Strategic Risk Model Portfolios

Allocation Update as of 9/30/25

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.

Equity Asset Allocation Views and Rationale

Macro Positioning
Moderately Positive U.S. Equity Outlook

We hold a balanced, moderately positive view of U.S. equities, and we expect continued economic expansion for now. Dovish monetary policy, fiscal spending, and outsized technology-driven capital investment provide key support for equities, in our view. That said, prudence still requires a balanced stance towards U.S. equities, as Artificial Intelligence ("AI") investment enthusiasm has contributed to elevated equity valuation levels, especially for key beneficiaries of the AI boom. Other risks worth monitoring closely include any resurgence in tariff and trade uncertainty, or any evidence that the labor market is significantly weakening. As such, we continue to favor exposure to dividend paying equities and quality growth companies, while emphasizing technology and financial sector stocks.

Style Positioning
Increasing Exposure to Dividend Paying Equities, Moderately Decreasing Exposure to Quality

This quarter, we are increasing our exposure to dividend paying equities, with a particular emphasis on strategies that seek dividend growth. While we continue to maintain weighting towards quality companies, especially quality growth companies, we are reducing the exposure this quarter. While we continue to view a disciplined approach to investing in quality growth companies, such as within the technology sector, we currently view it as relatively expensive.

Sector Positioning
Favor Financials and Information Technology vs. Other Sectors

We favor financials sector stocks, particularly banks. Banks stand to benefit from dovish Federal Reserve ("Fed") policy, which in our view, may stimulate loan growth, while potential yield curve steepening may improve net interest margin. In our view, valuation in the sector is reasonable, and believe in an improving regulatory environment for the banking industry over time. The information technology sector not only benefits from continuing investment in the build out of AI infrastructure, but also from a potential recovery in everyday enterprise information technology ("IT") spending as outsized investments in IT spend during the COVID era may need upgrading or replacing. We are not currently emphasizing the consumer discretionary sector, as we believe a gradually weaker consumer over time due to the impact of past inflation, and the potential for labor market normalization favoring employers.

International Positioning
Underweight International Equities vs. U.S. Equities, Favor Japan

We remain underweight international equities versus the U.S. market, which benefits from higher exposure to innovation relative to foreign markets. While European policymakers have expressed more willingness to stimulate their economies, which could support stronger long-term growth, we believe the impact on economic growth will take place over time, and that sentiment towards European equity markets has already improved significantly. Additionally, we believe Europe's balance of trade may suffer in the near term from an influx of Chinese imports redirected by U.S. tariffs. Much uncertainty remains in Emerging Markets. In particular, we see risk to Chinese economic growth from trade policy uncertainty, slowing credit growth, and ongoing property market challenges. While Japan faces secular challenges, we believe strong capital expenditure trends will support corporate profits.

Alternatives Asset Allocation Views and Rationale

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.

Fixed Income Overview

During an extraordinarily noisy third quarter, short term rates fell sharply while long term rates remained relatively range-bound. The anticipation of, and the actual restart of, the rate cutting cycle—that Chairman Powell described as a "risk management" cut—ignited a strong rally in risk assets, sending equity indices to record highs and pushing credit spreads tighter. At the same time, the independence of the Fed frequently made headlines, with growing pressure from the White House to accelerate interest rate cuts.

At its September meeting, the Fed lowered the target range for the federal funds rate by 25 basis points (bps) to 4.00%–4.25%, its first move since December 2024, citing slowing job growth and a rising unemployment rate. While acknowledging that inflation remains elevated, the Fed emphasized its dual mandate, noting that downside risks to employment have grown. Policymakers now project two additional 25 bps cuts in 2025 and one more additional cut in 2026. The Fed also modestly raised their GDP growth outlook, kept unemployment forecasts stable, and nudged their inflation expectations slightly higher, underscoring the delicate balancing act between growth and price stability.

Beyond the Fed's projections, we believe fixed income broadly remains compelling. Real yields stand near multi-decade highs, providing investors with a meaningful cushion against inflation, in our view. With the 10-year Treasury real yield hovering around 2%, investors are being compensated at levels rarely seen in modern history. Coupled with the Fed's pivot toward additional rate cuts, we believe bonds now offer the potential for both durable income and capital appreciation. This unique combination strengthens the case for maintaining robust fixed income allocations.

In our view, diversification remains essential as policymakers navigate a monetary easing cycle marked by softening employment trends, sticky inflation, and geopolitical volatility. Attractive yields across sectors can help offset periods of interest rate or market volatility while providing resilience within portfolios. We continue to favor an overall neutral duration stance while remaining defensive on long term bond exposure where spreads are tight and the potential for higher beta exists. We believe this positioning allows investors to benefit from today's elevated yields while preserving flexibility in an environment where policy, growth, and inflation dynamics remain fluid.

Fixed Income Asset Allocation Views and Rationale

Mortgage-Backed Securities	We believe mortgage-backed securities (MBS) will serve as a ballast relative to broader credit markets during a potential correction in risk assets or a recession. Over the past three months, agency MBS spreads have narrowed and are now approaching their long-term averages. Meanwhile, volatility has returned to moderate levels, aligning with longer-term norms. We like a defensive approach but also favor mortgages more broadly. We would selectively position allocations in yield-enhancing opportunities in the commercial and non-agency sectors as a complement to agency MBS.
Investment Grade Corporate Bonds	Investment grade corporate bond yields maintain a competitive advantage over long-term averages despite declining over recent months. Credit spreads have rallied this quarter and are below the 12-month average, with support from strong demand and investor interest in nominal yields. Our analysis indicates that credit fundamentals remain stable or are improving; however, we've observed a recent shift in ratings momentum driven by downgrades among major issuers. We believe bifurcation in valuations between cyclical and non-cyclical sectors will persist and believe diligent active management will be key to competitive returns. We believe risk will be more concentrated in the long end of the yield curve, where spread duration is greater and sensitivity to macroeconomic shifts is higher. In contrast, we see more compelling risk-adjusted return outcomes in short- and intermediate-term investment grade bonds that are more insulated from price volatility.
U.S. Treasury Securities	The Fed started lowering rates in September and now expects two more cuts this year. It still projects just one cut in 2026, even though the market is already pricing in more than four. In our view, short-term rates are already fully reflected in prices unless the economy slows down sharply. The yield curve's medium-term section is fairly steep, presenting a "roll-down" opportunity where bonds can generate extra returns as they age and move to lower yields on the curve, without any change in interest rates. The long end could also look attractive for investors who want duration once the Fed trims rates a few more times.
Preferred Securities	The retail segment started the third quarter at the widest valuations in the preferred and hybrid market. A subsequent rally compressed yields and drove prices closer to par. We believe most of the forward-looking returns will come from income, although Fed rate cuts could spur additional investor inflows into the preferred and hybrid market. This may act as a catalyst for further price appreciation. High levels of income and a high-quality issuer base would also provide insulation if the economy weakens or if geopolitical turmoil leads to lower rates and wider spreads. As we begin the earnings season for the third quarter of 2025, we believe that credit fundamentals have changed little across the major sectors of the preferred market which includes banks, insurance, utilities, and energy.

First Trust

Strategic Risk Model Portfolios

Model Allocations as of 9/30/25

Equity Allocation	Ticker	Conservative	Conservative Growth	Balanced Growth	Moderate Growth	Aggressive Growth
Domestic Core						
First Trust Large Cap Value AlphaDEX® Fund	FTA	—	4.0%	4.0%	6.5%	7.0%
First Trust Capital Strength® ETF	FTCS	—	3.0%	3.5%	3.0%	3.0%
First Trust Value Line® Dividend Index Fund	FVD	7.0%	3.0%	3.5%	4.5%	7.0%
First Trust Large Cap Core AlphaDEX® Fund	FEX	3.0%	—	—	—	—
First Trust Growth Strength™ ETF	FTGS	4.0%	4.0%	4.0%	6.0%	7.5%
First Trust Active Factor Large Cap ETF	AFLG	—	3.0%	3.5%	6.0%	7.5%
First Trust Rising Dividend Achievers ETF	RDVY	—	4.0%	5.5%	7.5%	9.0%
International Core						
First Trust Developed Markets ex-US AlphaDEX® Fund	FDT	3.0%	5.0%	3.0%	6.0%	7.5%
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 Japan AlphaDEX® Fund	FJP	—	—	2.0%	3.0%	3.5%
Satellite						
First Trust NASDAQ Technology Dividend Index Fund	TDIV	—	7.0%	9.5%	8.0%	7.5%
First Trust NASDAQ-100-Technology Sector Index Fund	QTEC	—	—	—	5.5%	7.5%
First Trust Dow Jones Internet Index Fund	FDN	—	—	2.5%	3.0%	4.5%
First Trust NYSE® Arca® Biotechnology Index Fund	FBT	—	—	2.0%	3.0%	3.0%
First Trust Nasdaq Bank ETF	FTXO	—	—	2.0%	3.0%	3.0%
Total		**17.0%**	**35.0%**	**50.0%**	**70.0%**	**85.0%**

Fixed Income Allocation	Ticker	Conservative	Conservative Growth	Balanced Growth	Moderate Growth	Aggressive Growth
U.S. Mortgage-Backed						
First Trust Low Duration Opportunities ETF	LMBS	10.0%	5.0%	4.0%	2.0%	—
U.S. Opportunistic Core						
First Trust Smith Opportunistic Fixed Income ETF	FIXD	10.0%	6.0%	6.0%	3.0%	5.0%
U.S. Corporate - Investment Grade						
First Trust Intermediate Duration Investment Grade Corporate ETF	FIIG	10.5%	11.0%	6.0%	5.0%	—
First Trust Limited Duration Investment Grade Corporate ETF	FSIG	7.5%	5.0%	4.0%	—	—
U.S. Treasury						
First Trust Long Duration Opportunities ETF	LGOV	10.0%	5.0%	3.0%	—	—
Core Fixed Income						
First Trust Core Investment Grade ETF	FTCB	25.0%	21.0%	15.0%	10.0%	5.0%
Hybrid Fixed Income						
First Trust Preferred Securities and Income ETF	FPE	2.0%	2.0%	—	—	—
Total		**75.0%**	**55.0%**	**38.0%**	**20.0%**	**10.0%**

Alternatives Allocation	Ticker	Conservative	Conservative Growth	Balanced Growth	Moderate Growth	Aggressive Growth
First Trust Managed Futures Strategy Fund	FMF	4.0%	5.0%	6.0%	5.0%	2.5%
First Trust Alternative Absolute Return Strategy ETF	FAAR	4.0%	2.5%	3.0%	2.5%	—
First Trust Long/Short Equity ETF	FTLS	—	2.5%	3.0%	2.5%	2.5%
Total		**8.0%**	**10.0%**	**12.0%**	**10.0%**	**5.0%**

Equity Allocation	Ticker	Conservative	Conservative Growth	Balanced Growth	Moderate Growth	Aggressive Growth
Domestic Core						
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 Growth Strength™ ETF	FTGS	—	-1.0%	-1.5%	-2.0%	-2.0%
First Trust Active Factor Large Cap ETF	AFLG	—	—	—	—	—
First Trust Rising Dividend Achievers ETF	RDVY	—	+1.0%	+1.5%	+2.0%	+2.0%
International Core						
First Trust Developed Markets ex-US AlphaDEX® Fund	FDT	—	—	—	—	—
First Trust Europe AlphaDEX® Fund	FEP	—	—	—	—	—
First Trust Emerging Markets AlphaDEX® Fund	FEM	—	—	—	—	—
First Trust Japan AlphaDEX® Fund	FJP	—	—	—	—	—
Satellite						
First Trust NASDAQ Technology Dividend Index Fund	TDIV	—	—	—	—	—
First Trust NASDAQ-100-Technology Sector Index Fund	QTEC	—	—	—	—	—
First Trust Dow Jones Internet Index Fund	FDN	—	—	—	—	—
First Trust NYSE® Arca® Biotechnology Index Fund	FBT	—	—	—	—	—
First Trust Nasdaq Bank ETF	FTXO	—	—	—	—	—

Fixed Income Allocation	Ticker	Conservative	Conservative Growth	Balanced Growth	Moderate Growth	Aggressive Growth
U.S. Mortgage-Backed						
First Trust Low Duration Opportunities ETF	LMBS	—	—	—	—	—
U.S. Opportunistic Core						
First Trust Smith Opportunistic Fixed Income ETF	FIXD	—	—	—	—	—
U.S. Corporate - Investment Grade						
First Trust Intermediate Duration Investment Grade Corporate ETF	FIIG	—	—	—	—	—
First Trust Limited Duration Investment Grade Corporate ETF	FSIG	—	—	—	—	—
U.S. Treasury						
First Trust Long Duration Opportunities ETF	LGOV	—	—	—	—	—
Core Fixed Income						
First Trust Core Investment Grade ETF	FTCB	—	—	—	—	—
Hybrid Fixed Income						
First Trust Preferred Securities and Income ETF	FPE	—	—	—	—	—

Alternatives Allocation	Ticker	Conservative	Conservative Growth	Balanced Growth	Moderate Growth	Aggressive Growth
First Trust Managed Futures Strategy Fund	FMF	—	—	—	—	—
First Trust Alternative Absolute Return Strategy ETF	FAAR	—	—	—	—	—
First Trust Long/Short Equity ETF	FTLS	—	—	—	—	—

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.

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.

All or a portion of a fund's otherwise exempt- interest dividends may be taxable to those shareholders subject to the federal and state alternative minimum tax.

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.

Biotechnology and pharmaceutical companies are subject to changing government regulation which could have a negative effect on the price, profitability and availability of their products and services. Biotechnology and pharmaceutical companies face increasing competition from generic drugs, termination of their patent protection and technological advances which render their products or services obsolete. The research and development costs required to bring a drug to market are substantial and may include a lengthy review by the government, with no guarantee that the product will ever be brought to market or show a profit. Many of these companies may not offer certain drugs or products for several years, and as a result, may have significant losses of revenue and earnings.

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.

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.

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.

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.

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.

Current market conditions risk is the risk that a particular investment, or shares of the fund in general, may fall in value due to current market conditions. For example, changes in governmental fiscal and regulatory policies, disruptions to banking and real estate markets, actual and threatened international armed conflicts and hostilities, and public health crises, among other significant events, could have a material impact on the value of the fund's investments.

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

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

Depositary receipts may be less liquid than the underlying shares in their primary trading market and distributions may be subject to a fee. Holders may have limited voting rights, and investment restrictions in certain countries may adversely impact their value.

The use of derivatives instruments involves different and possibly greater risks than investing directly in securities including counterparty risk, valuation risk, volatility risk, and liquidity risk. Further, losses because of adverse movements in the price or value of the underlying asset, index or rate may be magnified by certain features of the derivatives.

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.

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.

Since securities that trade on non-U.S. exchanges are closed when a fund's primary listing is open, there are likely to be deviations between the current price of an underlying security and the last quoted price from the closed foreign market, resulting in premiums or discounts to a fund's NAV.

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.

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

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.

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.

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

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

The utilization of quantitative models entails the risks that a model may be limited or incorrect, the data on which a model relies may be incorrect or incomplete and the portfolio managers may not be successful in selecting companies for investment or determining the weighting of particular stocks in a fund's portfolio. Any of these factors could cause a fund to underperform funds that do not rely on models.

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.

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

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

The values of municipal securities may be adversely affected by local political and economic conditions and developments. Income from municipal securities could be declared taxable because of, among other things, unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of an issuer.

Inventories of municipal securities have decreased in recent years and some municipal securities may have resale restrictions lessening the ability to make a market in these securities. This reduction in market making capacity has the potential to decrease a fund's ability to buy or sell municipal securities and increase price volatility and trading costs.

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.

Pharmaceutical companies are subject to changing government regulation which could have a negative effect on the price, profitability and availability of their products and services. Regulations have been proposed to increase the availability and affordability of prescription drugs including proposals to increase access to generic drugs and to increase the rebates paid by drug manufacturers in exchange for Medicaid coverage of their products. Whether such proposals will be adopted cannot be predicted. In addition, such companies face increasing competition from existing generic drugs, the termination of their patent protection for certain drugs and technological advances which render their products or services obsolete. The research and development costs required to bring a drug to market are substantial and may include a lengthy review by the government, with no guarantee that the product will ever be brought to market or show a profit. In addition, the potential for an increased amount of required disclosure of proprietary scientific information could negatively impact the competitive position of these companies. Many of these companies may not offer certain drugs or products for several years, and as a result, may have significant losses of revenue and earnings.

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.

A quality stocks investment fund may not correctly identify companies with strong fundamentals and selected companies may not maintain strong fundamentals. In addition, returns on quality securities may be less than returns on other styles of investing or the overall stock market.

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.

Senior Notes, or "baby bonds," are subject to the risk that the issuer or insurer of a baby bond may default on principal and/or interest payments when due which could affect the income generated by the Fund and/or the value of a baby bond. Baby bonds are also subject to typical risks associated with other fixed-income investments.

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 capitalization companies may experience greater price volatility and be less liquid than larger, more established companies.

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.

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.

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.

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