

The First Trust Strategic Focus Model Portfolios consist of exchange-traded funds (ETFs) and are created by the First Trust Advisors Model Investment Committee. These models are designed to provide financial professionals with core equity foundations to build scalable asset allocation solutions for their clients.

4Q 2025 Market Review

The U.S. equity market experienced some volatility during the fourth quarter of 2025, as trade tensions with China increased in October, followed by concerns about the path of Federal Reserve ("Fed") policy in the wake of Chairman Powell's comment that a December rate cut was "not a foregone conclusion." Trade tensions subsequently eased in late October, the Fed did indeed cut rates in December, and the S&P 500 Index finished with a 2.7% return on the quarter, as investors refocused on the potential for robust earnings growth.

Health care and communication services sector stocks were the top performers during the fourth quarter of 2025 (S&P 500 Health Care Index +11.7%, S&P 500 Communication Services Index +7.3%). The rally in health care was led by pharmaceuticals, as the announcement of less onerous than feared "Most Favored Nation" drug pricing agreements with the Trump administration lifted health care sentiment. Within communication services, hyperscaler Alphabet Inc.'s strong quarter (GOOG +28.9%) was more than offset by Meta Platforms, Inc.'s weakness (META -10.0%). Utilities, real estate, and consumer staples sector stocks were the worst performers during the fourth quarter.

Value outperformed growth during the fourth quarter. In comparison to the S&P 500 Growth Index (+2.2%), the S&P 500 Value Index (+3.2%) benefited from substantial weighting to the health care sector, and the strong performance of semiconductors. On a size basis, small- and mid-cap equities trailed the S&P 500 Index, with the S&P Small Cap 600 Index gaining 1.7% during the fourth quarter of 2025, while the S&P Midcap 400 Index returned 1.6%.

Monthly domestic macroeconomic reports released during the fourth quarter of 2025 were mixed. The October and November payroll reports were both released in December. Together the reports indicated that 41,000 jobs were lost from non-farm payrolls, while November unemployment rose to 4.6%. November average hourly earnings for workers increased a softer than expected 3.5% year-over-year. October core retail sales growth was stronger than expected at 0.5% month-over-month. The December Conference Board Consumer Confidence Survey declined to 89.1, with a notable decline in the "present situation" component of the survey (116.8 vs. a revised 126.3 in November). The November ISM manufacturing survey (48.2) indicated a contraction in activity, as did the survey's new orders component (47.4). November core CPI inflation was 2.6% year-over-year.

In U.S. dollar terms, international markets generally outperformed U.S. equities during the quarter, with Emerging Market equities (MSCI Emerging Markets Index +4.8%) and Developed Markets equities (MSCI EAFE Index +4.9%) posting solid returns. Within Emerging Markets, Latin American equities (MSCI Emerging Markets Latin America Index +8.4%) enjoyed strong gains, while Chinese equities (MSCI China Index -7.4%) were particularly weak. Among Developed Markets, European equities (MSCI Europe Index +6.1%) outperformed Japanese equities (MSCI Japan Index +3.2%).

The U.S. 10-year Treasury yield was relatively unchanged, finishing at 4.2% at the end of December. Investment grade credit spreads widened modestly during the quarter, while high yield credit spreads were relatively unchanged.

References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed to be profitable

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Equity Outlook

We hold a **balanced, moderately positive view of U.S. equities**, and we expect continued economic expansion. We expect outsized investment in artificial intelligence (AI) infrastructure, diminished tariff uncertainty and policy incentives to support robust capital expenditures (CapEx), which we see not only supporting top-line growth, but also potentially enhancing productivity and corporate profitability.

Policies implemented in the One Big Beautiful Bill Act such as the increased section 179 deduction to allow for the immediate expensing of equipment, and the immediate expensing of domestic research and development costs create a favorable environment for capital spending, in our view. However, in the first half of 2025, policy uncertainty was highly elevated as the Trump administration used tariffs to gain leverage during trade negotiations (Chart 1).

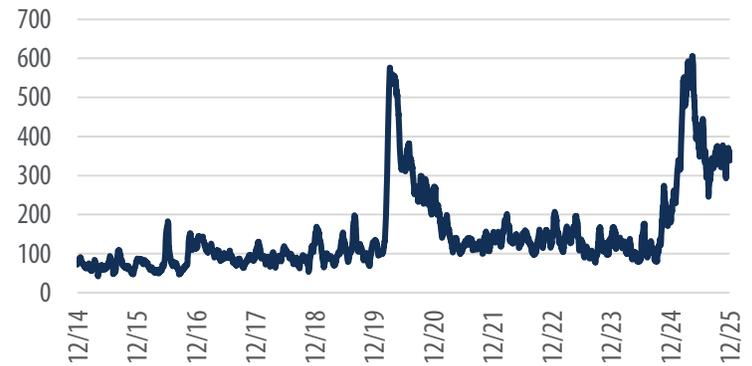
Policy uncertainty adds complexity and greater risk to the corporate investment decision making process. Chart 2 illustrates this impact as CapEx intention surveys weakened considerably in the first half of 2025 despite the aforementioned incentives.

Tensions on trade diminished somewhat as deals were negotiated, especially when a trade truce was agreed to by the U.S./China after Trump traveled to South Korea in October to meet Chinese leader Xi Jinping. CapEx intentions have been on an upswing in recent months, as corporate decision-makers are eager to take advantage of incentives and return to a focus on growing their businesses (Chart 2).

Banks are also more likely to lend for commercial and industrial (C&I) purposes in a less volatile policy environment. Senior Loan Officer surveys indicated a tightening in standards mid-2025, which has since reversed (Chart 3).

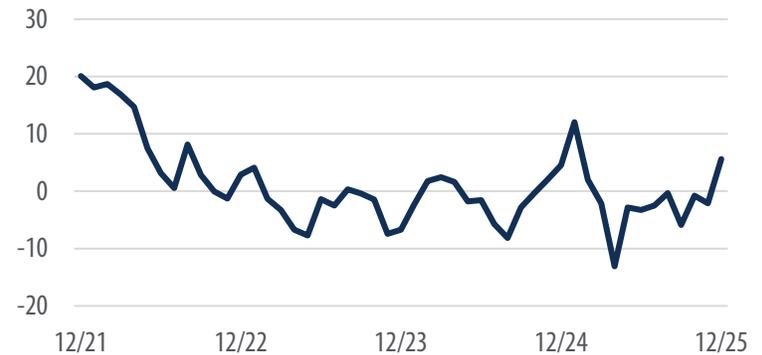
In summary, we believe an acceleration in broad based capital spending is possible, supported by catch up demand from last year, policy incentives and our expectation for robust commercial lending in 2026.

Chart 1: Economic Policy Uncertainty Index (20-Day Moving Average)



Source: Bloomberg. Data from 12/31/14 to 12/31/25.

Chart 2: U.S. Average of Regional Federal Reserve CapEx Intention Surveys



Source: Bloomberg. Data from 12/31/2021 to 12/31/25. Average of CapEx expectation surveys for the Kansas City, Chicago, Philadelphia, New York Empire, Richmond and Dallas regional surveys.

Chart 3: U.S. Senior Loan Officer Survey - Net % Tightening Standards for Commercial and Industrial (C&I) Loans



Source: Bloomberg. Data from 1/12/2016 to 1/12/26.

AI CapEx (capital expenditure) Spending is the investment companies make to acquire, upgrade, and maintain the long-term, physical and intangible assets needed to develop and operate AI technology. CapEx is a strategic investment in long-term assets that is depreciated over time on a company's financial statements.

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 believe economic expansion will continue. We believe outsized investment in AI infrastructure, diminished tariff uncertainty and policy incentives will support robust capital expenditures, which we see not only supporting top-line growth, but also potentially enhancing productivity and corporate profitability. Dovish monetary policy, the potential for increased tax refunds from the "One Big Beautiful Bill" act signed into law in July of 2025, and a positive wealth effect on high income consumers from the strong equity market are also supportive to our outlook. That said, prudence still requires a balanced stance towards U.S. equities. Risks remain, such as the potential for a more significant weakening in the labor market and policy headline risk later in 2026 as mid-term elections draw near. Any resurgence in tariff and trade uncertainty would also negatively impact sentiment. We also recognize that equity market valuation is elevated, and we believe certain growth oriented companies related to AI may be particularly expensive. However, we see the overall equity market as reasonably priced given our expectations for strong corporate profits, and our belief that a broader set of companies beyond the "Mag 7" offer the potential for improving operating performance, including sectors outside of information technology, such as financials.

Style Positioning

Maintaining Exposure to Dividend Paying Equities, Favor Quality Growth

We are maintaining our exposure to dividend paying equities, with a particular emphasis on strategies that seek dividend growth. We also favor quality growth companies, as we believe focusing on quality is a disciplined approach when investing in growth oriented sectors such as information technology. Additionally, we expect a broader set of companies to perform well in 2026 than in 2025.

Sector Positioning

Favor Financials, Information Technology and Health Care vs. Other Sectors

We favor financials sector stocks, particularly banks. Banks stand to benefit from dovish Fed policy, while potential yield curve steepening may improve net interest margin. Further, we not only expect robust loan growth, but also efficiency gains as the financials sector adopts AI for cost savings. We also expect an improved regulatory environment for the banking industry over time. In our view, the information technology sector benefits from continuing investment in the buildout of AI infrastructure. Additionally, non-AI enterprise information technology equipment spending may increase as tariff uncertainty diminishes. We also favor health care, particularly biotechnology stocks. Lower interest rates may reduce funding costs for biotechnology firms to develop innovative therapeutics, and we see the possibility of consolidation in the industry as Big Pharma replenishes its pipelines. We expect health care policy uncertainty to lessen over time, and believe the FDA may become less overextended, raising the possibility of a faster drug approval process.

International Positioning

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

We remain underweight international equities versus the U.S. market, which we believe will benefit from higher exposure to innovation relative to foreign markets, a strong capital equipment cycle and easing monetary policy. While we believe European policymakers have expressed more willingness to stimulate their economies, which could support stronger long-term growth, in our view, the actual impact on the real economy may gradually unfold. Infrastructure projects take time to plan and implement, and the multi-country bureaucracy of the European Union (EU) slows decision making. Additionally, we believe Europe's balance of trade is at risk from the threat of increasingly competitive Chinese imports redirected to the EU by U.S. tariffs. The potential for easing U.S. monetary policy, firming commodity prices and a greater willingness of Chinese policymakers to support export-led growth are potential tailwinds for emerging markets. However, we maintain our balanced outlook. We believe much uncertainty remains due to trade policy uncertainty, along with Chinese industrial overcapacity, and property market challenges. While Japan faces secular demographic challenges, we expect strong capital expenditure trends to support corporate profits. The potential for corporate reforms to improve capital efficiency via increased share buybacks and less cross-shareholder ownership offers the possibility of higher returns on equity for Japanese corporations over time.

Magnificent 7 (Mag 7): AAPL: Apple Inc. MSFT: Microsoft Corporation. NVDA: NVIDIA Corporation. GOOGL: Alphabet Inc. AMZN: Amazon.com, Inc. META: Meta. TSLA: Tesla, Inc.

Model View Implementation

All Equity Model

We are initiating a position in the First Trust Health Care AlphaDEX® Fund (FXH) to place greater emphasis on the health care sector within the model. Although we are still emphasizing financial sector exposure, we are adding to health care by reducing our weighting in the First Trust Nasdaq Bank ETF (FTXO). We maintain our emphasis on dividend payers within the core allocation with positions in the First Trust Value Line® Dividend Index Fund (FVD) and the First Trust Rising Dividend Achievers ETF (RDVY), which also provide significant financial sector exposure. We continue to maintain a significant position in the First Trust Growth Strength™ ETF (FTGS), which emphasizes historical revenue growth as well as quality balance sheet criteria. We believe that focusing on quality companies within growth-oriented sectors, such as information technology, provides a disciplined investment approach. However, we currently see quality stocks overall as relatively expensive.

Domestic Equity Model

As in the All Equity Model, we are initiating a position in the First Trust Health Care AlphaDEX® Fund (FXH) to place greater emphasis on the health care sector within the model. Although we are still emphasizing financial sector exposure, we are adding to health care by reducing our weighting in the First Trust Nasdaq Bank ETF (FTXO). We maintain our emphasis on dividend payers within the core allocation with positions in the First Trust Value Line® Dividend Index Fund (FVD) and the First Trust Rising Dividend Achievers ETF (RDVY), which also provide significant financials sector exposure. We continue to maintain a significant position in the First Trust Growth Strength™ ETF (FTGS), which emphasizes historical revenue growth as well as quality balance sheet criteria. We believe that focusing on quality companies within growth-oriented sectors, such as information technology, provides a disciplined investment approach. However, we currently see quality stocks overall as relatively expensive.

International Equity Model

This quarter, we are reducing the weighting of our core position in the First Trust Europe AlphaDEX® Fund (FEP) in favor of additional weighting in the First Trust Japan AlphaDEX® Fund (FJP). We see risk to European growth from a potential influx of Chinese imports redirected from the U.S., and the opportunity for improving profitability for Japanese equities. We are initiating a position in the First Trust Emerging Markets Human Flourishing ETF (FTHF), which invests in emerging market companies operating in countries with a high “Human Dignity Score” generated by evaluating emerging market countries on data points sourced by Freedom House.¹

Defensive Equity Model

There are no changes in the Defensive Equity Model this quarter. Currently, the model holds significant weighting in the First Trust Long/Short Equity ETF (FTLS) to lower the overall long equity exposure of the model. The model also holds weighting in the First Trust Horizon Managed Volatility Domestic ETF (HUSV), which attempts to identify stocks that may exhibit low future volatility, as well as weighting in the First Trust Value Line® Dividend Index Fund (FVD), which emphasizes dividend paying equities.

Equity Income Model

This quarter, the Equity Income Model initiated a position in the First Trust SMID Cap Rising Dividend Achievers ETF (SDVY). This fund holds small and mid-cap companies that have a history of dividend increases and characteristics supporting future dividend growth, such as positive earnings. The model reduced its weighting in the First Trust Morningstar Dividend Leaders Index Fund (FDL), which remains a significant holding.

¹Freedom House, is a non-profit, majority U.S. government funded organization in Washington D.C. that conducts research and advocacy on democracy, political freedom and human rights.

All Equity Model

| Fund | Ticker | Weight | Change | Price/Earnings | Price/Book | Price/Cash Flow | Price/Sales |
|---|--------|--------|--------|----------------|-------------|-----------------|-------------|
| Domestic Core | | | | | | | |
| First Trust Rising Dividend Achievers ETF | RDVY | 10.0% | — | 18.34 | 3.52 | 15.86 | 2.61 |
| First Trust Active Factor Large Cap ETF | AFLG | 9.0% | — | 22.02 | 4.07 | 15.19 | 2.07 |
| First Trust Growth Strength™ ETF | FTGS | 9.0% | — | 25.19 | 6.81 | 21.40 | 4.51 |
| First Trust Large Cap Value AlphaDEX® Fund | FTA | 8.5% | — | 15.10 | 1.92 | 8.99 | 1.22 |
| First Trust Value Line® Dividend Index Fund | FVD | 7.0% | — | 18.68 | 2.45 | 11.71 | 2.16 |
| First Trust Capital Strength® ETF | FTCS | 4.0% | — | 23.52 | 6.13 | 18.07 | 2.42 |
| International Core | | | | | | | |
| First Trust Developed Markets ex-US AlphaDEX® Fund | FDT | 9.0% | — | 12.28 | 1.31 | 6.83 | 0.83 |
| First Trust Emerging Markets AlphaDEX® Fund | FEM | 5.0% | — | 11.76 | 1.34 | 6.62 | 0.79 |
| First Trust Europe AlphaDEX® Fund | FEP | 4.5% | — | 13.29 | 1.40 | 7.40 | 0.82 |
| First Trust Japan AlphaDEX® Fund | FJP | 4.0% | — | 13.03 | 1.24 | 7.28 | 0.67 |
| Domestic Satellite | | | | | | | |
| First Trust NASDAQ Technology Dividend Index Fund | TDIV | 9.0% | — | 21.59 | 4.63 | 13.77 | 2.89 |
| First Trust NASDAQ-100-Technology Sector Index Fund | QTEC | 9.0% | — | 36.11 | 6.59 | 27.83 | 8.32 |
| First Trust Dow Jones Internet Index Fund | FDN | 5.0% | — | 32.56 | 7.85 | 26.80 | 6.13 |
| First Trust NYSE® Arca® Biotechnology Index Fund | FBT | 3.0% | — | 24.45 | 3.64 | 21.04 | 4.76 |
| First Trust Health Care AlphaDEX® Fund | FXH | 2.0% | +2.0% | 19.52 | 2.53 | 13.54 | 1.11 |
| First Trust Nasdaq Bank ETF | FTXO | 2.0% | -2.0% | 13.35 | 1.33 | 11.05 | 3.66 |
| Weighted Average Model Total | | | | 20.64 | 3.80 | 14.96 | 2.94 |

Domestic Equity Model

| Fund | Ticker | Weight | Change | Price/Earnings | Price/Book | Price/Cash Flow | Price/Sales |
|---|--------|--------|--------|----------------|-------------|-----------------|-------------|
| Domestic Core | | | | | | | |
| First Trust Rising Dividend Achievers ETF | RDVY | 13.0% | — | 18.34 | 3.52 | 15.86 | 2.61 |
| First Trust Active Factor Large Cap ETF | AFLG | 12.0% | — | 22.02 | 4.07 | 15.19 | 2.07 |
| First Trust Growth Strength™ ETF | FTGS | 11.0% | — | 25.19 | 6.81 | 21.40 | 4.51 |
| First Trust Large Cap Value AlphaDEX® Fund | FTA | 11.0% | — | 15.10 | 1.92 | 8.99 | 1.22 |
| First Trust Value Line® Dividend Index Fund | FVD | 9.0% | — | 18.68 | 2.45 | 11.71 | 2.16 |
| First Trust Capital Strength® ETF | FTCS | 5.0% | — | 23.52 | 6.13 | 18.07 | 2.42 |
| Domestic Satellite | | | | | | | |
| First Trust NASDAQ Technology Dividend Index Fund | TDIV | 13.0% | — | 21.59 | 4.63 | 13.77 | 2.89 |
| First Trust NASDAQ-100-Technology Sector Index Fund | QTEC | 11.0% | — | 36.11 | 6.59 | 27.83 | 8.32 |
| First Trust Dow Jones Internet Index Fund | FDN | 6.5% | — | 32.56 | 7.85 | 26.80 | 6.13 |
| First Trust NYSE® Arca® Biotechnology Index Fund | FBT | 3.5% | — | 24.45 | 3.64 | 21.04 | 4.76 |
| First Trust Health Care AlphaDEX® Fund | FXH | 2.5% | +2.5% | 19.52 | 2.53 | 13.54 | 1.11 |
| First Trust Nasdaq Bank ETF | FTXO | 2.5% | -2.5% | 13.35 | 1.33 | 11.05 | 3.66 |
| Weighted Average Model Total | | | | 22.89 | 4.49 | 17.13 | 3.51 |

International Equity Model

| Fund | Ticker | Weight | Change | Price/Earnings | Price/Book | Price/Cash Flow | Price/Sales |
|---|--------|--------|--------|----------------|-------------|-----------------|-------------|
| International Core | | | | | | | |
| First Trust Japan AlphaDEX® Fund | FJP | 13.0% | +3.0% | 13.03 | 1.24 | 7.28 | 0.67 |
| First Trust Developed Markets ex-US AlphaDEX® Fund | FDT | 11.5% | — | 12.28 | 1.31 | 6.83 | 0.83 |
| First Trust Europe AlphaDEX® Fund | FEP | 11.0% | -3.0% | 13.29 | 1.40 | 7.40 | 0.82 |
| First Trust RiverFront Dynamic Emerging Markets ETF | RFEM | 10.0% | — | 12.81 | 1.94 | 9.67 | 1.58 |
| First Trust S&P International Dividend Aristocrats ETF | FID | 10.0% | — | 14.76 | 1.29 | 7.76 | 1.32 |
| First Trust WCM International Equity ETF | WCMI | 10.0% | — | 20.50 | 3.21 | 14.11 | 2.45 |
| First Trust International Developed Capital Strength® ETF | FICS | 8.0% | — | 17.81 | 3.86 | 13.85 | 2.35 |
| First Trust IPOX® Europe Equity Opportunities ETF | FPXE | 7.0% | — | 23.04 | 3.11 | 11.52 | 2.03 |
| International Satellite | | | | | | | |
| First Trust India NIFTY 50 Equal Weight ETF | NFTY | 6.5% | — | N/A | 3.71 | 17.37 | 2.40 |
| First Trust Latin America AlphaDEX® Fund | FLN | 5.0% | — | 11.26 | 1.58 | 7.11 | 1.07 |
| iShares MSCI Canada ETF | EWC | 5.0% | -3.0% | 22.96 | 2.64 | N/A | N/A |
| First Trust Emerging Markets Human Flourishing ETF | FTHF | 3.0% | +3.0% | 14.05 | 2.29 | 10.59 | 2.54 |
| Weighted Average Model Total | | | | 14.55 | 2.16 | 9.42 | 1.42 |

Defensive Equity Model

| Fund | Ticker | Weight | Change | Price/Earnings | Price/Book | Price/Cash Flow | Price/Sales |
|---|--------|--------|--------|----------------|-------------|-----------------|-------------|
| Equity Allocation | | | | | | | |
| First Trust Horizon Managed Volatility Domestic ETF | HUSV | 25.0% | — | 23.57 | 3.36 | 15.83 | 2.91 |
| First Trust Long/Short Equity ETF | FTLS | 25.0% | — | 26.41 | 5.35 | 19.27 | 3.05 |
| First Trust Value Line® Dividend Index Fund | FVD | 25.0% | — | 18.68 | 2.45 | 11.71 | 2.16 |
| FT Vest Laddered Buffer ETF | BUFR | 15.0% | — | N/A | N/A | N/A | N/A |
| First Trust Utilities AlphaDEX® Fund | FXU | 10.0% | — | 17.32 | 1.96 | 7.80 | 2.11 |
| Weighted Average Model Total | | | | 18.90 | 2.99 | 12.48 | 2.24 |

Equity Income Model

| Fund | Ticker | Weight | Change |
|---|--------|--------|--------|
| Domestic Core | | | |
| First Trust Morningstar Dividend Leaders Index Fund | FDL | 20.0% | -5.0% |
| First Trust Rising Dividend Achievers ETF | RDVY | 20.0% | — |
| First Trust Value Line® Dividend Index Fund | FVD | 20.0% | — |
| First Trust SMID Cap Rising Dividend Achievers ETF | SDVY | 5.0% | +5.0% |
| International Core | | | |
| First Trust S&P International Dividend Aristocrats ETF | FID | 10.0% | — |
| First Trust Dow Jones Global Select Dividend Index Fund | FGD | 5.0% | — |
| First Trust STOXX® European Select Dividend Index Fund | FDD | 5.0% | — |
| Domestic Satellite | | | |
| First Trust NASDAQ Technology Dividend Index Fund | TDIV | 10.0% | — |
| First Trust North American Energy Infrastructure Fund | EMLP | 5.0% | — |

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.

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.

There can be no assurance that an active trading market for fund shares will develop or be maintained.

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.

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.

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.

Brazil has experienced substantial economic instability resulting from, among other things, periods of very high inflation, persistent structural public sector deficits and significant devaluations of its currency leading to a high degree of price volatility in both the Brazilian equity and foreign currency markets. Brazilian companies may be adversely affected by high interest and unemployment rates, and are particularly sensitive to fluctuations in commodity prices.

A fund that invests in underlying ETFs that use FLEX Options to employ a "target outcome strategy" ("Underlying ETFs"), does not itself pursue a defined outcome strategy. The buffer is only provided by the Underlying ETFs and the fund itself does not provide any stated buffer against losses. There can be no guarantee that the Underlying ETFs will be successful in their strategy to buffer against losses. A fund may lose its entire investment in an Underlying ETF. To the extent a fund acquires shares of its Underlying ETFs in connection with creations and during reallocation, the fund typically will not acquire Underlying ETF shares on the first day of the target outcome period defined in the Underlying Fund's prospectus ("Target Outcome Period"). Likewise, to the extent a fund disposes of shares of an Underlying ETF in connection with redemptions and during reallocation, any such disposition typically will not incur on the last day of a Target Outcome Period.

The Canadian economy is heavily dependent on the demand for natural resources and agricultural products. Canada is a major producer of certain commodities and any conditions that affect the supply and demand of these products could have a negative impact on the Canadian market as a whole and any a fund that invests in the securities of Canadian issuers.

A new Underlying ETF cap is established at the beginning of each Target Outcome Period and is dependent on prevailing market conditions. As a result, a cap may rise or fall from one Target Outcome Period to the next and is unlikely to remain the same for consecutive Target Outcome Periods.

If the Underlying ETF's reference security or index experiences gains during a Target Outcome Period, an Underlying ETF will not participate in those gains beyond the cap. In the event a fund purchases shares of an Underlying ETF after the first day of a Target Outcome Period and the Underlying ETF has risen in value to a level near the cap, there may be little or no ability for the fund to experience an investment gain on its shares; however, the fund will remain vulnerable to downside risk.

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.

Investments in China A-shares through a Stock Connect are subject to trading limits, quota restrictions, and regulatory controls that may limit a fund's ability to buy or sell securities. The program imposes daily quotas and ownership caps for foreign investors, and trading may be suspended without notice. China's markets can become illiquid quickly due to volatility, regulatory actions, or company decisions to halt trading. These risks could negatively impact the value and liquidity of a fund's China A-share holdings.

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.

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.

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.

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.

A fund's utilization of a dynamic currency hedging strategy may result in lower returns than an equivalent non-currency hedged investment when the component currencies are rising relative to the U.S. dollar. Although a fund will seek to minimize the impact of currency fluctuations on returns, the use of currency hedging will not necessarily eliminate exposure to all currency fluctuations.

Investments in emerging market securities are generally considered speculative and involve additional risks relating to political, economic and regulatory conditions.

Energy infrastructure companies may be directly affected by energy commodity prices, especially those companies which own the underlying energy commodity. A decrease in the production or availability of commodities or a decrease in the volume of such commodities available for transportation, processing, storage or distribution may adversely impact the financial performance of energy infrastructure companies. In addition, energy infrastructure companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, which may negatively impact their financial performance.

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.

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.

The Underlying ETFs invest in FLEX Options. Trading FLEX Options involves risks different from, or possibly greater than, the risks associated with investing directly in securities. An Underlying Fund may experience substantial downside from specific FLEX Option positions and certain FLEX Option positions may expire worthless. There can be no guarantee that a liquid secondary trading market will exist for the FLEX Options and FLEX Options may be less liquid than exchange-traded options.

FLEX Options are subject to correlation risk and a FLEX Option's value may be highly volatile, and may fluctuate substantially during a short period of time. FLEX Options will be exercisable at the strike price only on their expiration date. Prior to the expiration date, the value of the FLEX Options will be determined based upon market quotations or other recognized pricing methods. In the absence of readily available market quotations for fund holdings, a fund's advisor may determine the fair value of the holding, which requires the advisor's judgement and is subject to the risk of mispricing or improper valuation.

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.

Forward foreign currency exchange contracts involve certain risks, including the risk of failure of the counterparty to perform its obligations under the contract and the risk that the use of forward contracts may not serve as a complete hedge because of an imperfect correlation between movements in the prices of the contracts and the prices of the currencies hedged.

The risks of investing in emerging market countries are magnified when investing in frontier market countries due to the potential for extreme price volatility and illiquidity; government ownership or control of parts of private sector and of certain companies as well as the relatively new and unsettled securities laws in many frontier market countries.

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.

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.

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.

Indian companies are subject to certain risks, including greater price volatility, substantially less liquidity and significantly smaller market capitalization of securities markets, more substantial governmental involvement in the economy, higher rates of inflation, and greater political, economic and social uncertainty. Government controls have been reduced on imports and foreign investment, and privatization of domestic output has proceeded slowly. Rapid economic growth has put heavy stress on India's infrastructural facilities. Furthermore, businesses still have to deal with an inefficient and sometimes slow-moving bureaucracy.

Only while maintaining a Foreign Portfolio Investor ("FPI") registration would a fund be able to buy, sell or deal in Indian securities. Investment by FPIs in Indian securities are subject to certain limits and restrictions under the applicable law, and the applications of such limits and restrictions could adversely impact the ability of a fund to make investments in India.

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.

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.

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.

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

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.

The economies of Latin American countries have in the past experienced considerable difficulties, including high inflation rates, high interest rates, high unemployment, government overspending and political instability. International economic conditions, particularly those in the United States, Europe and Asia, as well as world prices for oil and other commodities may also influence the development of Latin American economies. Many Latin American countries are highly reliant on the exportation of commodities and their economies may be significantly impacted by fluctuations in commodity prices and the global demand for certain commodities.

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.

When a fund sells Underlying ETFs in the open market, the resulting gain or loss may have a negative impact on fund returns. In addition, a fund may effect a portion of its creations and redemptions for cash rather than in-kind, which may be less tax efficient. In addition, cash transactions may involve higher brokerage fees and taxes than in-kind transactions.

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.

The Mexican economy is dependent on external trade with other economies, specifically the U.S. and certain Latin American countries. Mexico is an emerging market and demonstrates significantly higher volatility from time to time. Historically, Mexico has experienced substantial economic instability resulting from, among other things, periods of very high inflation, high interest rates, economic volatility, high unemployment rates and significant devaluations of the Mexican currency, as well as destabilizing events caused by local insurrections, social upheavals, natural events such as earthquakes and hurricanes, drug related violence and public health crisis.

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 benefit a fund derives from its investment in MLPs is largely dependent on their being treated as partnerships for U.S. federal income tax purposes. A change in current tax law or a change in the underlying business mix of a given MLP could result in an MLP being treated as a corporation for income tax purposes which would result in the MLP being required to pay income tax at the applicable corporate tax rate.

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.

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.

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.

A fund may be unable to sell a restricted security on short notice or only sell them at a price below current value.

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.

A fund may have temporary larger exposures to certain Underlying ETFs and under such circumstances, a fund's return would be more greatly influenced by the returns of the Underlying ETFs with the larger exposures.

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.

Special purpose acquisition companies ("SPACs"), have no operating history or ongoing business other than seeking acquisitions. The value of a SPAC's securities is particularly dependent on the ability of its management to identify and complete a profitable acquisition. There is no guarantee that the SPACs in which a fund may invest will complete an acquisition or that any acquisitions completed by the SPACs will be profitable.

If a fund's Underlying ETF holds FLEX Options that reference SPY, the fund is subject to certain of the risks of owning shares of an ETF as well as the risks of the types of instruments in which SPY invests.

If a fund's Underlying ETF holds FLEX Options that reference SPY, each Underlying ETF has exposure to the equity securities markets. 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.

Taiwan is an emerging market and demonstrates significantly higher volatility from time to time. Taiwan's ongoing tensions with China may materially affect the Taiwanese economy. Also, the Taiwanese economy is export-oriented and dependent upon an open-world trade regime.

An Underlying ETF's investment strategy is designed to deliver returns if shares are bought on the first day that the Underlying ETF enters into the FLEX Options and are held until the FLEX options expire at the end of the Target Outcome Period subject to the cap.

If, in any year, a fund which intends to qualify as a Registered Investment Company (RIC) under the applicable tax laws fails to do so, it would be taxed as an ordinary corporation. The federal income tax treatment of the securities in which a fund may invest, including a fund's option strategy, may not be clear or may be subject to recharacterization by the Internal Revenue Service. It could be more difficult to comply with the tax requirements applicable to RICs if the tax characterization of investments or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service.

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.

The fund's investment in shares of the Underlying ETFs subjects it to the risks of owning the securities held by the Underlying ETF, as well as the same structural risks faced by an investor purchasing shares of the fund.

An underlying ETF with investments that are concentrated in a single asset class, country, region, industry, or sector may be more affected by adverse events than the market as a whole.

A fund that invests in Underlying ETFs may provide returns that are lower than the returns that an investor could achieve by investing in one or more Underlying ETFs alone and the fund bears its proportionate share of each ETF's expenses, subjecting fund shareholders to duplicative expenses. A fund of Underlying ETFs does not itself pursue a defined outcome strategy and does not provide any buffer against Underlying ETF losses.

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.

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.

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.

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