The First Trust Strategic Risk Model Portfolios consist of exchange-traded funds (ETFs) and are created by the First Trust Advisors Model Investment Committee (the “Investment Committee”). These models are aimed at total return while diversifying the risk exposures 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.

First Trust Strategic Risk Model Portfolio Distinctives:

- Decades of experience in portfolio construction
- Robust expertise from economic and market strategy teams, as well as asset management teams across equity, fixed income and alternatives investing
- Inclusion of merit based investments, such as actively managed ETFs, as potential sources of alpha
- Disciplined, repeatable and rigorous process of model construction
- Strategic core and satellite allocation approach
- Transparent and explainable process

STRATEGIC RISK PROFILES

For the Strategic Risk Model Portfolios, the Investment Committee has created five general risk profiles, each targeting a specific risk tolerance ranging from a conservative profile to an aggressive growth risk profile. The Investment Committee seeks to combine less than perfectly correlated assets so that the overall risk within each profile is less than the sum of its components. Each risk profile holds a targeted percentage in equities, fixed income, alternatives and cash with the objective of achieving an appropriate balance between anticipated risk and potential reward. The allocations presented below are the Investment Committee’s “baseline” allocations. The allocation for one or more of the risk profiles at any point in time may differ from the baseline allocation based on the Investment Committee’s current view of potential opportunities and risks; however, the strategic allocation among these broad asset classes within the risk profiles are not anticipated to materially change over time. There may be market circumstances for which the Investment Committee seeks to reduce risk by moving a portion of the equity allocation to cash. It would, however, be highly unusual to reduce the equity allocation and in no circumstance would the equity allocation be reduced by more than 10%.

<table>
<thead>
<tr>
<th>RISK PROFILES</th>
<th>EQUITIES</th>
<th>FIXED INCOME</th>
<th>ALTERNATIVES</th>
<th>CASH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative</td>
<td>17%</td>
<td>60%</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>Conservative Growth</td>
<td>35%</td>
<td>50%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Balanced Growth</td>
<td>50%</td>
<td>38%</td>
<td>12%</td>
<td>0%</td>
</tr>
<tr>
<td>Moderate Growth</td>
<td>70%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Aggressive Growth</td>
<td>85%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
</tr>
</tbody>
</table>
INVESTMENT COMMITTEE

The Investment Committee, is ultimately responsible for asset allocation, security selection and risk management decisions that are implemented in the model portfolios. The Investment Committee consists of six members with diverse financial backgrounds who average over twenty years of investment experience. In addition to the Investment Committee, three Sub-Committees comprised of sixteen individuals, including twelve CFA charter holders, utilize their expertise to help recommend the optimal allocations for the model portfolios. The Investment Committee conducts a rigorous quarterly review process that considers both “top-down” and “bottom-up” perspectives.

MODEL CONSTRUCTION PROCESS

We believe a successful investment process involves a disciplined framework to guide the building blocks of the model’s construction.

- **Capital Market Macro/Policy Drivers**
  First Trust Economic Team and First Trust Market Strategy Team provide capital market views.

- **Asset Level Analysis**
  First Trust Equity, Fixed Income, and Alternatives Sub-Committees evaluate fundamentals, valuations and risk factors impacting each asset type.

- **Model Construction & Implementation**
  Analyze/review portfolio positioning and risk diversification based on model objectives and constraints, followed by final asset allocation.

- **Continuous Monitoring & Risk Management**
  Review performance attribution, factor exposures and risk relative to target. Review capital market assumptions and model allocations.
  Review model investment limits.

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A COMPREHENSIVE APPROACH TO ASSET ALLOCATION

The investment process begins with an analysis of capital markets assumptions using inputs, views and rationale from First Trust’s economic and market strategy teams who assess the following:

**Economic Team**
- Growth forecasts for domestic GDP and inflation
- Trade and tax policy considerations
- Monetary and fiscal policy outlook
- Geopolitical considerations
- Macro economic indicators
- Regulatory environment

**Market Strategy Team**
- Earnings growth outlook for the S&P 500 Index and individual market sectors
- Highlight potential risks to the market and specific firm views
- Assess current market valuation
- Global market views

**ASSET LEVEL ANALYSIS**

The Investment Committee collaborates with Sub-Committee investment professionals, the most qualified people at First Trust in assessing the unique factors that drive risk adjusted returns across equities, fixed income and alternatives asset classes to help form model construction. By leveraging the expertise of the Sub-Committee members, the Investment Committee determines active views and potential opportunities in each asset type with the goal of providing sustainability, redundancy and accountability of the model process over time. This is a tangible way to bring together First Trust’s thought leadership and our unique, innovative line-up of ETFs.

**EQUITY SUB-COMMITTEE**

The Equity Sub-Committee evaluates the U.S. equity market by size, style and sector, as well as international equity markets by region and country, utilizing the following framework:
- Macroeconomic analysis to forecast economic growth and inflation, determine business stage cycle and evaluate recession risks
- Earnings-per-share growth as a function of revenue growth, profit margins and the rate of net share buybacks
- Valuation as a function of various price ratios such as price-to-earnings and price-to-book
- Monitor currency movements, rate differentials and capital flows

**FIXED INCOME SUB-COMMITTEE**

The Fixed Income Sub-Committee evaluates the fixed income markets using a rigorous process that considers the following key components:
- Interest rate outlook
- Sector relative value and spread analysis
- Credit fundamentals across asset types
- Supply/demand trends by asset type
- Risk appetite and technical analysis
- Yield curve, currency and valuation metrics
- Asset class level valuation

**ALTERNATIVES SUB-COMMITTEE**

The Alternatives Sub-Committee evaluates the alternative markets by assessing both the overall macro risk environment and the unique attributes of each alternative strategy with a particular focus on the following characteristics:
- Identify diversifying and return enhancing strategies
- Assess the macro risk environment
- Consider factors such as asset trends and volatility, fund flows, credit spread behavior, monetary policies and investor risk discrimination as inputs into overall risk assessment
The Investment Committee evaluates asset level views and potential opportunities within a portfolio context to seek to identify and understand embedded risks and correlations to manage the total risk contribution as appropriate for each model's objectives and constraints. The Investment Committee incorporates insights and analysis from the Sub-Committees, along with other considerations such as third-party research and affiliate views to reach conclusions on positioning. Prior to final model construction, the Investment Committee reviews additional characteristics such as emphasizing particular equity regions, sectors or styles, and positioning of fixed income duration, asset classes, market sectors and alternatives. In addition to the regular quarterly review process, the Investment Committee may adjust model weightings intra-quarter if macroeconomic or financial market conditions materially impact their market views to the extent that they believe more timely action is necessary. Lastly, continuous monitoring and risk management is conducted to evaluate the effectiveness of model exposures and the premise behind these exposures.

![Model Construction and Implementation](image)

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. This information is subject to change and does not guarantee future results. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.
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 fund. The prospectus or summary prospectus should be read carefully before investing.

An index fund’s return may not match the return of the applicable index. Securities held by an index fund will generally not be bought or sold in response to market fluctuations.

Actively managed funds are subject to management risk because the advisor or sub-advisor will apply investment techniques and risk analyses that may not have the desired result.

Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Investors who sell fund shares may receive less than the share’s net asset value.

Shares may be sold throughout the day on the exchange through any brokerage account. However, unlike mutual funds, shares may only be redeemed directly from the fund by authorized participants, in very large creation/redemption units. If a fund’s authorized participants are unable to proceed with creation/redemption orders and no other authorized participant is able to step forward to create or redeem, fund shares may trade at a discount to the fund’s net asset value and possibly face delisting.

A fund’s shares will change in value, and you could lose money by investing in a fund. One of the principal risks of investing in a fund is market risk. Market risk is the risk that a particular security owned by a fund, fund shares or securities in general may fall in value. There can be no assurance that a fund’s investment objective will be achieved.

A fund may invest in securities issued by companies concentrated in a particular industry, sector, or country which involves additional risks including limited diversification. An investment in a fund concentrated in a single country or region may be subject to greater risks of adverse events and may experience greater volatility than a fund that is more broadly diversified geographically.

A fund may invest in small capitalization and mid capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

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

Certain securities held by fixed income funds may be subject to credit risk, call risk, income risk, interest rate risk, prepayment risk and extension risk. Credit risk is the risk that an issuer of a security will be unable or unwilling to make dividend, interest and/or principal payments when due and that the value of a security may decline as a result. Credit risk is heightened for high-yield securities which are more susceptible to the risks of interest deferral, default and/or bankruptcy. Call risk is the risk that if an issuer calls higher-yielding debt instruments held by a fund, performance could be adversely impacted. Income risk is the risk that income from a fund’s fixed-income investments could decline during periods of falling interest rates. Interest rate risk is the risk that the value of the fixed-income securities in a fund will decline because of rising market interest rates. Prepayment risk is the risk that during periods of falling interest rates, an issuer may exercise its right to pay principal on an obligation earlier than expected. This may result in a decline in a fund’s income. Extension risk is the risk that the average life of a mortgage-related security may extend if the rate of prepayments decreases, which increases interest rate exposure. Zero coupon bonds may be highly volatile as interest rates rise and fall.

Alternative investments may employ complex strategies, have unique investment and risk characteristics that may not be appropriate for all investors.

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

DEFINITIONS:

Alpha is an indication of how much an investment outperforms or underperforms on a risk-adjusted basis relative to its benchmark.

Correlation is a measure of the similarity of performance.

Duration is a measure of a bond’s sensitivity to interest rate changes that reflects the change in a bond’s price given a change in yield. It accounts for the likelihood of changes in the timing of cash flows in response to interest rate movements.