

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	Balanced U.S. Equity Outlook	Although we expect continued economic expansion in the immediate term, we retain a degree of caution towards U.S. equities. In our view, lower Treasury yields, the possibility of future Federal Reserve (“Fed”) rate cuts and forecasts for a reacceleration of earnings growth in 2024 are priced into the equity market. We believe further multiple expansion from here may be challenging. Additionally, while investment in Artificial Intelligence (AI) has fueled outsized opportunities for certain technology companies and dominated headlines, past Fed rate hikes and tighter lending standards are resulting in slower credit growth, which we believe increases the risk of an eventual recession. For now, the labor market remains quite strong, but declining job openings and a falling quit rate are early indications that the demand for workers is beginning to soften. At the same time, the excess savings of consumers are gradually declining. Industrial activity remains lackluster as manufacturing firms work down precautionary inventories built up when supply chain difficulties were a key risk. We believe valuation will become more important over time. As such, we favor value over growth, and increasingly prefer dividend paying equities as we adopt a more conservative positioning.
Style Positioning	Favor Value over Growth, Maintain Exposure to Dividend Paying Equities	This quarter, we are continuing to emphasize dividend paying equities, while maintaining our value focus and preference for quality. In our view, growth equities are priced at an unsustainably high premium to value, which may lead to the underperformance of growth equities during a market downturn. An emphasis on dividend paying equities is intended to lower the overall risk of the model, and not only increases weighting to defensive sectors such as utilities, but also provides exposure to firms with sufficient cash flow to return to shareholders.
Sector Positioning	Favor Energy, Health Care and Utilities vs. Other Sectors	We believe energy sector equities should continue to generate strong cash flow and exposure to the oil industry provides a measure of protection against geopolitical risk in the Middle East. Additionally, we expect OPEC exporters to manage production when necessary and limit excess supply. Meanwhile, the healthcare sector offers opportunities less exposed to the business cycle. We also like the attractive valuation of the sector. Additionally, our increased emphasis on dividend paying equities results in higher exposure to the utilities sector, which is attractively valued, defensive, and should potentially benefit from an end to the Fed’s current tightening cycle. We are not currently emphasizing the consumer discretionary sector, as we expect a gradually weaker consumer over time as the labor market cools and excess savings are depleted.
International Positioning	Remain Underweight International Equities vs. U.S. Equities	While valuation levels in European markets are quite attractive, we do not see a near term catalyst to growth, and we remain underweight international markets versus U.S. equities. We believe much uncertainty remains in Emerging Markets. It remains to be seen if monetary easing and fiscal stimulus have been sufficient to re-accelerate Chinese economic growth, as recent economic data remains underwhelming, particularly in the property market, which is a source of downside risk. That said, valuations are attractive in Emerging Markets, and any future weakness in the U.S. dollar may improve sentiment. While Japan faces secular challenges, robust wage growth and recovering capital equipment exports are improving near term economic prospects. Meanwhile, rising demand driven inflation may lead the Bank of Japan to adjust its yield curve control (YCC) policy, potentially lifting the Yen.

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.
----------------------	----------------------------------	---

All information herein is as of 12/31/23, is subject to change, and does not guarantee future results. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether or not the allocations are appropriate for their clients.

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.

STRATEGIC RISK MODEL PORTFOLIOS

ASSET ALLOCATION VIEWS AND RATIONALE CONTINUED

FIXED INCOME OVERVIEW

Treasury markets were whipsawed as concerns mounted that growing U.S. Treasury issuance to fund large U.S. deficits would overwhelm demand for U.S. Treasuries coupled with the Federal Reserve's ("Fed") more hawkish commentary in September. As of December 15th, the 10-year U.S. Treasury yield is down 66 basis points (bps) from 4.57% at the end of September to 3.91%, after having reached a cycle high on October 19th of 4.99%. However, as interest rates climbed, Fed officials began resisting these higher rates through public commentary and then, at the December policy meeting, Chairman Powell delivered commentary that signaled a significant shift in monetary policy guidance. The Fed essentially indicated a shift to a peak rate regime, suggesting that higher short-term rates were likely over, and in their dot plot for 2024, the Fed forecasted a median interest rate 75 bps lower by the end of 2024.

Market participants seized the opportunity and wagered the Fed would cut even more aggressively in 2024. This was evidenced by the Fed Funds Futures market implying a year-end 2024 Fed Funds rate of 3.91% as of December 15th, which equates to nearly three more 25 bps cuts than the Fed is projecting. The 'soft landing' narrative is firmly in place and risk assets have staged a remarkable rally. High yield spreads compressed by 55 bps to levels below long-term averages and the S&P 500 Index returned 10.45% so far this quarter alone through December 15, 2023.

Fed pauses have historically been opportunities to extend duration and have been followed by attractive total returns in fixed income. Consistent with the empirical record, we have been extending duration over time in our models and many of the actively managed ETFs within our models have utilized the recent move higher in interest rates to add duration exposure. However, given the acute move lower at the end of the quarter, we believe rates may be vulnerable to upward pressure, especially if inflation prints or other economic data are met with more hawkish rhetoric. Therefore, given the recent move lower in interest rates, we believe it is prudent to maintain our duration levels near the respective benchmarks.

SECTOR POSITIONING

Mortgage-Backed Securities	We hold a favorable view on the agency mortgage-backed securities market as valuations are more attractive than historical averages and we would expect them to outperform broader credit markets during both corrections in risk assets or a recession. Given elevated interest rate volatility, we favor agency mortgage-backed exposure in securities with more stable cash flow profiles. We are selectively seeking yield enhancement opportunities in commercial and non-agency sectors to complement a portfolio of more defensive agency-backed securities.
Investment Grade Corporate Bonds	We believe investment grade corporate bond yields are attractive on a historical basis, although they currently have lower credit spreads than long-term averages. We anticipate modest credit spread widening in a weaker economic environment with a bifurcation in performance between cyclical and non-cyclical sectors. We expect positive total returns as both income and lower expected interest rates would likely mitigate the impact of modest spread widening.
U.S. Treasury Securities	We believe U.S. Treasuries offer a ballast alongside the credit risk in our models given our expectations of lower economic growth or a recession. There is a fair amount of easing priced in, but if the economy slows, we expect Treasuries to benefit and would also view higher yields as more attractive entry points to add duration.

		CONSERVATIVE	CONSERVATIVE GROWTH	BALANCED GROWTH	MODERATE GROWTH	AGGRESSIVE GROWTH
EQUITY ALLOCATION		17.0%	35.0%	50.0%	70.0%	85.0%
DOMESTIC CORE						
First Trust Large Cap Growth AlphaDEX® Fund	FTC	—	2.0%	3.5%	5.0%	6.0%
First Trust Large Cap Value AlphaDEX® Fund	FTA	—	6.0%	6.5%	9.0%	9.5%
First Trust Capital Strength ETF	FTCS	4.0%	5.0%	6.0%	8.0%	10.5%
First Trust Value Line® Dividend Index Fund	FVD	7.0%	5.5%	7.0%	6.0%	8.5%
First Trust Large Cap Core AlphaDEX® Fund	FEX	3.0%	—	—	—	—
First Trust Rising Dividend Achievers ETF	RDVY	—	—	3.5%	3.0%	4.0%
First Trust Morningstar Dividend Leaders Index Fund	FDL	—	2.0%	—	2.5%	3.0%
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%	3.0%	6.0%	7.5%
First Trust Japan AlphaDEX® Fund	FJP	—	—	2.0%	3.0%	3.5%
SATELLITE						
First Trust Dow Jones Internet Index Fund	FDN	—	—	4.0%	5.5%	7.0%
First Trust Nasdaq Oil & Gas ETF	FTXN	—	—	—	2.0%	2.5%
First Trust Energy AlphaDEX® Fund	FXN	—	1.5%	2.0%	—	—
First Trust Health Care AlphaDEX® Fund	FXH	—	3.0%	3.5%	4.5%	5.0%
First Trust NASDAQ Technology Dividend Index Fund	TDIV	—	3.0%	4.0%	8.0%	7.5%
First Trust NASDAQ-100-Technology Sector Index Fund	QTEC	—	—	—	2.5%	3.0%
ALTERNATIVES ALLOCATION		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		75.0%	55.0%	38.0%	20.0%	10.0%
U.S. MORTGAGE-BACKED						
First Trust Low Duration Opportunities ETF	LMBS	10.0%	5.0%	2.0%	2.0%	—
iShares MBS ETF	MBB	7.5%	3.0%	—	—	—
U.S. OPPORTUNISTIC CORE						
First Trust TCW Opportunistic Fixed Income ETF	FIXD	40.0%	40.0%	34.0%	18.0%	10.0%
U.S. CORPORATE - INVESTMENT GRADE						
First Trust Limited Duration Investment Grade Corporate ETF	FSIG	7.5%	5.0%	2.0%	—	—
U.S. TREASURY						
First Trust Long Duration Opportunities ETF	LGOV	10.0%	2.0%	—	—	—

ALLOCATION CHANGES

AS OF 12/31/23

		CONSERVATIVE	CONSERVATIVE GROWTH	BALANCED GROWTH	MODERATE GROWTH	AGGRESSIVE GROWTH
EQUITY ALLOCATION		—	—	—	—	—
DOMESTIC CORE						
First Trust Large Cap Growth AlphaDEX® Fund	FTC	—	—	—	—	—
First Trust Large Cap Value AlphaDEX® Fund	FTA	—	—	—	—	—
First Trust Capital Strength ETF	FTCS	—	—	—	—	—
First Trust Value Line® Dividend Index Fund	FVD	—	—	—	—	—
First Trust Large Cap Core AlphaDEX® Fund	FEX	—	—	—	—	—
First Trust Rising Dividend Achievers ETF	RDVY	—	—	—	—	—
First Trust Morningstar Dividend Leaders Index Fund	FDL	—	—	-2.0%	—	—
INTERNATIONAL CORE						
First Trust Europe AlphaDEX® Fund	FEP	—	—	—	—	—
First Trust Emerging Markets AlphaDEX® Fund	FEM	—	—	—	—	—
First Trust Developed Markets ex-US AlphaDEX® Fund	FDT	—	—	—	—	—
First Trust Japan AlphaDEX® Fund	FJP	—	—	—	—	—
SATELLITE						
First Trust Dow Jones Internet Index Fund	FDN	—	—	+2.0%	+2.0%	+2.5%
First Trust Nasdaq Oil & Gas ETF	FTXN	—	—	—	—	—
First Trust Nasdaq Bank ETF	FTXO	—	—	—	-2.0%	-2.5%
First Trust Energy AlphaDEX® Fund	FXN	—	—	—	—	—
First Trust Health Care AlphaDEX® Fund	FXH	—	—	—	—	—
First Trust NASDAQ Technology Dividend Index Fund	TDIV	—	—	—	—	—
First Trust NASDAQ-100-Technology Sector Index Fund	QTEC	—	—	—	—	—
ALTERNATIVES ALLOCATION		—	—	—	—	—
First Trust Alternative Absolute Return Strategy ETF	FAAR	—	—	—	—	—
First Trust Managed Futures Strategy Fund	FMF	—	—	—	—	—
FIXED INCOME ALLOCATION		—	—	—	—	—
U.S. MORTGAGE-BACKED						
First Trust Low Duration Opportunities ETF	LMBS	—	—	—	—	—
iShares MBS ETF	MBB	—	—	—	—	—
U.S. OPPORTUNISTIC CORE						
First Trust TCW Opportunistic Fixed Income ETF	FIXD	—	—	—	+2.0%	+2.0%
U.S. CORPORATE - INVESTMENT GRADE						
First Trust Limited Duration Investment Grade Corporate ETF	FSIG	—	—	—	—	—
iShares 5-10 Year Investment Grade Corporate Bond ETF	IGIB	—	—	—	—	—
U.S. TREASURY						
First Trust Long Duration Opportunities ETF	LGOV	—	—	—	-2.0%	-2.0%

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 Statement of Additional Information for additional details on a fund's risks. The order of the below risk factors does not indicate the significance of any particular risk factor.

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 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.

The success of consumer discretionary companies is tied closely to the performance of the overall U.S. and international economies, interest rates, competition, consumer confidence, disposable household income and consumer spending. Changes in demographics and consumer tastes can also affect the demand for consumer discretionary products.

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.

Ratings assigned by a credit rating agency are opinions of such entities, not absolute standards of credit quality and they do not evaluate risks of securities. Any shortcomings or inefficiencies in the process of determining credit ratings may adversely affect the credit ratings of the securities held by a fund and their perceived or actual credit risk.

Changes in currency exchange rates and the relative value of non-US currencies may affect the value of a fund's investments and the value of a fund's shares.

Current market conditions risk is the risk that a particular investment, or shares of the fund in general, may fall in value due to current market conditions. As a means to fight inflation, the Federal Reserve and certain foreign central banks have raised interest rates and expect to continue to do so, and the Federal Reserve has announced that it intends to reverse previously implemented quantitative easing. Recent and potential future bank failures could result in disruption to the broader banking industry or markets generally and reduce confidence in financial institutions

and the economy as a whole, which may also heighten market volatility and reduce liquidity. Ongoing armed conflicts between Russia and Ukraine in Europe and among Israel, Hamas and other militant groups in the Middle East, have caused and could continue to cause significant market disruptions and volatility within the markets in Russia, Europe, the Middle East and the United States. The hostilities and sanctions resulting from those hostilities have and could continue to have a significant impact on certain fund investments as well as fund performance and liquidity. The COVID-19 global pandemic, or any future public health crisis, and the ensuing policies enacted by governments and central banks have caused and may continue to cause significant volatility and uncertainty in global financial markets, negatively impacting global growth prospects.

A fund is susceptible to operational risks through breaches in cyber security. Such events could cause a fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss.

Investments in debt securities subject the holder to the credit risk of the issuer and the value of debt securities will generally change inversely with changes in interest rates. In addition, debt securities generally do not trade on a securities exchange making them less liquid and more difficult to value.

Depository 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.

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.

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.

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

RISK CONSIDERATIONS CONTINUED

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.

Inverse floating rate securities are a type of debt instrument that has a coupon rate that varies inversely with a benchmark rate. Inverse floaters create effective leverage and will typically be more volatile and involve greater risk than the fixed rate municipal bonds underlying the inverse floaters.

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.

The London Interbank Offered Rate ("LIBOR") has ceased to be made available as a reference rate. Any potential effects of the transition away from LIBOR on the fund or on certain instruments in which the fund invests is difficult to predict and could result in losses to the fund. 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.

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, natural disasters or other events could have significant negative impact on a fund.

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.

A "momentum" style of investing emphasizes selecting stocks that have had higher recent price performance compared to other stocks. Momentum can turn quickly and cause significant variation from other types of investments.

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.

General problems of the oil & gas industry include volatile fluctuations in price and supply of energy fuels, international politics, terrorist attacks, reduced demand as a result of increases in energy efficiency and energy conservation, the success of exploration projects, 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. Friction with certain oil producing countries, and between the governments of the United States and other major exporters of oil to the United States, or policy shifts by governmental entities and intergovernmental entities such as OPEC, could put oil exports at risk. In addition, falling oil and gas prices may negatively impact the profitability and business prospects of certain energy companies. Further, global concerns of civil unrest in foreign countries may also affect the flow of oil from such countries.

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 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.

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.

Investments in issuers located in the United Kingdom may subject a fund to regulatory, political, currency, security and economic risk specific to the United Kingdom. The United Kingdom has one of the largest economies in Europe and is heavily dependent on trade with the European Union ("EU"), and to a lesser extent the United States and China. The United Kingdom vote to leave the European Union and other recent rapid political and social change throughout Europe make the extent and nature of future economic development in Europe and the effect on securities issued by European issuers difficult to predict.

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.

Utilities companies are subject to imposition of rate caps, increased competition, difficulty in obtaining an adequate return on invested capital or in financing large construction projects, limitations on operations and increased costs attributable to environmental considerations and the capital market's ability to absorb utility debt. Utilities companies may also be affected by taxes, government regulation, international politics, price and supply fluctuations, volatile interest rates and energy conservation.

RISK CONSIDERATIONS CONTINUED

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.

Zero coupon bonds do not pay interest on a current basis, they may be highly volatile, and they do not produce cash flow. A fund could be forced to liquidate zero coupon bond securities at an inopportune time to generate cash to distribute to shareholders as required by tax laws.

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. (FTA) is the adviser to the First Trust funds. FTA is an affiliate of First Trust Portfolios L.P., the First Trust 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.

Source ICE Data Indices, LLC ("ICE Data"), is used with permission. "StrataQuant" is a service/trademark of ICE Data or its affiliates. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indices. Russell, Russell 1000 and Russell 3000 are all registered trademarks of Frank Russell Company. Russell 1000 and Russell 3000 are being utilized in the indices under license. These trademarks have been licensed, along with the StrataQuant Health Care Index, StrataQuant Energy Index ("the Indexes") for use by First Trust Portfolios L.P. ("FTP") in connection with the First Trust Health Care AlphaDEX Fund (FXH), First Trust Energy AlphaDEX Fund (FXN) (the "Products"). Neither FTP, First Trust Exchange-Traded AlphaDEX Fund (the "Trusts") nor the Products, as applicable, is sponsored, endorsed, sold or promoted by ICE Data, its affiliates or its Third Party Suppliers including without limitation Frank Russell Company ("ICE Data and its Suppliers"). ICE Data and its Suppliers make no representations or warranties regarding the advisability of investing in securities generally, in the Products particularly, the Trusts or the ability of the Indexes to track general market performance. Past performance of the Indexes is not an indicator of or a guarantee of future results. See the prospectus for a full copy of the disclaimer.

"AlphaDEX" is a registered trademark of First Trust Portfolios L.P. First Trust Portfolios L.P. has obtained a patent for the AlphaDEX stock selection methodology from the United States Patent and Trademark Office.

Morningstar and Morningstar Dividend Leaders IndexSM are registered trademarks and service marks of Morningstar, Inc. ("Morningstar") and have been licensed for use by First Trust on behalf of the Fund. The Fund is not sponsored, endorsed, issued, sold or promoted by Morningstar and Morningstar makes no representation regarding the advisability of investing in the Fund.

Nasdaq, Nasdaq-100, Nasdaq-100 Index, and Nasdaq AlphaDEX Developed Markets Ex-US Index, Nasdaq AlphaDEX Emerging Markets Index, Nasdaq AlphaDEX Europe Index, Nasdaq AlphaDEX Large Cap Core Index, Nasdaq AlphaDEX Japan Index, Nasdaq AlphaDEX Large Cap Value Index, Nasdaq AlphaDEX Large Cap Growth Index, The Capital Strength Index, Nasdaq US Smart Oil & Gas Index, Nasdaq US Smart Banks Index, Nasdaq-100 Technology Sector Index, Nasdaq US Rising Dividend Achievers Index, Nasdaq Technology Dividend Index ("the Nasdaq Indexes") are registered trademarks and service marks of Nasdaq, Inc. (together with its affiliates hereinafter referred to as the "Corporations") and are licensed for use by First Trust. AlphaDEX is a registered trademark owned by First Trust that has been licensed to Nasdaq, Inc. for use in the name of certain Nasdaq Indexes. The funds have not been passed on by the Corporations as to their legality or suitability. The funds are not issued, endorsed, sold or promoted by the Corporations. THE CORPORATIONS MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO THE FUNDS.

The Dow Jones Internet Composite IndexSM ("Index") is a product of S&P Dow Jones Indices LLC or its affiliates ("SPDJ") and has been licensed for use by First Trust. S&P is a registered trademark of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by First Trust. The Fund is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, or their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product nor do they have any liability for any errors, omissions, or interruptions of the Index.

Value Line and Value Line Dividend Index are trademarks or registered trademarks of Value Line, Inc. ("Value Line") and have been licensed for use for certain purposes by First Trust. The Fund is not sponsored, endorsed, recommended, sold or promoted by Value Line and Value Line makes no representation regarding the advisability of investing in products utilizing such strategy.

FOR INSTITUTIONAL USE ONLY. NOT FOR PUBLIC DISTRIBUTION.



FOR INSTITUTIONAL USE ONLY. NOT FOR PUBLIC DISTRIBUTION.

First Trust Portfolios L.P. | First Trust Advisors L.P.

1-866-848-9727 | www.ftportfolios.com