0%	4.5%	4.5%
ALTERNATIVES ALLOCATION	**TICKER**	**8.0%**	**10.0%**	**12.0%**	**10.0%**	**5.0%**
First Trust Alternative Absolute Return Strategy ETF	FAAR	4.0%	5.0%	6.0%	5.0%	2.5%
First Trust Managed Futures Strategy Fund	FMF	4.0%	5.0%	6.0%	5.0%	2.5%
FIXED INCOME ALLOCATION	**TICKER**	**55.0%**	**50.0%**	**38.0%**	**20.0%**	**10.0%**
U.S. MORTGAGE-BACKED						
First Trust Low Duration Opportunities ETF	LMBS	20.0%	15.5%	13.0%	–	–
U.S. OPPORTUNISTIC CORE						
First Trust TCW Opportunistic Fixed Income ETF	FIXD	35.0%	30.0%	25.0%	20.0%	10.0%
U.S. CORPORATE - INVESTMENT GRADE						
iShares 0-5 Year Investment Grade Corporate Bond ETF	SLQD	–	4.5%	–	–	–
SHORT MATURITY ALLOCATION	**TICKER**	**20.0%**	**5.0%**	**–**	**–**	**–**
First Trust Enhanced Short Maturity ETF	FTSM	20.0%	5.0%	–	–	–

ALLOCATION CHANGES

AS OF 9/30/22

EQUITY ALLOCATION	TICKER	CONSERVATIVE	CONSERVATIVE GROWTH	BALANCED GROWTH	MODERATE GROWTH	AGGRESSIVE GROWTH
DOMESTIC CORE						
First Trust Large Cap Growth AlphaDEX® Fund	FTC	–	–	–	–	–
First Trust Large Cap Value AlphaDEX® Fund	FTA	–	–	–	–	–
First Trust Capital Strength ETF	FTCS	+1.0%	–	–	–	–
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	–	–	-1.5%	-2.0%	-2.0%
First Trust Emerging Markets AlphaDEX® Fund	FEM	–	–	–	–	–
First Trust Developed Markets ex-US AlphaDEX® Fund	FDT	-1.0%	-1.5%	–	–	–
SATELLITE						
First Trust Dow Jones Internet Index Fund	FDN	–	–	–	–	–
First Trust Industrials/Producer Durables AlphaDEX® Fund	FXR	–	–	–	–	–
First Trust Nasdaq Bank ETF	FTXO	–	–	–	–	–
First Trust Energy AlphaDEX® Fund	FXN	–	+1.5%	–	+2.0%	+2.0%
First Trust Health Care AlphaDEX® Fund	FXH	–	–	+1.5%	–	–
First Trust NASDAQ Technology Dividend Index Fund	TDIV	–	–	–	–	–

ALTERNATIVES ALLOCATION	TICKER	–	–	–	–	–
First Trust Alternative Absolute Return Strategy ETF	FAAR	-1.0%	-1.0%	-1.0%	–	–
First Trust Managed Futures Strategy Fund	FMF	+1.0%	+1.0%	+1.0%	–	–

FIXED INCOME ALLOCATION	TICKER	–	–	–	–	–
U.S. MORTGAGE-BACKED						
First Trust Low Duration Opportunities ETF	LMBS	–	–	+3.0%	–	–
U.S. CORPORATE – HIGH YIELD						
First Trust Tactical High Yield ETF	HYLS	–	–	-6.0%	-5.0%	–
U.S. OPPORTUNISTIC CORE						
First Trust TCW Opportunistic Fixed Income ETF	FIXD	–	–	+3.0%	+5.0%	–
U.S. CORPORATE - INVESTMENT GRADE						
iShares 0-5 Year Investment Grade Corporate Bond ETF	SLQD	–	–	–	–	–

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.

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 SAI 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.

Some Asian economies are highly dependent on trade with other countries and there is a high concentration of market capitalization and trading volume in a small number of Asian issuers as well as a high concentration of investors and financial intermediaries. Certain Asian countries experience expropriation and nationalization of assets, confiscatory taxation, currency manipulation, political instability, armed conflict and social instability as a result of religious, ethnic, socio-economic and/or political unrest. In particular, escalated tensions involving North Korea could have severe adverse effect on Asian economies. Recent developments between the U.S. and China have heightened concerns of increased tariffs and restrictions on trade.

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.

Banks are especially subject to the adverse effects of economic recession, currency exchange rates, government regulation, decreases in the availability of capital, volatile interest rates, portfolio concentrations in geographic markets and in commercial and residential real estate loans, as well as competition from new entrants. In addition, banks are subject to extensive regulation at both the federal and state level, which may affect permissible activities, profitability and the amount of capital that they must maintain.

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 Chinese central government has historically exercised substantial control over virtually every sector of the Chinese economy through administrative regulation and/or state ownership. Actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China. Export growth continues to be a major driver of China's rapid economic growth. Institution of tariffs or other trade barriers, or a downturn in any of the economies of China's key trading partners may have an adverse impact on the Chinese economy.

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.

Communication services companies are subject to certain risks, which may include 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, often unpredictable changes in consumer tastes and frequent new product introductions. Such companies are particularly vulnerable to domestic and international government regulation, rely heavily on intellectual property rights, and may be adversely affected by the loss or impairment of those rights.

Contingent convertible securities ("CoCos") may provide for mandatory conversion into common stock of the issuer under certain circumstances. Since the common stock of the issuer may not pay a dividend, investors in these instruments could experience a reduced income rate, potentially to zero; and conversion would deepen the subordination of the investor, hence worsening standing in a bankruptcy.

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.

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.

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.

The differences in yield between debt securities of different credit quality may increase which may reduce the market value of a fund's debt securities.

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.

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.

Defaulted securities pose a much greater risk that principal will not be repaid than non-defaulted securities which may result in losses for a fund.

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.

Distressed securities are speculative and often illiquid or trade in low volumes and thus may be more difficult to value and pose a substantial risk of default.

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.

Political or economic disruptions in European countries, even in countries in which a fund is not invested, may adversely affect security values and thus the fund's holdings. A significant number of countries in Europe are member states in the European Union, and the member states no longer control their own monetary policies. In these member states, the authority to direct monetary policies, including money supply and official interest rates for the Euro, is exercised by the European Central Bank. The implications of the United Kingdom's withdrawal from the European Union are difficult to gauge and cannot yet be fully known.

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.

Financial services companies are subject to the adverse effects of economic recession, currency exchange rates, government regulation, decreases in the availability of capital, volatile interest rates, portfolio concentration in geographic markets, industries or products, and competition from new entrants in their fields of business.

Fixed-to-floating rate securities are securities that have a fixed dividend rate for an initial term that converts to a floating dividend rate upon the expiration of the initial term. While fixed-to- floating rate securities can be less sensitive to interest rate risk than fixed-rate securities they generally carry lower yields than similar fixed- rate securities.

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.

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.

RISK CONSIDERATIONS CONTINUED

Health care companies may be affected by government regulations and government health care programs, increases or decreases in the cost of medical products and services and product liability claims, among other factors. Many health care companies are heavily dependent on patent protection, and the expiration of a company's patent may adversely affect that company's profitability. Health care companies are also subject to competitive forces that may result in price discounting, may be thinly capitalized and susceptible to product obsolescence.

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.

Hybrid capital securities are subject to the risks of equity securities and debt securities. The claims of holders of hybrid capital securities are generally subordinated to those of holders of traditional debt securities in bankruptcy, and thus hybrid capital securities may be more volatile and subject to greater risk than traditional debt securities.

A fund's income may decline when interest rates fall or if there are defaults in its portfolio.

An index fund will be concentrated in an industry or a group of industries to the extent that the index is so concentrated. A fund with significant exposure to a single asset class, or the securities of issuers within the same country, state, region, industry, or sector may have its value more affected by an adverse economic, business or political development than a broadly diversified fund.

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

There is no assurance that the index provider or its agents will compile or maintain the index accurately. Losses or costs associated with any index provider errors generally will be borne by a fund and its shareholders.

Industrials and producer durables companies are subject to certain risks, including the general state of the economy, intense competition, consolidation, domestic and international politics, excess capacity and consumer demand and spending trends. They may also be significantly affected by overall capital spending levels, economic cycles, technical obsolescence, delays in modernization, labor relations, and government regulations.

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

Inflation-indexed debt securities, such as TIPS, are subject to the same risks as other debt securities. Although the holders of TIPS receive no less than the par value of the security at maturity, if a fund purchases TIPS in the secondary market whose principal values have previously been adjusted upward and there is a period of subsequent declining inflation rates, a fund may receive at maturity less than it invested and incur a loss.

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.

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

Interest rate risk is the risk that the value of the debt securities in a fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term debt securities and higher for longer-term debt securities.

Many internet companies have incurred large losses since their inception and may continue to incur large losses in the hope of capturing market share and generating future revenues. Accordingly, many such companies expect to incur significant operating losses for the foreseeable future, and may never be profitable.

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

A fund's investment in other investment companies is restricted by federal securities laws which limit the size of the position a fund can take in another investment company.

Because Japan's economy and equity market share a strong correlation with the U.S. markets, the Japanese economy may be affected by economic problems in the U.S. Japan also has a growing economic relationship with China and other Southeast Asian countries. Should political tension increase, it could adversely affect the economy and destabilize the region as a whole. Japan also remains heavily dependent on oil imports, and higher commodity prices could therefore have a negative impact on the economy. Japanese securities may also be subject to lack of liquidity, excessive taxation, government seizure of assets, different legal or accounting standards and less government supervision and regulation of exchanges than in the U.S. Furthermore, the natural disasters that have impacted Japan and the ongoing recovery efforts have had a negative effect on Japan's economy, and may continue to do so.

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.

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, has ceased making LIBOR available as a reference rate over a phase-out period that began December 31, 2021. There is no assurance that any alternative reference rate, including the Secured Overnight Financing Rate ("SOFR") will be similar to or produce the same value or economic equivalence as LIBOR or that instruments using an alternative rate will have the same volume or liquidity. 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.

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, or other events could have significant negative impact on a fund. In February 2022, Russia invaded Ukraine which has caused and could continue to cause significant market disruptions and volatility within the markets in Russia, Europe, and the United States. The hostilities and sanctions resulting from those hostilities could have a significant impact on certain fund investments as well as fund performance. The COVID-19 global pandemic and the ensuing policies enacted by governments and central banks have caused and may continue to cause significant volatility and uncertainty in global financial markets. While the U.S. has resumed "reasonably" normal business activity, many countries continue to impose lockdown measures. Additionally, there is no guarantee that vaccines will be effective against emerging variants of the disease.

There can be no assurance that the securities held by a fund will stay within a fund's intended market capitalization range.

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.

Materials and processing companies are subject to certain risks, including the general state of the economy, consolidation, domestic and international politics and excess capacity. Materials companies may also be significantly affected by volatility of commodity prices, import controls, worldwide competition, liability for environmental damage, depletion of resources and mandated expenditures for safety and pollution control devices.

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.

An index fund's return may not match the return of the index for a number of reasons including operating expenses, costs of buying and selling securities to reflect changes in the index, and the fact that a fund's portfolio holdings may not exactly replicate the index.

A fund classified as "non-diversified" may invest a relatively high percentage of its assets in a limited number of issuers. As a result, a fund may be more susceptible to a single adverse economic or regulatory occurrence affecting one or more of these issuers, experience increased volatility and be highly concentrated in certain issuers.

Securities of non-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 that invests in securities included in or representative of an index will hold those securities regardless of investment merit and the fund generally will not take defensive positions in declining markets.

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 risks 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 them 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 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.

Subordinated debt has lower credit ratings and lower priority than other obligations of an issuer during bankruptcy, presenting a greater risk of nonpayment.

RISK CONSIDERATIONS CONTINUED

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 as 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 or asset does not perform as anticipated. In addition, many swaps trade over-the-counter and may be considered illiquid.

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.

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.

Value characteristics of a stock may not be fully recognized for a long time or a stock judged to be undervalued may actually be appropriately priced at a low level.

In China, direct ownership of companies in certain sectors by foreign individuals and entities is prohibited. In order to allow for foreign investment in these businesses, many Chinese companies have created variable interest entities ("VIEs") structures to enable indirect foreign ownership. VIEs are not formally recognized under Chinese law. Intervention by the Chinese government with respect to VIEs could significantly affect the Chinese company's performance and the enforceability of the VIE's contractual arrangements that establish the links between the Chinese company and the shell company in which the Fund invests. VIEs are also subject to the investment risks associated with the underlying Chinese issuer or operating company. Chinese companies are not subject to the same degree of regulatory requirements or accounting standards and oversight as companies in more developed countries. As a result, information about the Chinese securities and VIEs in which the Fund invests may be less reliable and incomplete.

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

The purchase of securities on a when-issued, TBA ("to be announced"), delayed delivery or forward commitment basis may give rise to investment leverage and increase a fund's volatility and exposure to default.

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

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