

# The Pendulum Swings

Craig Koproski  
*Vice President*

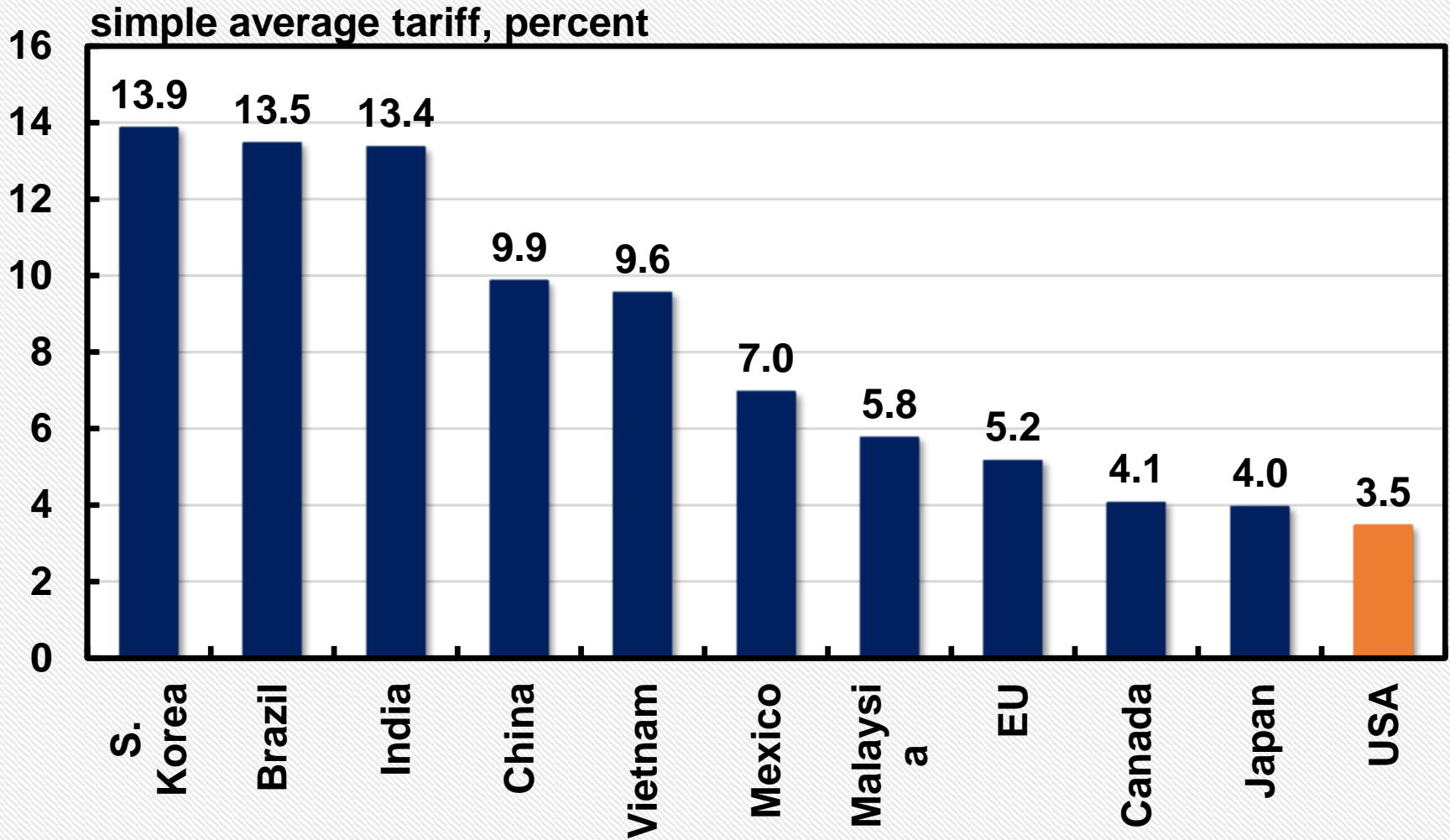


# First Trust Portfolios L.P.



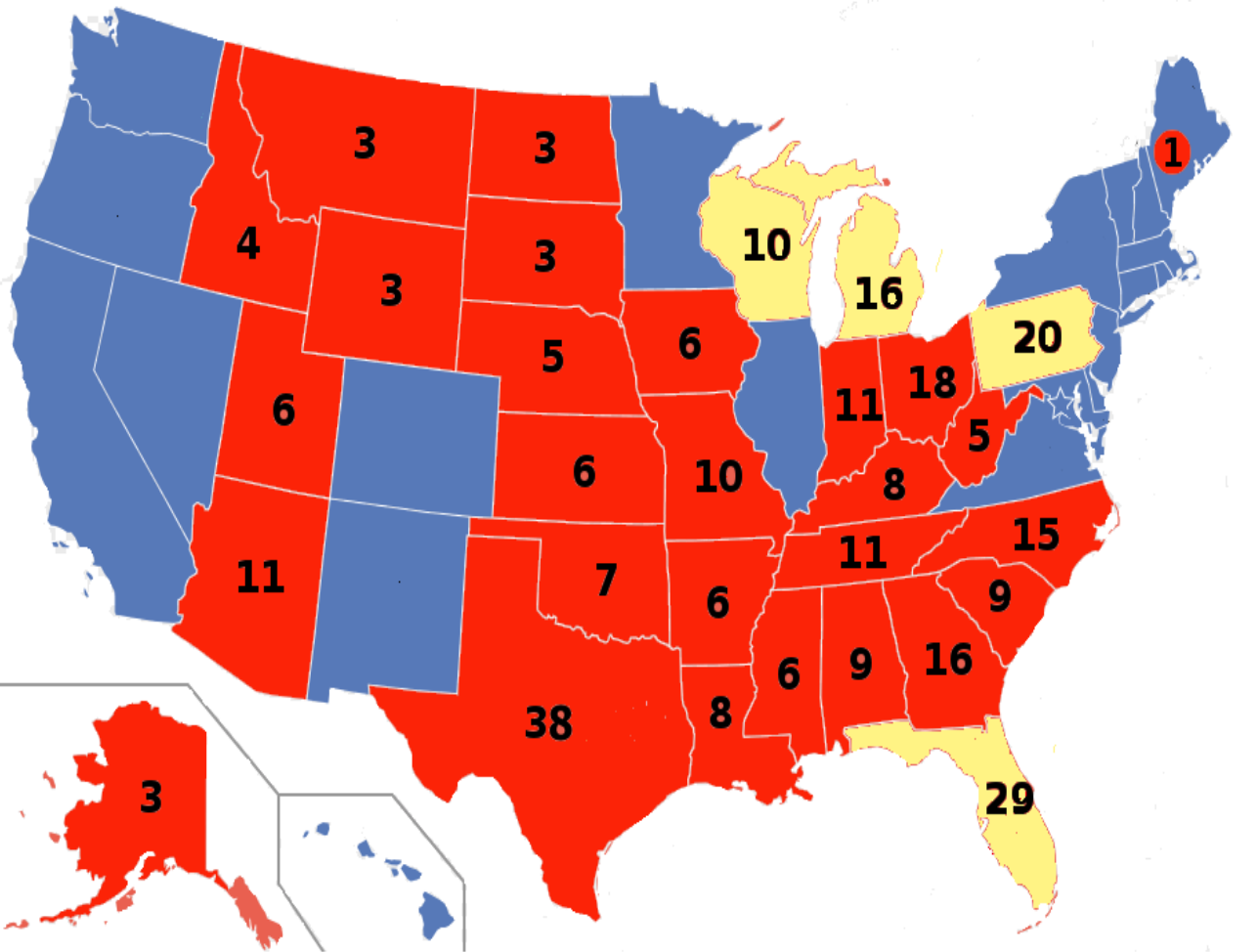
**Craig Koproski – Region Vice President – cell 630-890-6185**

# Average Tariff Rates for U.S. and 10 Largest Trading Partners



Source: World Trade Organization Data for year of 2016

# Trump's Key Four States in 2020



**26 Red States: 231  
Electoral Votes**

**Needed to Win: 3 of 4**

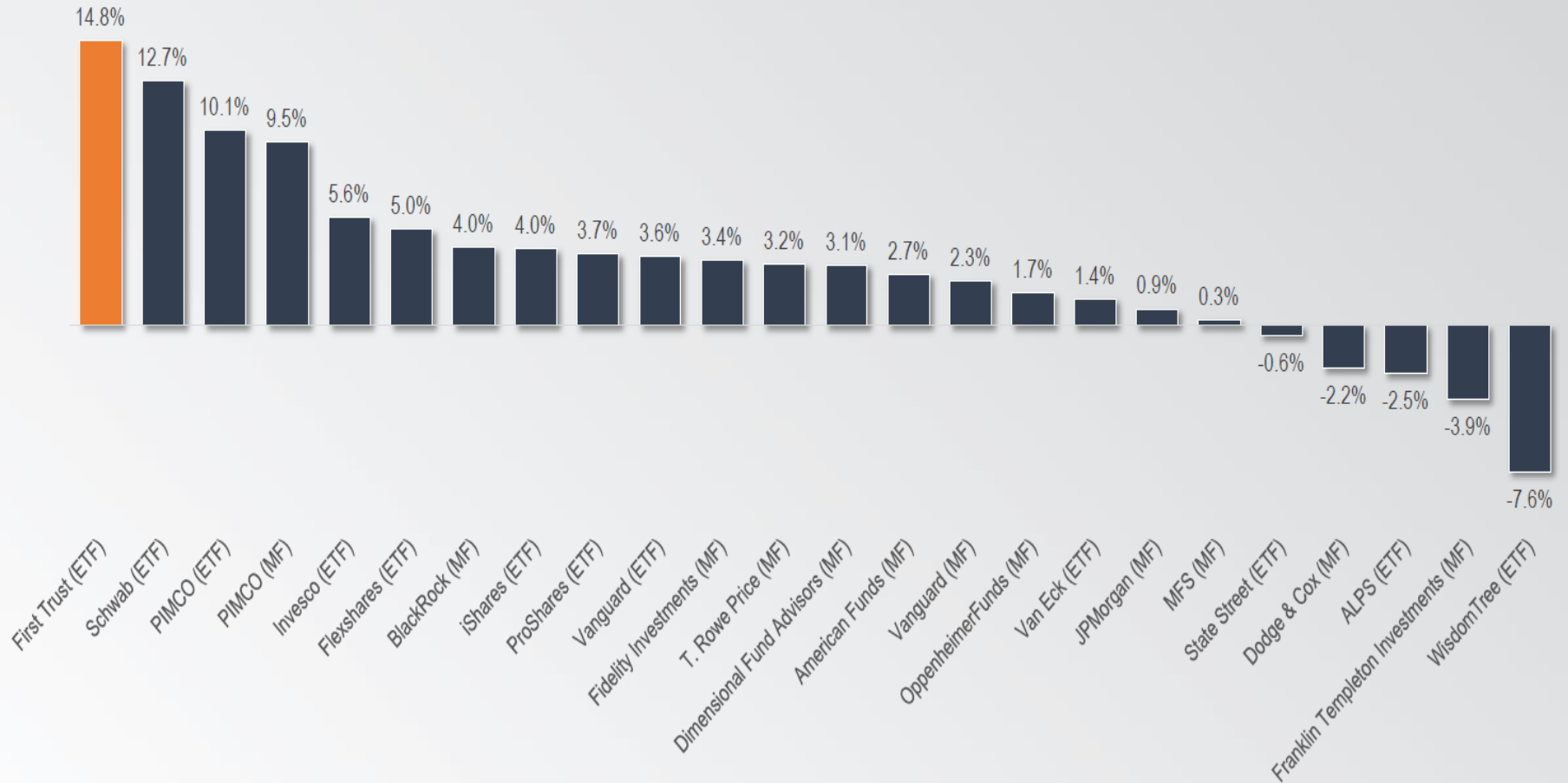
**Florida Michigan Pennsylvania  
Wisconsin**

(29) (16) (20)  
(10)

# TYD AUM GROWTH

## YTD AUM GROWTH

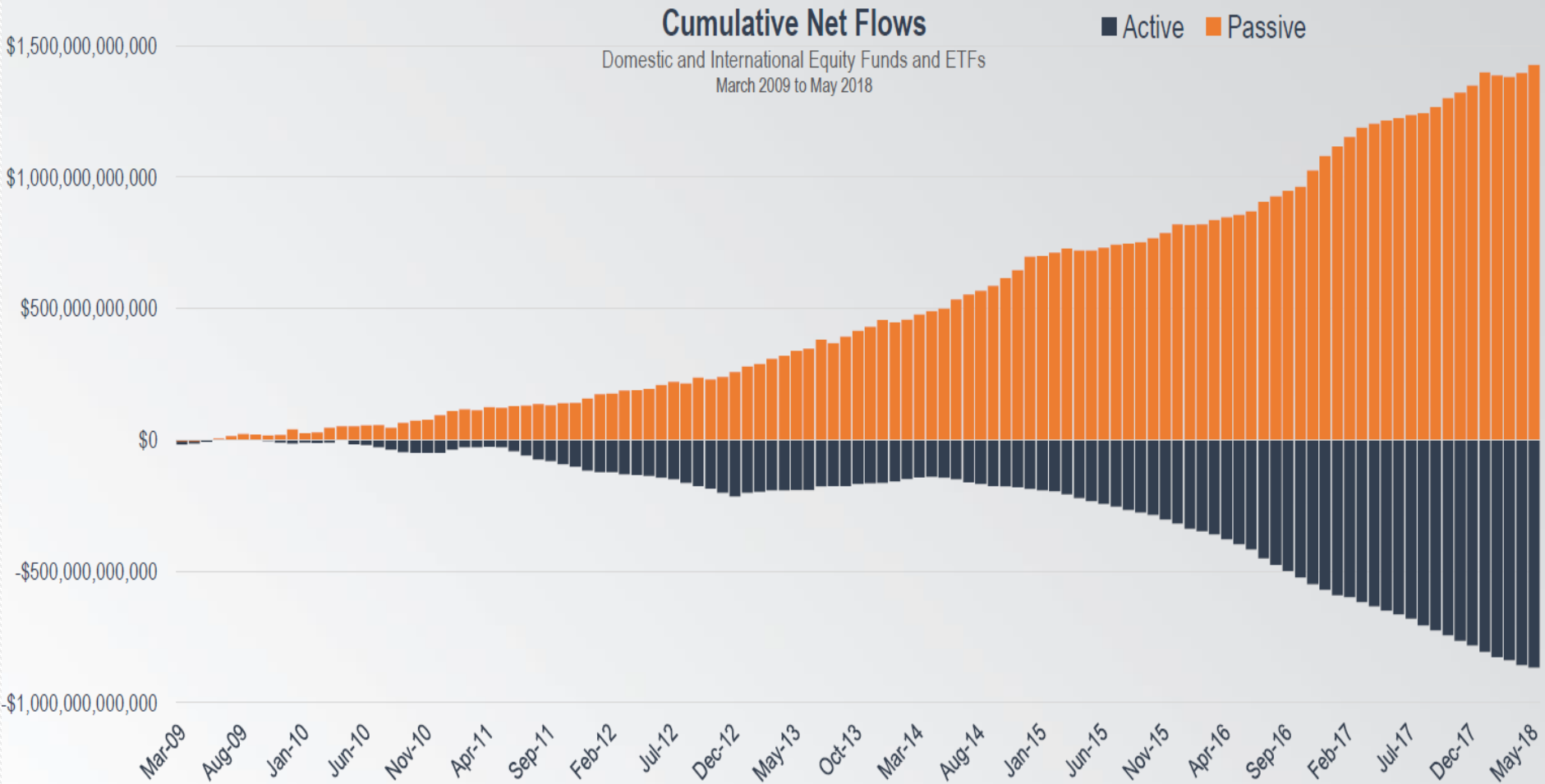
### 12 LARGEST ETF AND 12 LARGEST FUND FIRMS



Source: Morningstar Direct for the period 12/31/17 - 5/31/18. Past performance is not a guarantee of future results.

# Money Flows into Passive Investments

## INVESTORS BAIL ON ACTIVELY-MANAGED EQUITY ETFs AND FUNDS

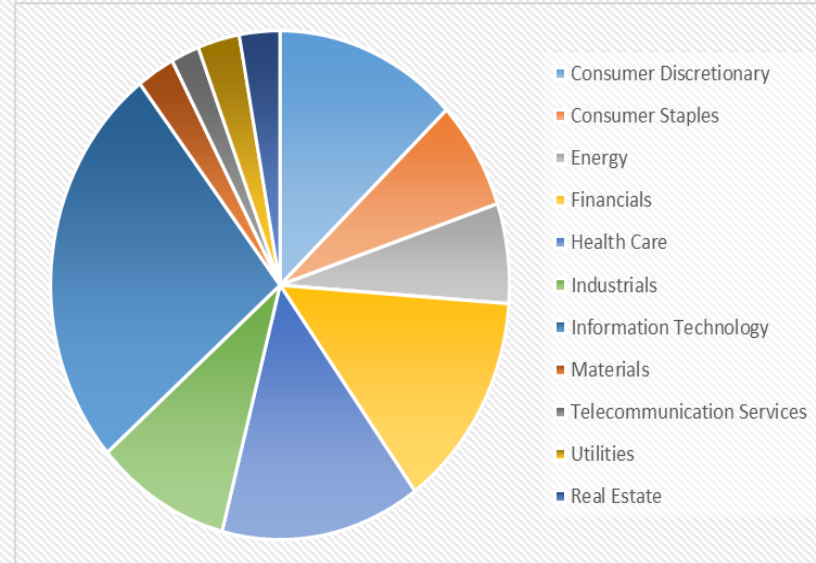


Source: Morningstar Direct. Estimated net flows from 3/09 to 5/18.

# S&P 500 Sector Weights

## S&P 500 Index Sector Weights

Consumer Discretionary	12.92%
Consumer Staples	6.90%
Energy	6.34%
Financials	13.84%
Health Care	14.07%
Industrials	9.51%
Information Technology	25.96%
Materials	2.66%
Telecommunication Services	1.99%
Utilities	2.95%
Real Estate	2.86%



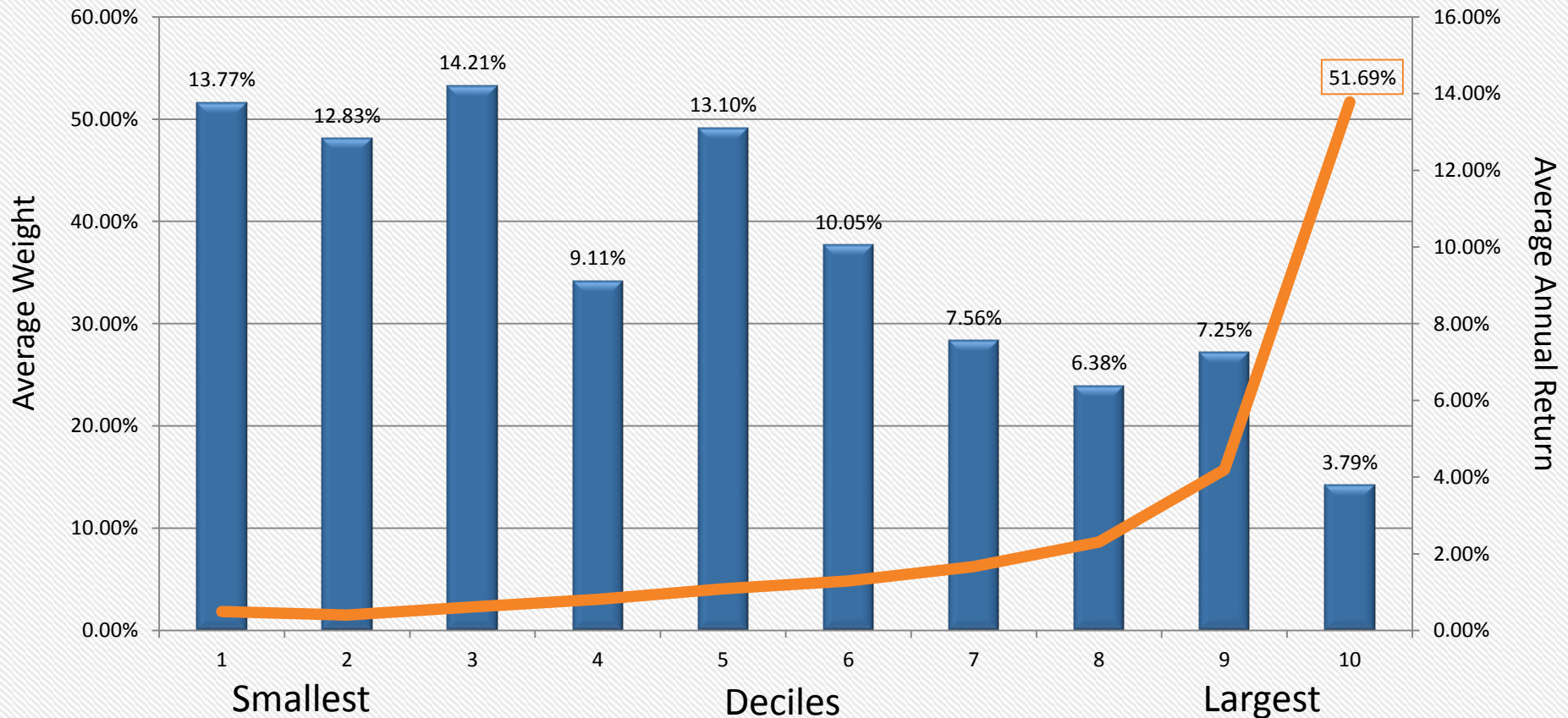
Data: FactSet and Bloomberg as of 6/29/2018

# S&P 500 Market Cap Decile Returns (1998 – 2017)

“The S&P 500 Index was not created to be an investment vehicle”

- David M. Blitzer, Chairman of the S&P 500 Index Committee

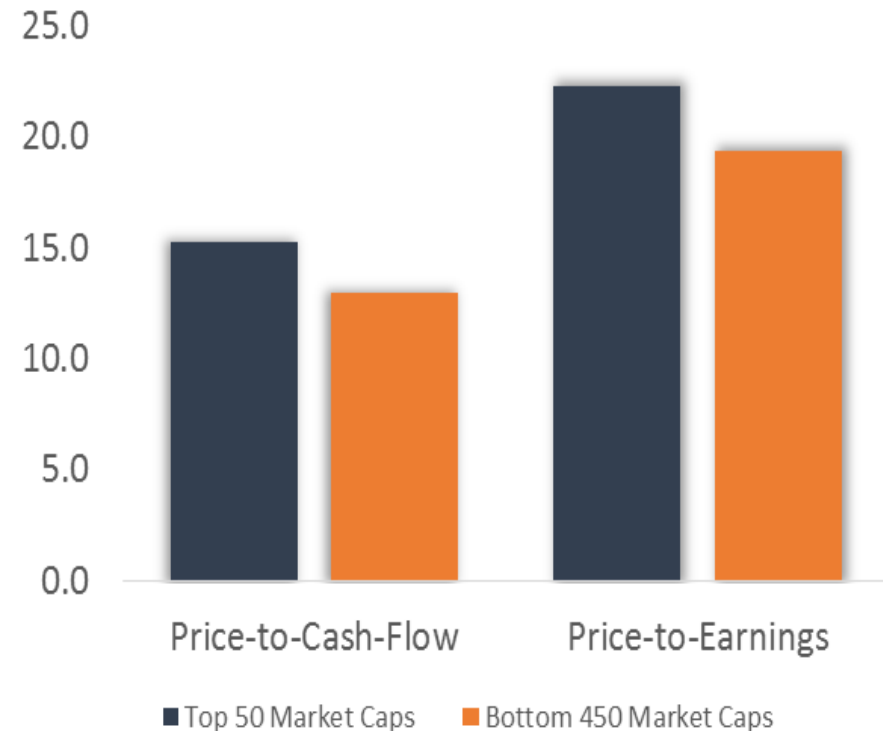
■ Average Annual Return    — Average Weight



Source: FactSet. Past performance is no guarantee of future results. This example is for illustrative purposes and does not represent any actual investment.



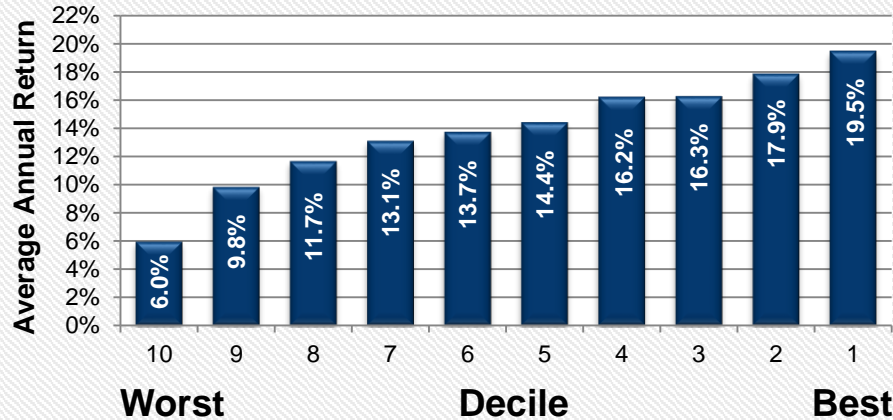
# Valuation Comparison of S&P 500 Top 50 Market Caps vs Bottom 450 Market Caps



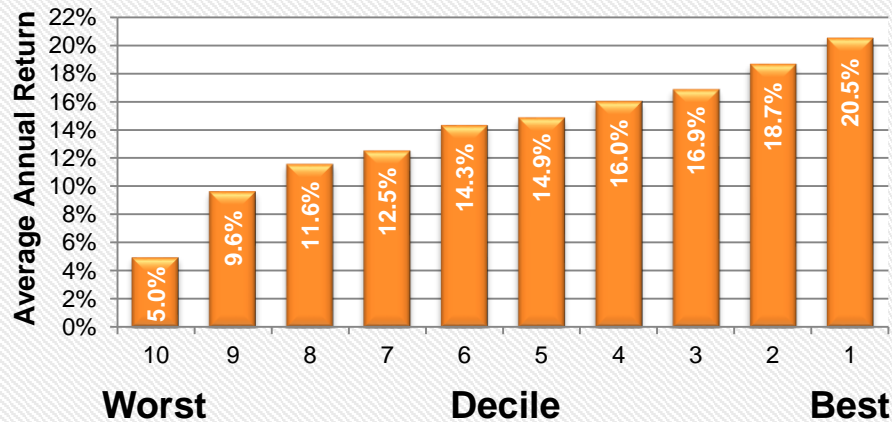
Data obtained from the Compustat database and FactSet. Data as of 6/29/2018. Past performance is no guarantee of future results.

# Stock Selection Factors (selected examples)

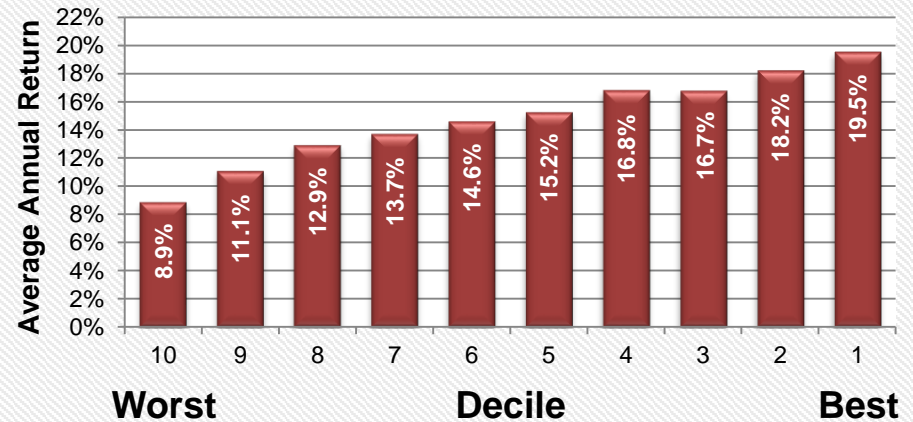
## Price to Book: 1952-2016



## Momentum: 1952-2016



## Price to Cash Flow: 1952-2016



Results from Kenneth R. French data library using the CRSP database. Universe includes all NYSE, AMEX & NASDAQ stocks. Stocks are equally weighted. Past performance is no guarantee of future results. This example is for illustrative purposes and does not represent any actual investment.

# Our Strategy = Math Wins

## OUR STRATEGY

“MATH WINS”

USE ACADEMICALLY-STUDIED, REAL WORLD-APPLIED FUNDAMENTAL OR TECHNICAL

**FACTORS** TO SELECT AND/OR WEIGHT STOCKS

TO SEEK TO ACHIEVE SUPERIOR RISK-ADJUSTED

RESULTS

THEN DO IT AGAIN, AND AGAIN, AND AGAIN

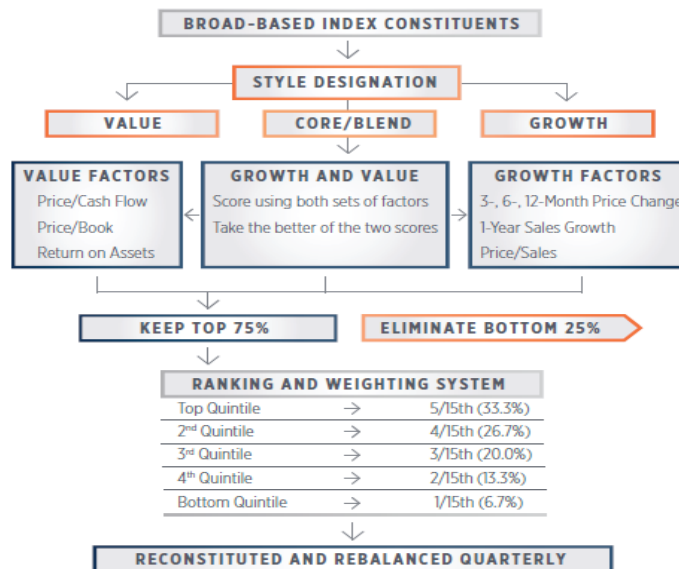
# Alphadex Methodology

 First Trust

Domestic AlphaDEX® Methodology

First Trust's AlphaDEX family of exchange-traded funds (ETFs) are based on a group of custom enhanced indexes which employ the proprietary, rules-based AlphaDEX fundamental stock selection methodology. The AlphaDEX methodology is relatively simple, it uses only 3 growth and 3 value factors. In addition, since AlphaDEX funds are structured as ETFs, the methodology and holdings are completely transparent. We believe ETFs based on an enhanced index may be a better alternative to active management when seeking alpha.

- 1** Begin with the constituents of a broad-based index and separate them into growth, value and core segments.
- 2** Based on style designations, score the stocks using a set of growth, value or both factors.
- 3** Rank all stocks by their final score and eliminate from consideration the lowest 25%.
- 4** Rank the remaining stocks into quintiles. The top quintile stocks get a total weight of 5/15ths, the second quintile stocks get a total weight of 4/15ths, etc. Each stock is equally-weighted within its quintile.
- 5** Repeat the process quarterly, rebalancing and reconstituting the index.



*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](http://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.*

#### ETF Characteristics

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 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 discount to the fund's net asset value and possibly face delisting.

#### Risk Considerations

A fund's shares will change in value, and you could lose money by investing in a fund. There can be no assurance that a fund's investment objective will be achieved.

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.

A fund may invest in a concentrated portfolio which involves additional risks including limited diversification.

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

The funds are classified as "non-diversified" and may invest a relatively high percentage of their assets in a limited number of issuers. As a result, the funds 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.

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

ETFs are subject to various risks depending on the fund's investment objectives. For a complete description of relative risks for a specific fund, please obtain and carefully read the appropriate First Trust prospectus.

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 and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.

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

Alpha is a statistical measure of the portion of a return arising from non-market risk.

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# Alphadex Methodology

Sector		Domestic			Global/International		
Sector		Size/Style			Broad/Regional	Country	
FXD First Trust Consumer Discretionary AlphaDEX® Fund	FXG First Trust Consumer Staples AlphaDEX® Fund		FMK First Trust Mega Cap AlphaDEX® Fund		FDT First Trust Developed Markets ex-US AlphaDEX® Fund	FAUS First Trust Australia AlphaDEX® Fund	FBZ First Trust Brazil AlphaDEX® Fund
FXN First Trust Energy AlphaDEX® Fund	FXO First Trust Financials AlphaDEX® Fund	FTA First Trust Large Cap Value AlphaDEX® Fund	FEX First Trust Large Cap Core AlphaDEX® Fund	FTC First Trust Large Cap Growth AlphaDEX® Fund	FDTS First Trust Developed Markets ex-US Small Cap AlphaDEX® Fund	FCAN First Trust Canada AlphaDEX® Fund	FCA First Trust China AlphaDEX® Fund
FXH First Trust Health Care AlphaDEX® Fund	FXR First Trust Industrials/ Producer Durables AlphaDEX® Fund	FNK First Trust Mid Cap Value AlphaDEX® Fund	FNX First Trust Mid Cap Core AlphaDEX® Fund	FNY First Trust Mid Cap Growth AlphaDEX® Fund	FEM First Trust Emerging Markets AlphaDEX® Fund	FGM First Trust Germany AlphaDEX® Fund	FHK First Trust Hong Kong AlphaDEX® Fund
FXZ First Trust Materials AlphaDEX® Fund	FXL First Trust Technology AlphaDEX® Fund	FYT First Trust Small Cap Value AlphaDEX® Fund	FYX First Trust Small Cap Core AlphaDEX® Fund	FYC First Trust Small Cap Growth AlphaDEX® Fund	FEMS First Trust Emerging Markets Small Cap AlphaDEX® Fund	FJP First Trust Japan AlphaDEX® Fund	FKO First Trust South Korea AlphaDEX® Fund
FXU First Trust Utilities AlphaDEX® Fund		FAB First Trust Multi Cap Value AlphaDEX® Fund	TUSA First Trust Total US Market AlphaDEX® ETF	FAD First Trust Multi Cap Growth AlphaDEX® Fund	FPA First Trust Asia Pacific ex-Japan AlphaDEX® Fund	FSZ First Trust Switzerland AlphaDEX® Fund	FKU First Trust United Kingdom AlphaDEX® Fund
					FEP First Trust Europe AlphaDEX® Fund		
					FEUZ First Trust Eurozone AlphaDEX® ETF		
					FLN First Trust Latin America AlphaDEX® Fund		

# Domestic AlphaDEX

First Trust

AlphaDEX® Fundamental Valuation Comparison

Fund	Benchmark Name	Price/Earnings			Price/Book			Price/Sales			Price/Cash Flow			ROA			1-year Sales Growth		
		Fund	Benchmark	Difference	Fund	Benchmark	Difference	Fund	Benchmark	Difference	Fund	Benchmark	Difference	Fund	Benchmark	Difference	Fund	Benchmark	Difference
<b>AlphaDEX® Size/Style Funds</b>																			
FEX	S&P 500 Index	17.83	21.47	-3.64	2.64	3.10	-0.46	1.48	2.19	-0.71	12.18	12.87	-0.69	7.58	8.02	-0.45	13.23	10.57	2.65
FTC	S&P 500 Growth Index	0.00	28.41	-28.41	4.74	5.56	-0.82	2.94	3.66	-0.72	19.21	17.87	1.34	9.53	10.13	-0.60	21.21	13.39	7.82
FTA	S&P 500 Value Index	14.02	16.58	-2.56	1.89	2.09	-0.20	1.01	1.52	-0.51	9.04	9.79	-0.75	5.94	5.67	0.28	5.60	7.43	-1.83
FMK	S&P 100 Index	20.51	21.87	-1.36	3.09	3.15	-0.06	1.50	2.48	-0.98	13.04	13.15	-0.11	8.32	8.46	-0.15	9.11	9.69	-0.58
FNX	S&P MidCap 400 Index	17.13	19.92	-2.79	2.25	2.26	-0.01	1.20	1.41	-0.21	11.63	11.26	0.37	6.00	6.93	-0.93	22.68	12.78	9.90
FNY	S&P MidCap 400 Growth Index	24.95	26.98	-2.03	4.57	3.67	0.90	2.60	2.38	0.22	19.80	15.50	4.30	6.40	8.86	-2.46	36.37	15.98	20.40
FNK	S&P MidCap 400 Value Index	13.44	15.29	-1.85	1.55	1.61	-0.06	0.82	0.98	-0.16	8.49	8.71	-0.22	5.75	4.84	0.90	9.56	9.33	0.24
FAD	S&P Composite 1500 Growth Index	24.41	28.21	-3.80	4.36	5.27	-0.91	2.67	3.46	-0.79	18.86	17.61	1.25	6.93	9.96	-3.03	32.26	13.61	18.65
FAB	S&P Composite 1500 Value Index	13.72	16.53	-2.81	1.65	2.03	-0.38	0.85	1.41	-0.56	8.63	9.64	-1.01	5.78	5.53	0.24	7.64	7.67	-0.03
FYX	S&P SmallCap 600 Index	16.40	21.42	-5.02	1.89	2.12	-0.23	0.95	1.01	-0.06	10.48	10.57	-0.09	3.39	5.12	-1.73	31.98	12.92	19.07
FYC	S&P SmallCap 600 Growth Index	22.04	25.07	-3.03	3.41	3.21	0.20	2.23	2.08	0.15	16.61	15.42	1.19	1.08	6.95	-5.87	54.39	15.11	39.28
FYT	S&P SmallCap 600 Value Index	13.46	18.50	-5.04	1.34	1.60	-0.26	0.63	0.68	-0.05	7.93	8.09	-0.16	5.40	3.35	2.05	9.96	10.78	-0.82
TUSA	Russell 3000® Index	16.70	21.17	-4.47	2.31	2.94	-0.63	1.17	2.02	-0.85	11.10	12.54	-1.44	6.65	7.25	-0.60	29.66	21.39	8.27
<b>AlphaDEX® Sector Funds</b>																			
FXD	S&P 500 Consumer Discretionary Index	15.23	21.11	-5.88	2.64	4.91	-2.27	0.82	1.78	-0.96	10.09	12.04	-1.95	8.61	9.94	-1.33	15.35	11.96	3.40
FXG	S&P 500 Consumer Staples Index	17.00	20.63	-3.63	2.80	4.15	-1.35	0.70	1.34	-0.64	11.23	16.53	-5.30	9.94	10.46	-0.52	10.16	1.89	8.28
FXN	S&P 500 Energy Index	10.81	17.65	-6.84	1.31	1.83	-0.52	1.03	1.47	-0.44	5.44	9.69	-4.25	3.17	3.05	0.13	52.88	24.19	28.69
FXO	S&P 500 Financials Index	14.88	15.63	-0.75	1.69	1.50	0.19	2.47	2.37	0.10	12.50	9.47	3.03	5.05	2.99	2.06	12.96	9.12	3.83
FXH	S&P 500 Health Care Index	14.97	28.67	-13.70	2.55	3.81	-1.26	0.99	1.88	-0.89	15.95	16.19	-0.24	7.08	8.17	-1.10	38.88	8.03	30.86
FXR	S&P 500 Industrials Index	16.81	21.06	-4.25	2.89	4.47	-1.58	1.33	1.88	-0.55	11.96	15.00	-3.04	8.10	7.89	0.20	9.03	6.18	2.85
FXZ	S&P 500 Materials Index	17.05	22.52	-5.47	2.43	2.75	-0.32	1.28	1.91	-0.63	11.09	12.89	-1.80	8.70	7.69	1.02	9.94	12.76	-2.82
FXL	S&P 500 Information Technology Index	26.53	30.05	-3.52	3.98	5.76	-1.78	2.10	4.80	-2.70	19.97	17.79	2.18	7.37	11.06	-3.69	21.97	15.16	6.81
FXU	S&P 500 Utilities Index	13.02	17.88	-4.86	1.42	1.87	-0.45	1.41	2.01	-0.60	6.70	6.86	-0.16	3.62	3.71	-0.08	1.95	4.27	-2.31

Source: FactSet. All data as of 3/29/18.

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# International AlphaDEX



## AlphaDEX® Fundamental Valuation Comparison

Fund	Benchmark Name	Price/Earnings			Price/Book			Price/Sales			Price/Cash Flow			ROA			1-year Sales Growth		
		Fund	Benchmark	Difference	Fund	Benchmark	Difference	Fund	Benchmark	Difference	Fund	Benchmark	Difference	Fund	Benchmark	Difference	Fund	Benchmark	Difference
<b>AlphaDEX® Global/International Funds</b>																			
FPA	MSCI Pacific ex-Japan Index	9.16	13.66	-4.50	1.07	1.60	-0.53	0.92	2.18	-1.26	6.52	11.29	-4.77	8.85	5.49	3.37	17.37	7.07	10.31
FAUS	MSCI Australia Index	10.91	15.10	-4.19	1.51	1.88	-0.37	2.06	1.99	0.07	8.62	10.49	-1.87	8.77	5.47	3.30	121.33	4.38	116.94
FBZ	MSCI Brazil Index	14.96	17.59	-2.63	1.70	2.01	-0.31	1.18	1.44	-0.26	11.08	6.07	5.01	8.12	6.19	1.93	5.78	5.16	0.62
FCAN	MSCI Canada Index	10.34	14.66	-4.32	1.34	1.81	-0.47	1.02	1.65	-0.63	6.34	9.02	-2.68	7.39	4.83	2.56	21.18	14.13	7.05
FCA	MSCI China Index	9.62	15.78	-6.16	1.13	2.06	-0.93	0.72	1.77	-1.05	6.15	8.49	-2.34	5.51	8.00	-2.49	25.00	29.93	-4.93
FDT	MSCI World ex U.S. Index	9.85	14.22	-4.37	1.28	1.62	-0.34	0.90	1.17	-0.27	7.22	8.50	-1.28	8.43	6.03	2.40	1247.91	9.67	1238.24
FDT5	NASDAQ Developed Markets Ex-US Small Cap Index	10.25	13.91	-3.66	1.10	1.29	-0.19	0.55	0.82	-0.27	7.07	8.40	-1.33	6.13	5.41	0.72	24.52	26.56	-2.04
FEM	MSCI Emerging Markets Index	9.38	14.06	-4.68	1.13	1.77	-0.64	0.82	1.35	-0.53	6.09	7.12	-1.03	6.99	8.34	-1.35	19.38	16.72	2.66
FEMS	NASDAQ Emerging Markets Small Cap Index	9.83	13.11	-3.28	1.07	1.28	-0.21	0.75	0.88	-0.13	6.40	6.80	-0.40	7.50	6.26	1.24	16.99	15.94	1.05
FEP	MSCI Europe Index	10.94	14.52	-3.58	1.51	1.76	-0.25	1.05	1.14	-0.09	8.30	7.99	0.31	8.03	6.74	1.29	1895.35	12.70	1882.65
FEUZ	MSCI EMU Index	11.13	14.46	-3.33	1.42	1.64	-0.22	0.93	1.01	-0.08	7.98	7.08	0.90	6.83	5.54	1.30	2501.52	14.90	2486.63
FGM	MSCI Germany Index	11.41	13.11	-1.70	1.50	1.71	-0.21	0.79	0.91	-0.12	7.93	7.53	0.40	6.55	5.94	0.61	124.14	34.71	89.43
FHK	MSCI Hong Kong	9.12	11.40	-2.28	1.00	1.32	-0.32	1.81	2.61	-0.80	8.16	13.24	-5.08	8.39	6.02	2.37	22.96	11.67	11.29
FJP	MSCI Japan Index	11.44	13.61	-2.17	1.20	1.31	-0.11	0.58	0.93	-0.35	0.00	8.71	-8.71	5.29	4.99	0.29	2.24	1.50	0.74
FLN	MSCI EM Latin America Index	15.99	17.65	-1.66	1.70	2.05	-0.35	1.23	1.43	-0.20	10.24	6.67	3.57	6.59	5.90	0.68	7.54	7.88	-0.34
FKO	MSCI South Korea Index	10.19	9.69	0.50	0.97	1.15	-0.18	0.63	0.81	-0.18	5.92	4.64	1.28	6.30	9.28	-2.98	17.90	18.81	-0.91
FSZ	MSCI Switzerland Index	20.32	25.36	-5.04	1.90	2.48	-0.58	1.41	2.01	-0.60	15.43	11.58	3.85	7.31	6.66	0.65	2.39	2.74	-0.35
FTW	MSCI Taiwan Index	10.57	14.44	-3.87	1.24	1.92	-0.68	0.73	1.03	-0.30	6.38	7.25	-0.87	7.53	10.34	-2.81	21.03	9.78	11.25
FKU	MSCI United Kingdom Index	13.51	12.09	1.42	1.90	1.64	0.26	1.07	1.08	-0.01	9.80	8.16	1.64	8.37	7.62	0.75	19.17	15.11	4.06

Source: FactSet. All data as of 3/29/18.

### Risk Considerations

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.

Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Market prices may differ to some degree from the net asset value of the shares. 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 the 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 stock owned by a fund, fund shares or stocks 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. 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. A fund may effect a portion of creations and redemptions for cash, rather than in-kind securities. As a result, a fund may be less tax-efficient.

The funds are classified as "non-diversified" and may invest a relatively high percentage of their assets in a limited number of issuers. As a result, the funds 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.

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.

Please be aware that each fund listed is subject to various risks depending on the fund's investment objectives. For a complete description of relative risks for a specific fund, please obtain and carefully read the appropriate First Trust prospectus.

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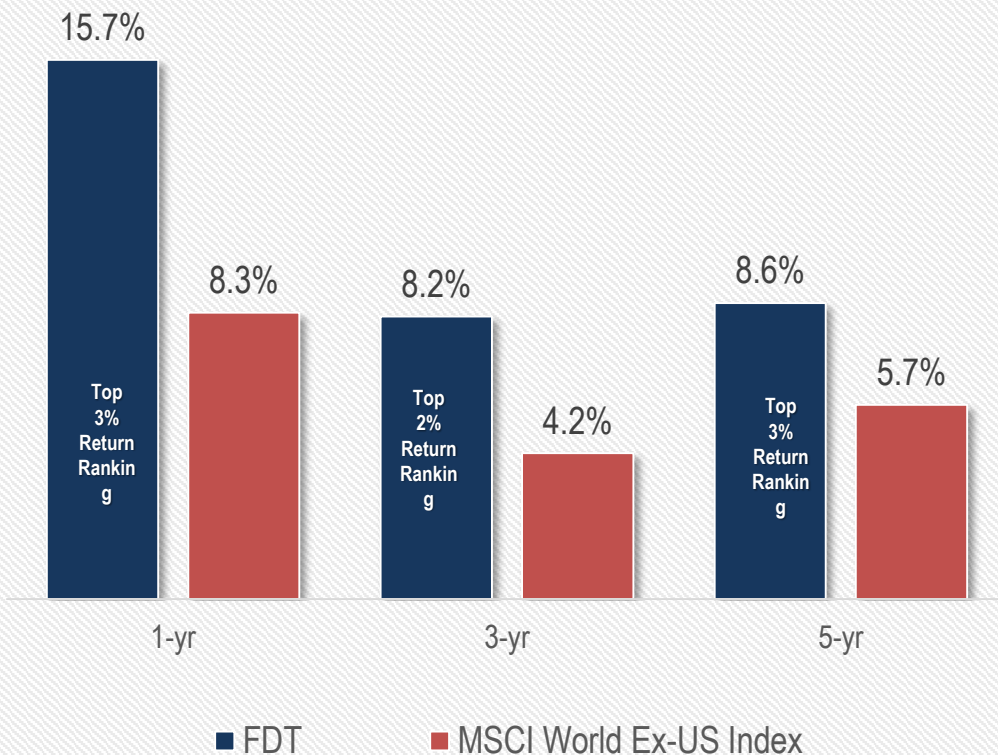
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# FIRST TRUST DEVELOPED MARKETS EX-US ALPHADEX® FUND (FDT)

Average Annual Total Returns<sup>1</sup> As of 5/31/18



FUND STATISTICS (FOR PERIOD ENDING 5/31/18)

Morningstar Category	Foreign Large Blend
Overall Morningstar Rating™*	★★★★★
Inception Date	4/18/2011
Fund Size	\$1,323,465,019
Expense Ratio	0.80%
Turnover Ratio %	104%
Sharpe Ratio (3-Yr)	0.68
Alpha (3-Yr) <sup>2</sup>	3.27
Beta (3-Yr) <sup>2</sup>	0.95
Tracking Error (3-Yr) <sup>2</sup>	3.95%
Upside Capture Ratio (3-Yr) <sup>2</sup>	103.68%
Downside Capture Ratio (3-Yr) <sup>2</sup>	79.44%

See standardized performance elsewhere in this presentation.

<sup>1</sup>Source for Return Ranking: Morningstar. Data as of 5/31/18.

<sup>2</sup>Source Morningstar. Data is compared to the MSCI World ex USA Index.

\*Among 607 funds in the Foreign Large Blend category. This fund was rated 5 stars/607 funds (3 years), 5 stars/528 funds (5 years).

**Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting [www.ftportfolios.com](http://www.ftportfolios.com).**



# Top 10 Financial Providers for Thought Leadership Activity

RANK	MOST READ	MOST SHARED
1	First Trust	First Trust
2	BlackRock Funds	J.P. Morgan Funds
3	American Funds	American Funds
4	iShares	Guggenheim Investments
5	Guggenheim Investments	Vanguard
6	Fidelity Investments	Franklin Templeton Funds
7	J.P. Morgan Funds	iShares
8	Franklin Templeton Funds	BlackRock Funds
9	State Street/SPDR	MFS Investment Management
10	PIMCO	Nationwide

Source: Market Strategies International. Cogent Reports. Advisor Touchpoints. August 2017.

Cogent Reports conducted an online survey of a representative cross section of 1,078 advisors in April through June 2017. Survey participants were required to have an active book of business of at least \$5 million and offer investment advice or planning services to individual investors on a fee or transactional basis.

# Economic Outlook: S&P 500

First Trust  
Monday Morning **OUTLOOK**

630-517-7756 • www.ftportfolios.com

December 27, 2016

2017: Dow 23,750, S&P 2700

Brian S. Wesbury – Chief Economist  
Robert Stein, CFA – Dep. Chief Economist  
Strider Elass – Economist

We have used the metaphor of the “Plow Horse” to define the US economy since 2009 – an economy driven by new technology and entrepreneurship (fracking, the cloud, smartphones, big data . . .) but held back by the friction of a growing and burdensome government.

Since mid-2009, real (inflation-adjusted) economic growth averaged a Q4 Horse-like 2.1% per year. With the current forecast for Q4 real GDP at 2.5%, 2016 will finish right on that average.

The great news is that we finally have more than just hope to believe that this year, 2017, is the year the Plow Horse Economy finally gets a spring in its step.

We’re looking for **real growth of about 2.6%**, led by faster growth in home building, a return to more normal growth in inventories, and, most importantly, more business investment.

That last part is key. Other than investment in

accomplished. This year, the Fed will deliver. **We’re looking for three or four rate hikes on the table.** A March rate hike is possible, but we think the Fed will wait until after tax cuts become law before it pulls the trigger.

Longer-term interest rates are heading up as well. Look for the **10-year Treasury yield to finish next year at 3.25%**.

For the stock market, get ready for a strong bull market in 2017. We use a Capitalized Profits Model (the government’s measure of profits from the GDP reports divided by interest rates) to measure fair value for stocks. Our traditional measure, using a current 10-year Treasury yield of about 2.5% suggests the S&P 500 is massively undervalued.

Using a 10-year yield of 3.5% suggests fair value for the S&P 500 is 2757, which is 22% higher than Friday’s close. The model needs a 10-year yield of 4% to conclude that the S&P 500 is already at fair value, with current profits.

But profits have been held artificially low since mid-

First Trust  
Monday Morning **OUTLOOK**

630-517-7756 • www.ftportfolios.com

December 18, 2017

2018: Dow 28,500, S&P 3100

Brian S. Wesbury – Chief Economist  
Robert Stein, CFA – Dep. Chief Economist  
Strider Elass – Economist

Last December we wrote “we finally have more than just hope to believe that this year, 2017, is the year the Plow Horse Economy finally gets a spring in its step.” We expected real GDP growth to accelerate from 2.0% in 2016 to “about 2.6%” in 2017. Our optimism was, in large part, based on our belief that the incoming Trump Administration would wield a lighter regulatory touch and move toward lower tax rates.

So far, so good. Right now, we’re tracking fourth quarter real GDP growth at a 3.0% annual rate, which would mean 2.7% growth for 2017 and we expect some more acceleration in 2018.

The only question is: how much? Yes, a major corporate tax cut (which should have happened 20 years ago) is finally taking place. And, yes, the Trump Administration is cutting regulation. But, it has not reigned in government spending. As a result, we’re forecasting **real GDP growth at a 3.0% rate in 2018, the fastest annual growth since 2005.**

The only caveat to this forecast is that it seems as if the velocity of money is picking up. With \$2 trillion of excess reserves in the banking system, the risk is highly tilted toward an upside surprise for growth, with little risk to the downside. Meanwhile, this easy monetary policy suggests inflation should pick up, as well. The **consumer price index should be up**

A year ago, we expected the Fed to finally deliver multiple rate hikes in 2017. It did, and we expect that **pattern will continue in 2018, with the Fed signaling three rate hikes and delivering at least that number, maybe four.** Longer-term interest rates are heading up as well. Look for the **10-year Treasury yield to finish 2018 at 3.00%.**

For the stock market, get ready for a continued bull market in 2018. Stocks will probably not climb as much as this year, and a correction is always possible, but we think investors would be wise to stay invested in equities throughout the year.

We use a Capitalized Profits Model (the government’s measure of profits from the GDP reports divided by interest rates) to measure fair value for stocks. Our traditional measure, using a current 10-year Treasury yield of 2.35% suggests the S&P 500 is still massively undervalued.

If we use our 2018 forecast of 3.0% for the 10-year yield, the model says fair value for the S&P 500 is 3351, which is 25% higher than Friday’s close. The model needs a 10-year yield of about 3.75% to conclude that the S&P 500 is already at fair value, with current profits.

As a result, we’re calling for the **S&P 500 to finish at 3,100 next year**, up almost 16% from Friday’s close. The **Dow Jones Industrial Average should finish at 28,500.**

## 2017 S&P 500 Target vs Actual (2,687)

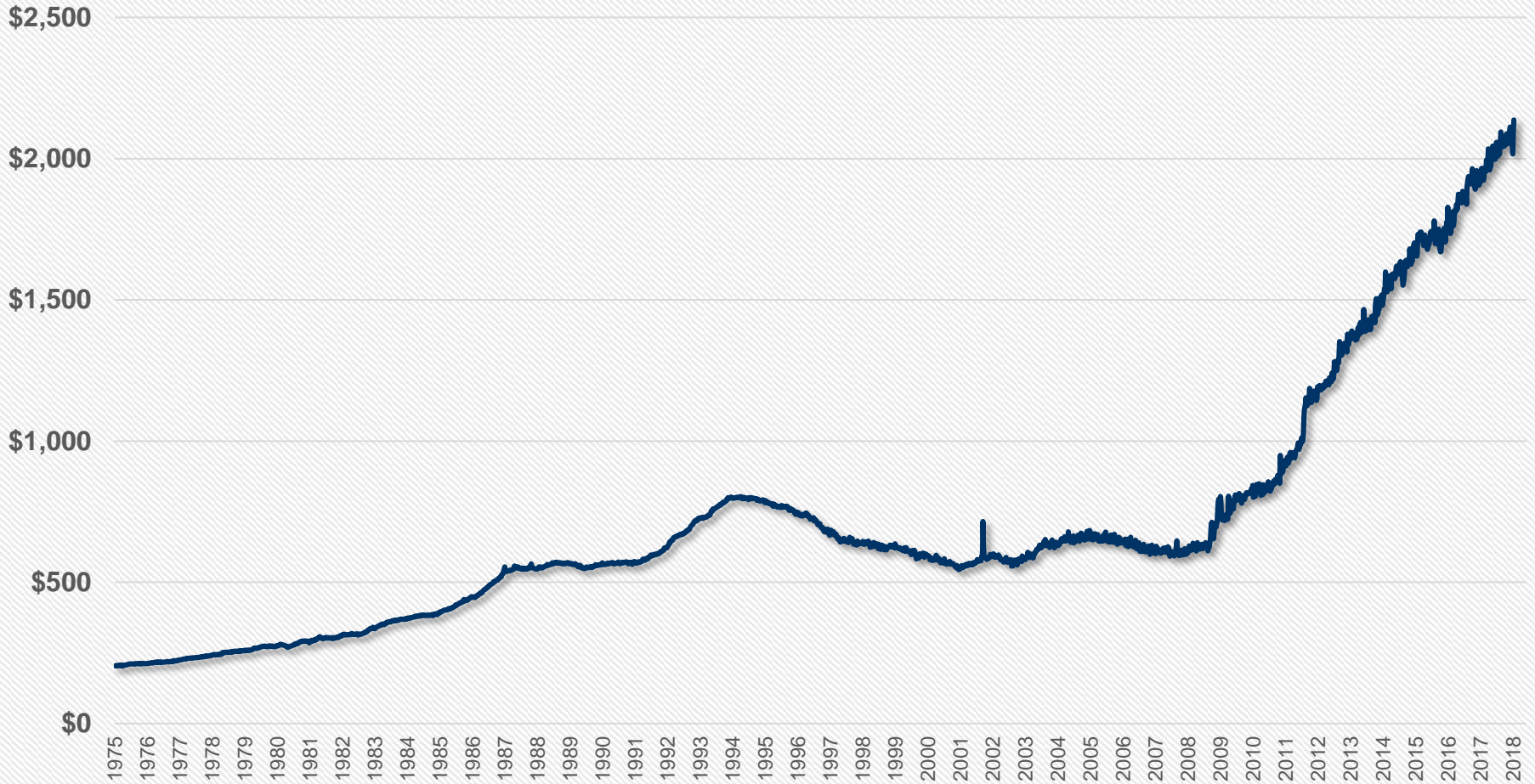
Firm	Strategist	2017 Target	Difference	% Change
First Trust	Brian Wesbury	2700	13	0.48%
BofA	Savita Subramanian(a)	2,300	-387	-14.21%
Citi	Tobias Levkovich (b)	2,325	-362	-13.47%
Deutsche Bank	Binky Chadha	2,325	-362	-13.47%
Goldman	David Kostin	2300	-387	-14.40%
Jefferies	Sean Darby	2,325	-362	-13.47%
JPMorgan	Dubravko Lakos-Bujas	2,400	-287	-10.68%
Stifel	Barry Bannister	2300	-387	-14.40%
UBS	Keith Parker (d)	2,300	-387	-14.40%

## 2018 S&P 500 Targets from Year-End 2,687

Firm	Strategist	2018 Target	Difference	% Change
First Trust	Brian Wesbury	3100	413	15.37%
BofA	Savita Subramanian(a)	2,800	113	4.44%
Citi	Tobias Levkovich (b)	2,675	-12	-0.45%
Deutsche Bank	Binky Chadha	2,850	163	6.07%
Goldman	David Kostin	2850	163	6.07%
Jefferies	Sean Darby	2,855	168	6.25%
JPMorgan	Dubravko Lakos-Bujas	3,000	313	11.65%
Stifel	Barry Bannister	2750	63	2.34%
UBS	Keith Parker (d)	2,900	213	7.93%

# Total Checkable Deposits

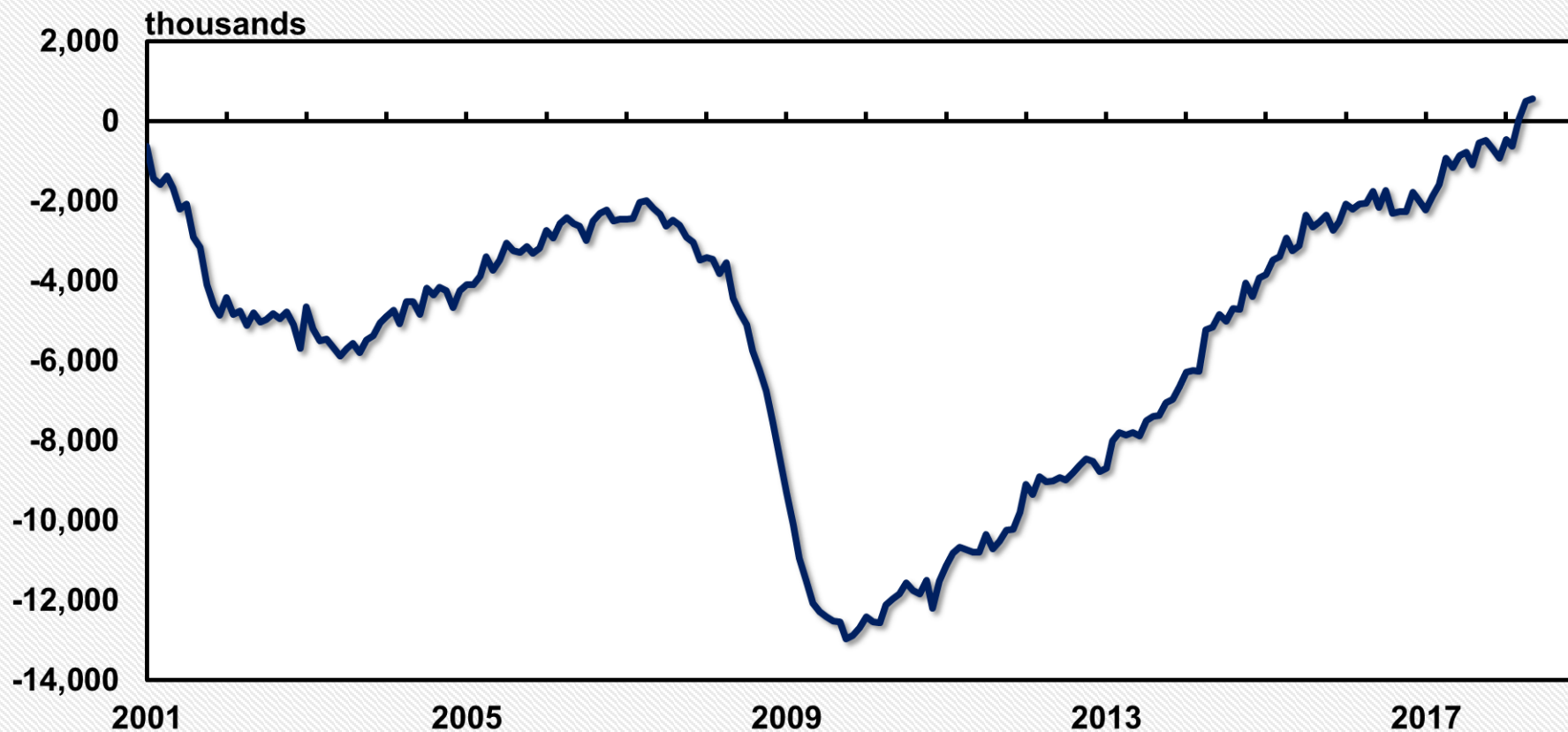
Billions of Dollars



Source: Board of Governors of the Federal Reserve System (US), Weekly Data 1/6/75 – 1/22/18.

Checkable deposits consist of any demand deposit account against which checks or drafts of any kind may be written. For illustrative purposes only and not indicative of any investment.

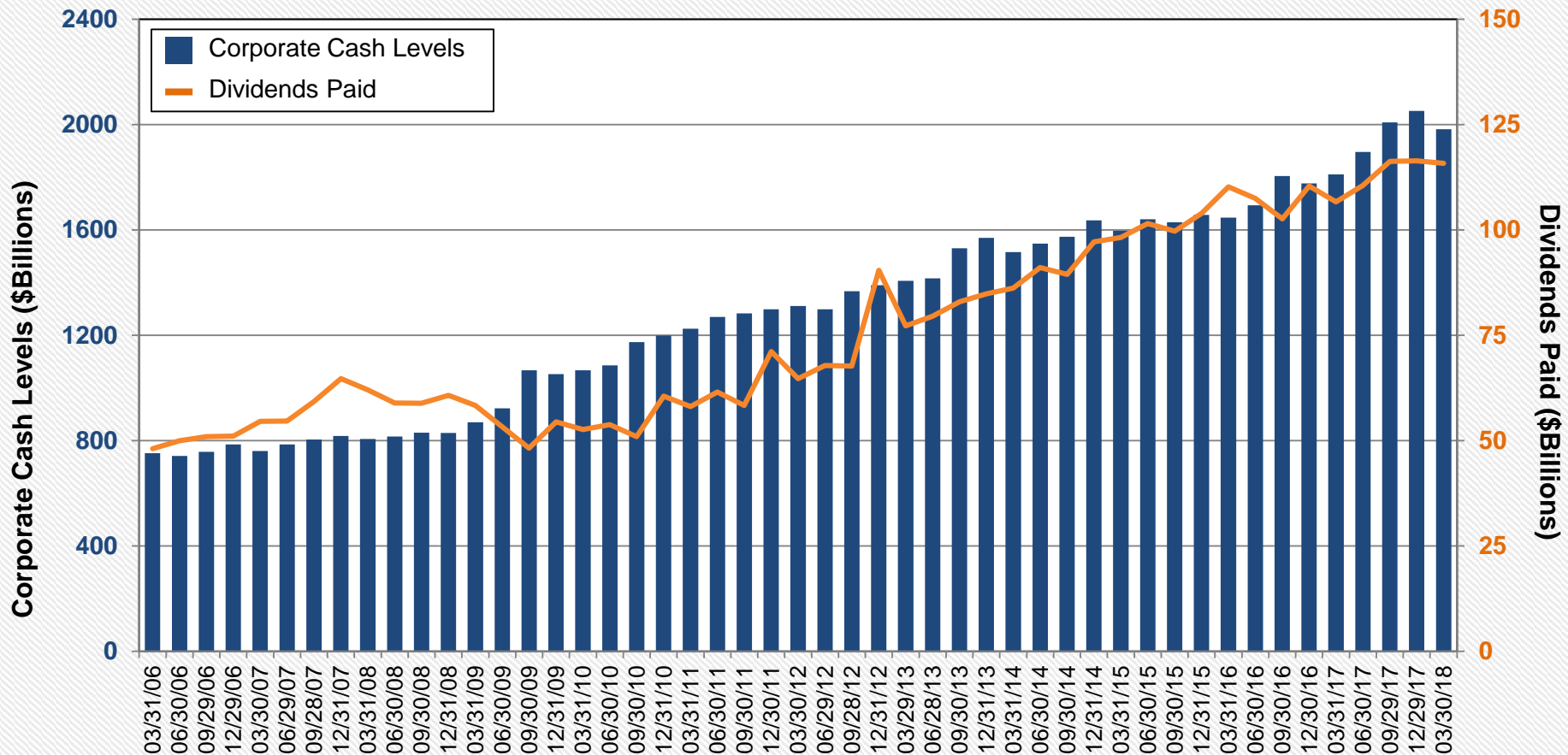
# Job Openings Minus Unemployed Workers



Source: Bureau of Labor Statistics. Monthly data Jan 2001 – May 2018.

# Corporate Cash Levels and Dividend Payouts

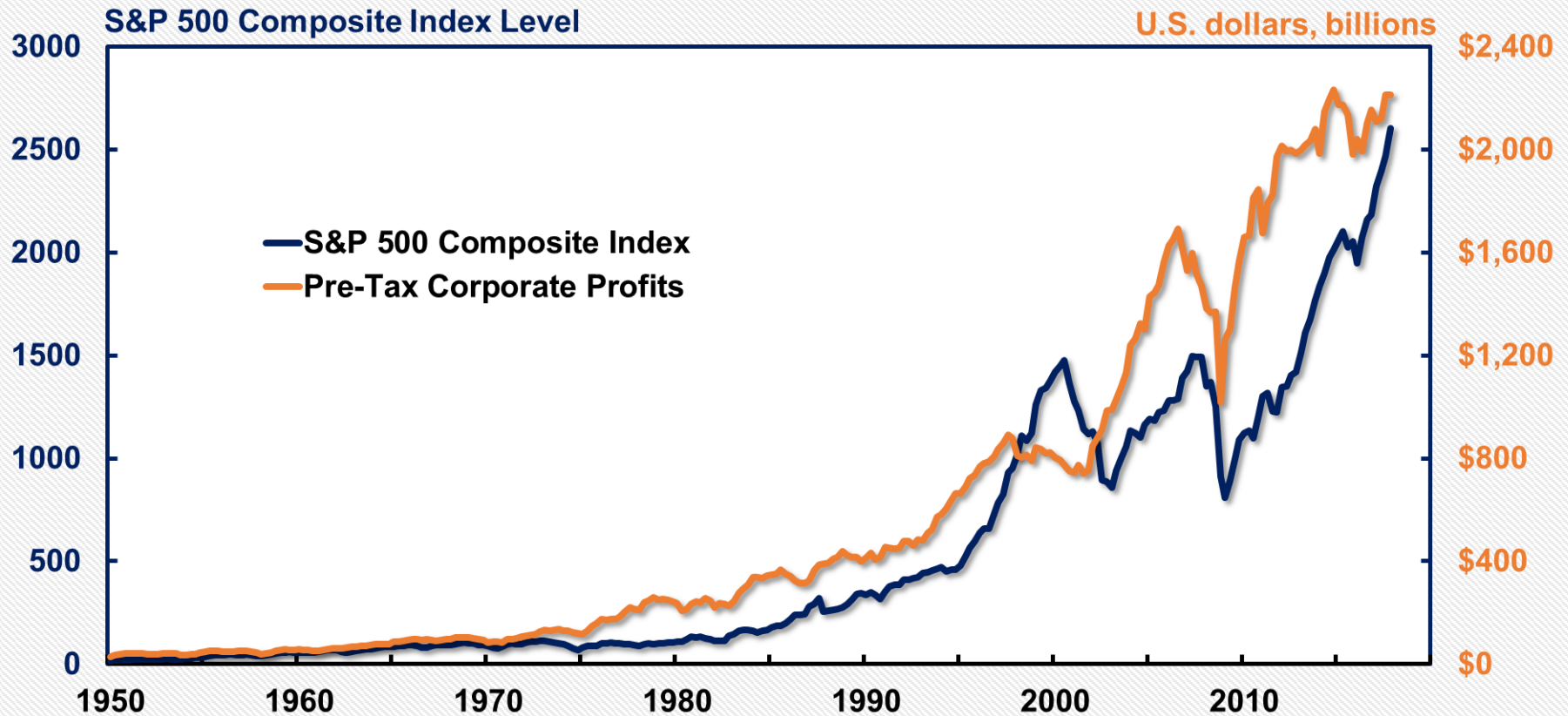
S&P 500 companies are currently sitting on record amounts of cash.



Source: FactSet. Corporate cash levels and dividends paid are represented by companies in the S&P 500 Index using quarterly data from 3/31/06-3/30/18 (latest data available).

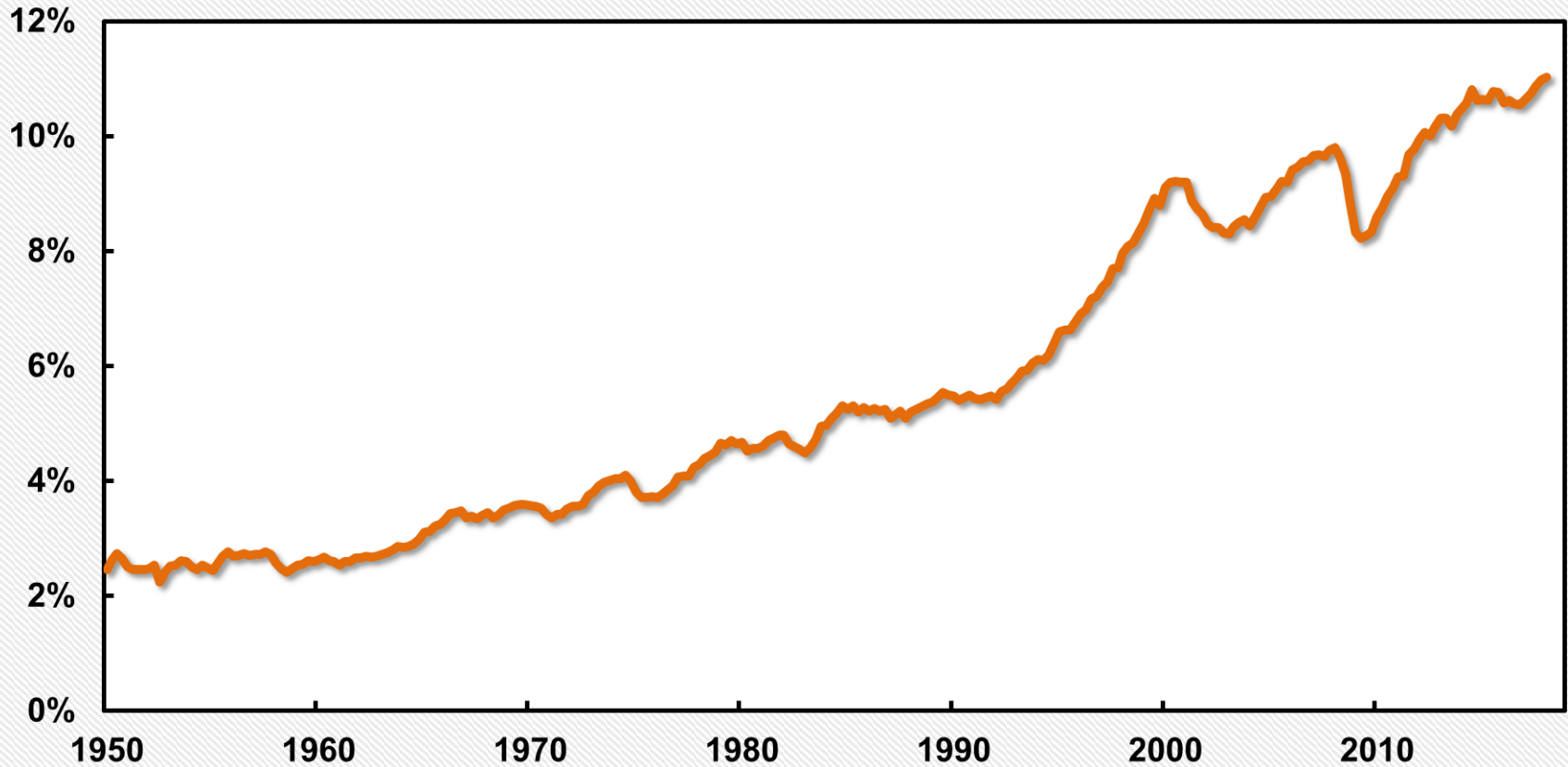
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# Corporate Profits Drive Stocks



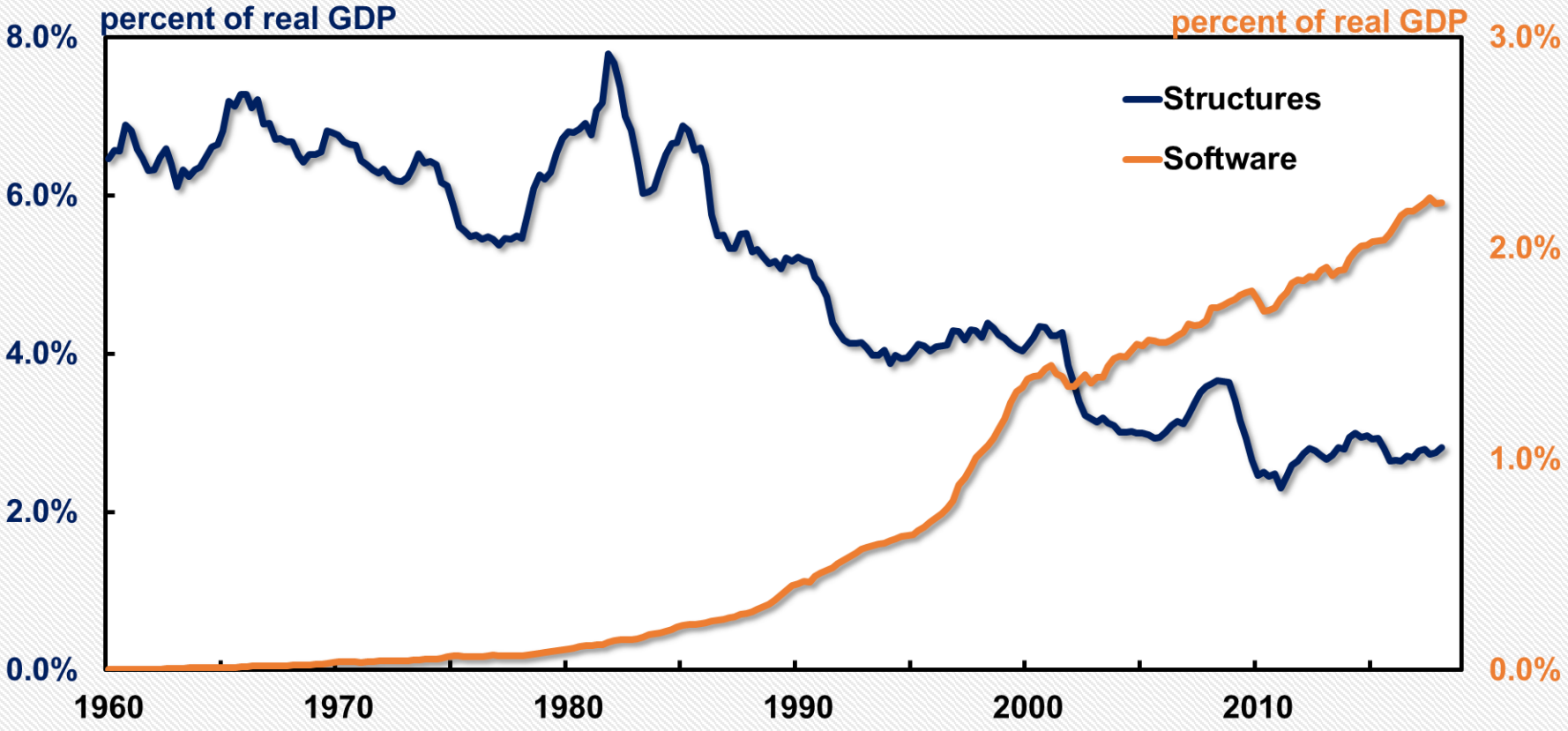
Source: Standard & Poor's, Bureau of Economic Analysis. Quarterly data Q1 1950 – Q4 2017. Corporate profits before tax with inventory valuation and capital consumption adjustments.

# Real Business Investment as % of GDP



Source: Bureau of Economic Analysis, FT Advisors, Quarterly data Q1 1950 – Q1 2018

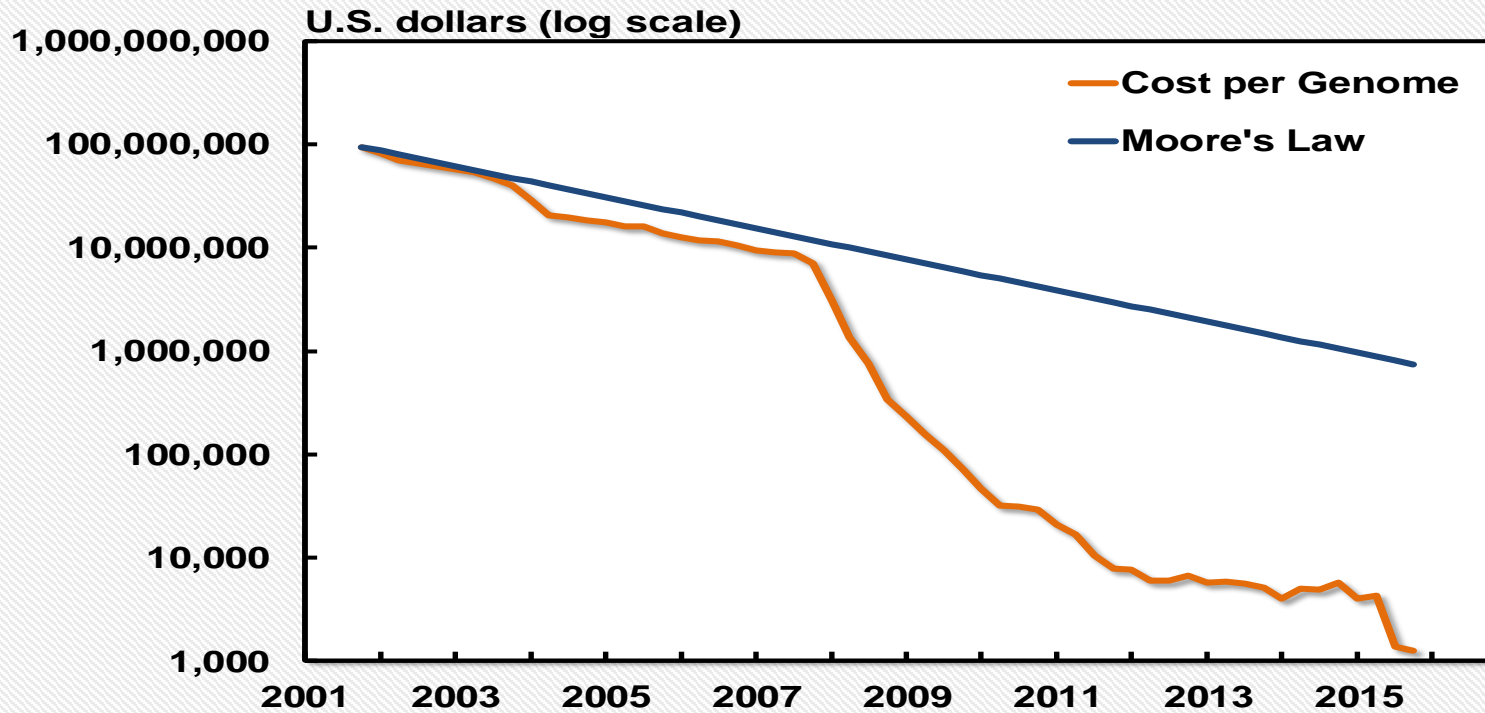
# The App Economy



Source: Bureau of Economic Analysis. Quarterly data Q1 1960 – Q1 2018



# Cost per Genome

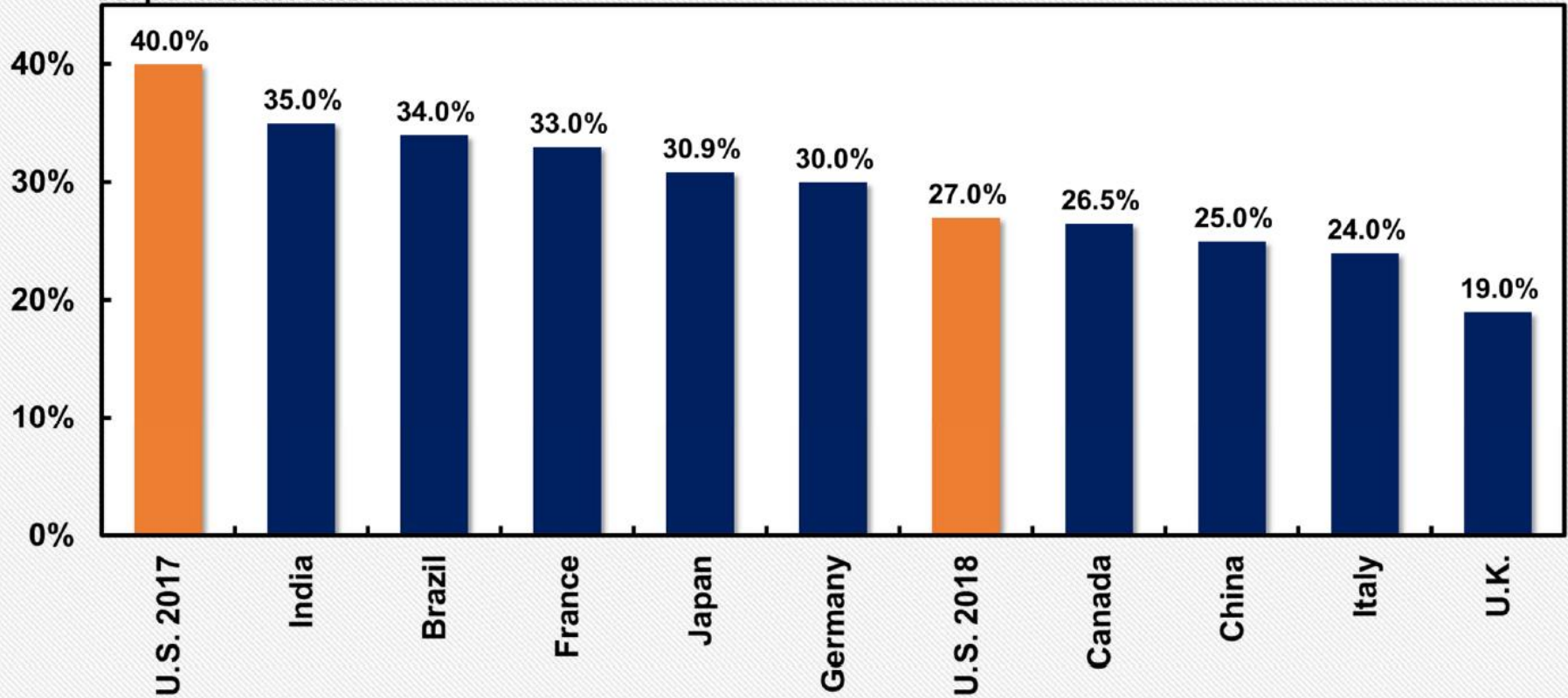


Cost per genome represents the dollar cost associated with the DNA sequencing of one human-sized genome. Moore's Law is a theoretical concept stating that computer power doubles every two years. Technology improvements that match or exceed Moore's Law are considered to be doing exceedingly well.

Source: National Human Genome Research Institute, FT Advisors. Data from September 2001 - October 2015

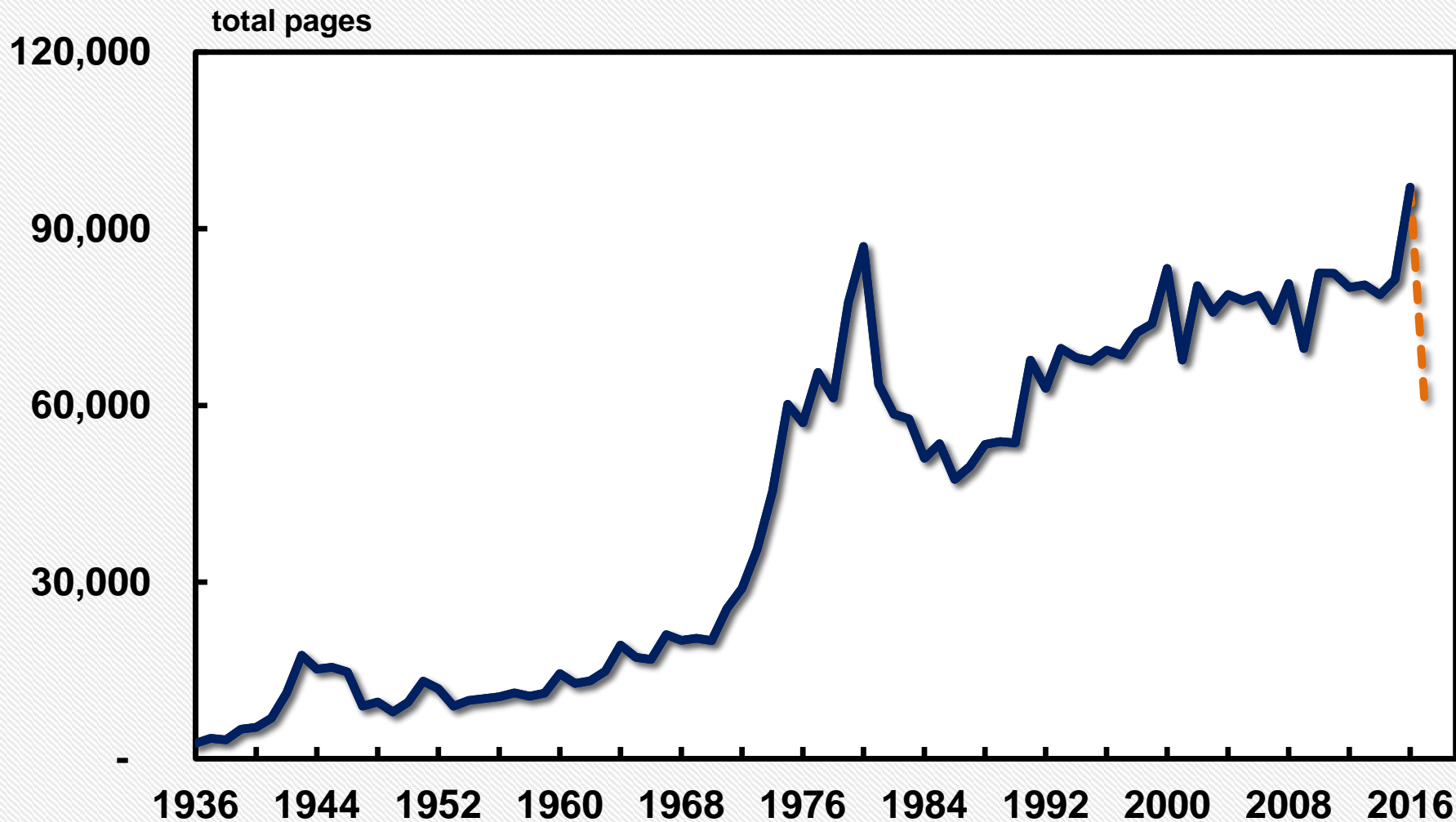
# Corporate Tax Rates

corporate tax rate



Source: KPMG effective 2018 tax rate estimates include national as well as estimated state/local/provincial/etc taxes in calculations. KPMG effective tax rate estimate for U.S. 2017.  
10 largest economies based on World Bank 2017 GDP data

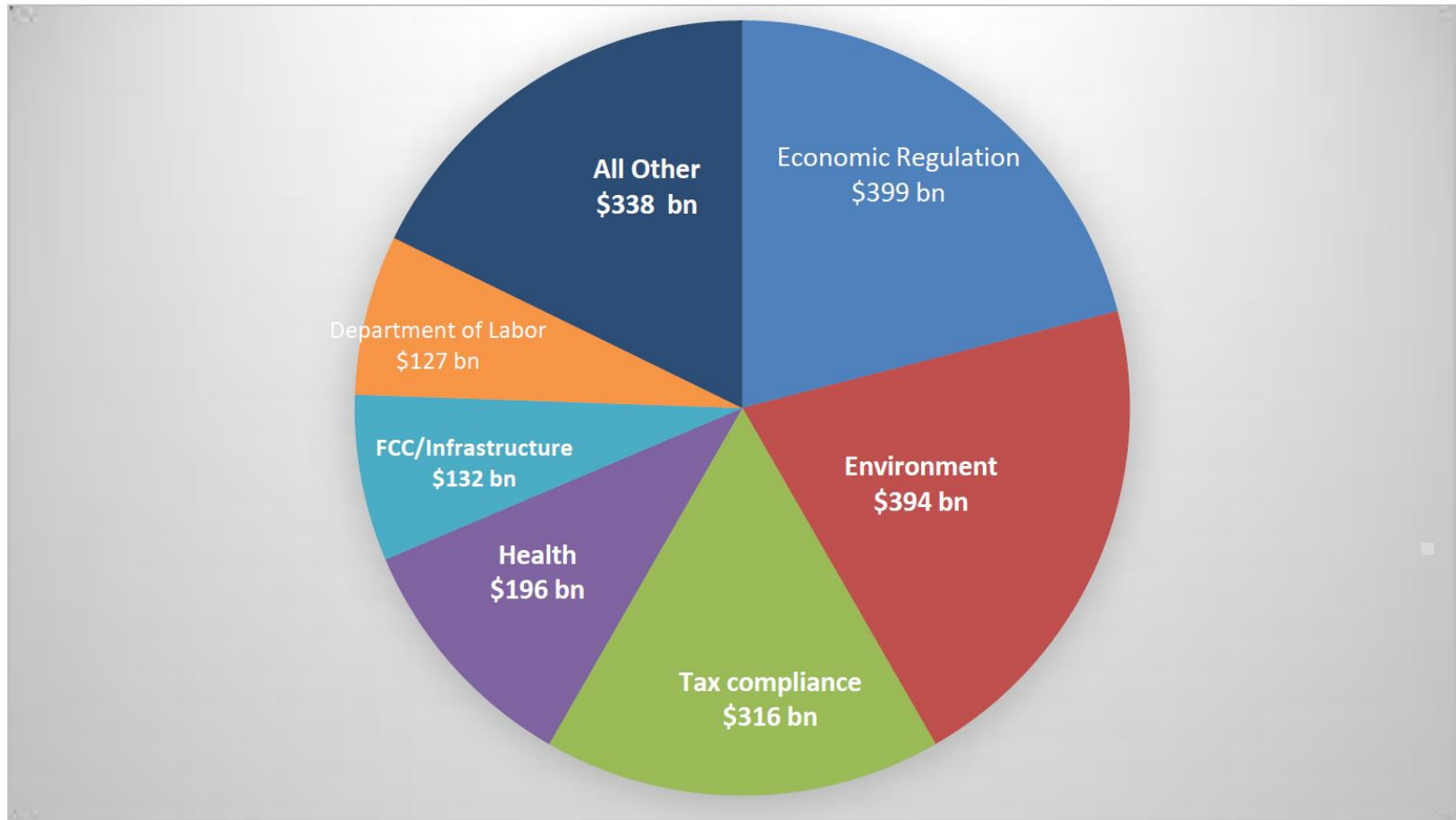
# Pages in the Federal Register



Source: Federal Register. Annual data 1936-2016, 2017 data through 12/13/17 shown as dotted line.  
Proposed rules category first required for inclusion in 1947, preambles explaining rule documents not common until the 1960's.

# Cost of Regulations

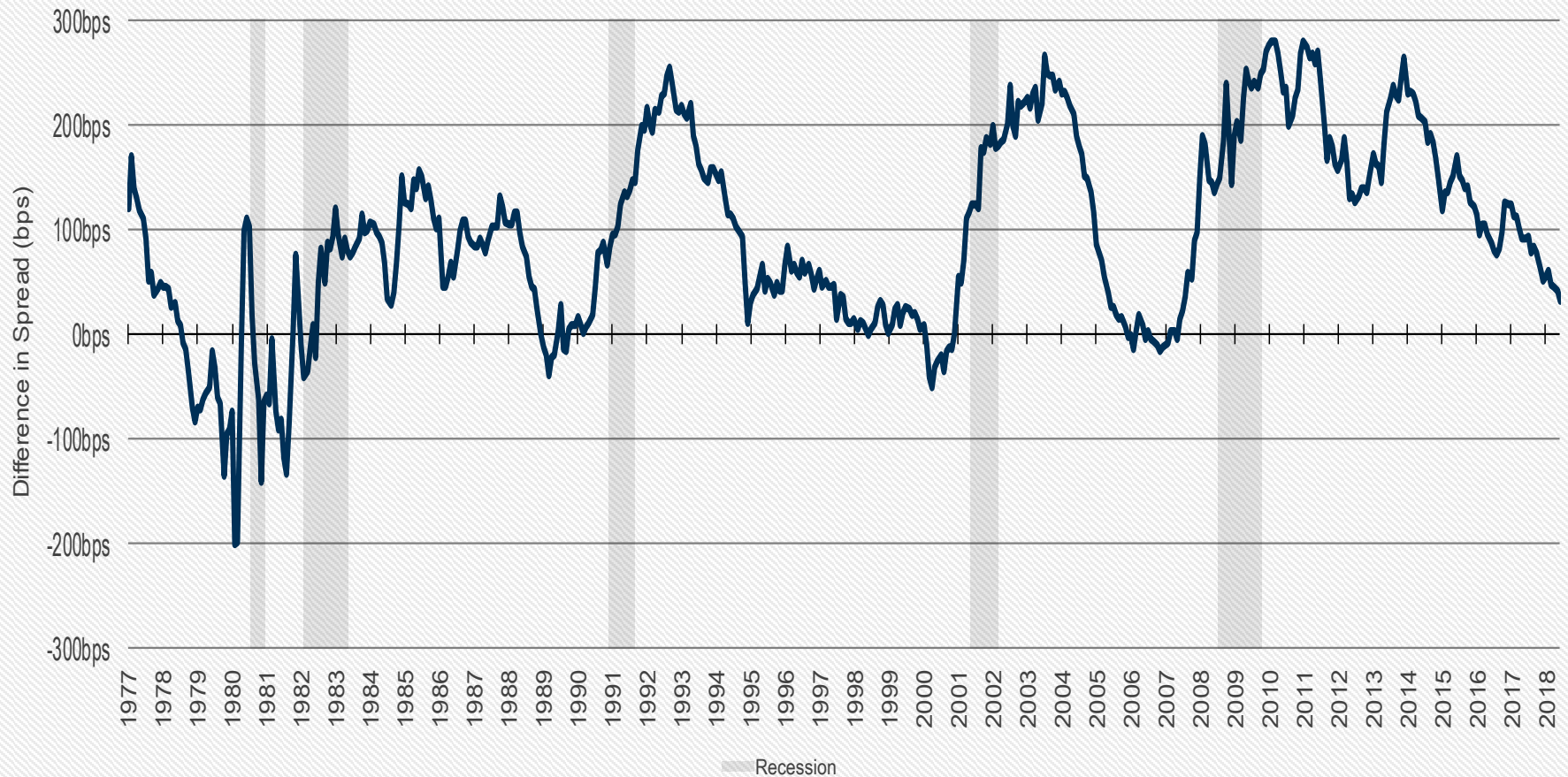
## The Cost of Regulations



Source: [Competitive Enterprise Institute](#)

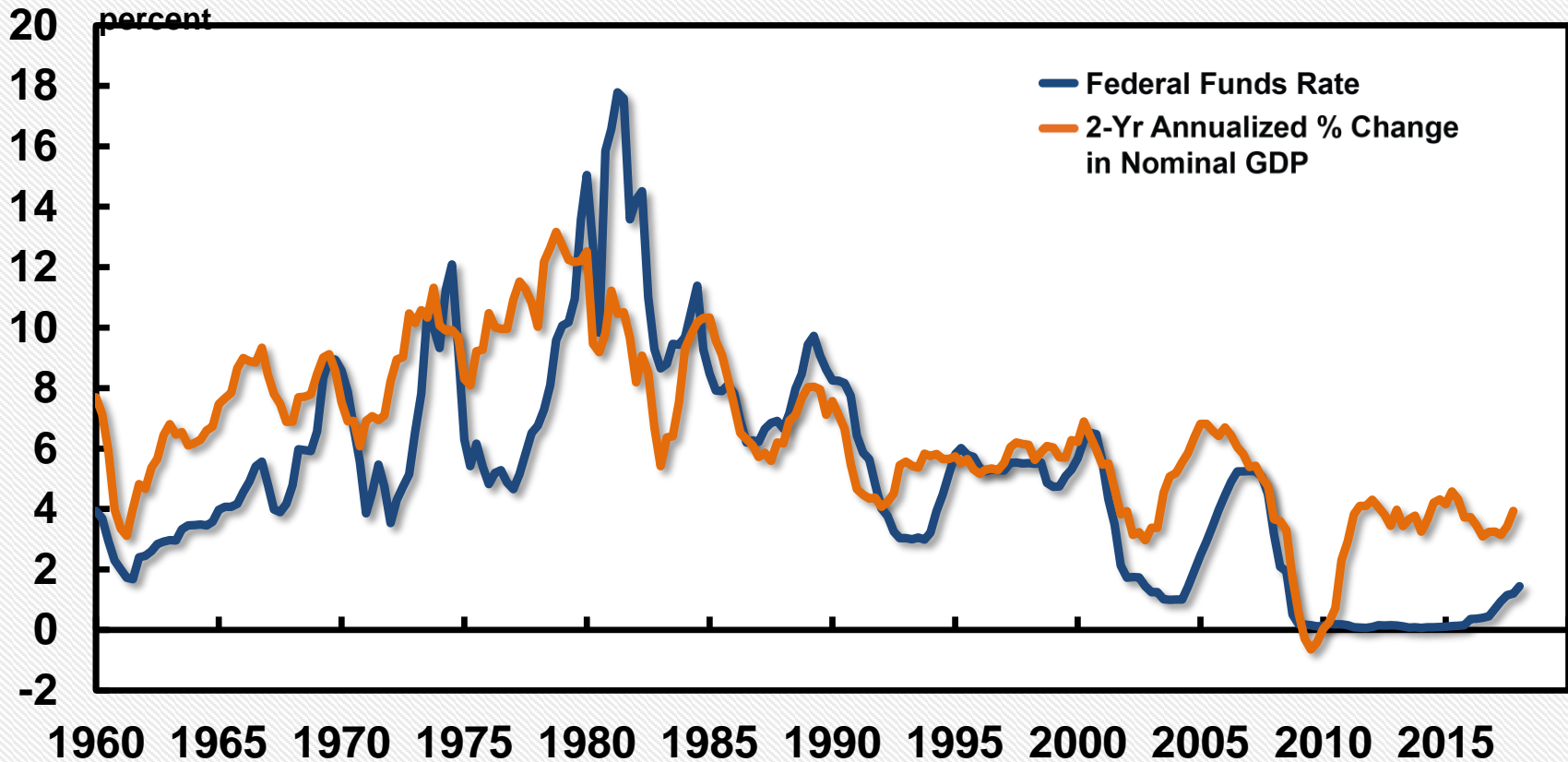
# Yield Curve is not signaling a recession

## SPREAD BETWEEN 2 YEAR AND 10 YEAR U.S. TREASURIES



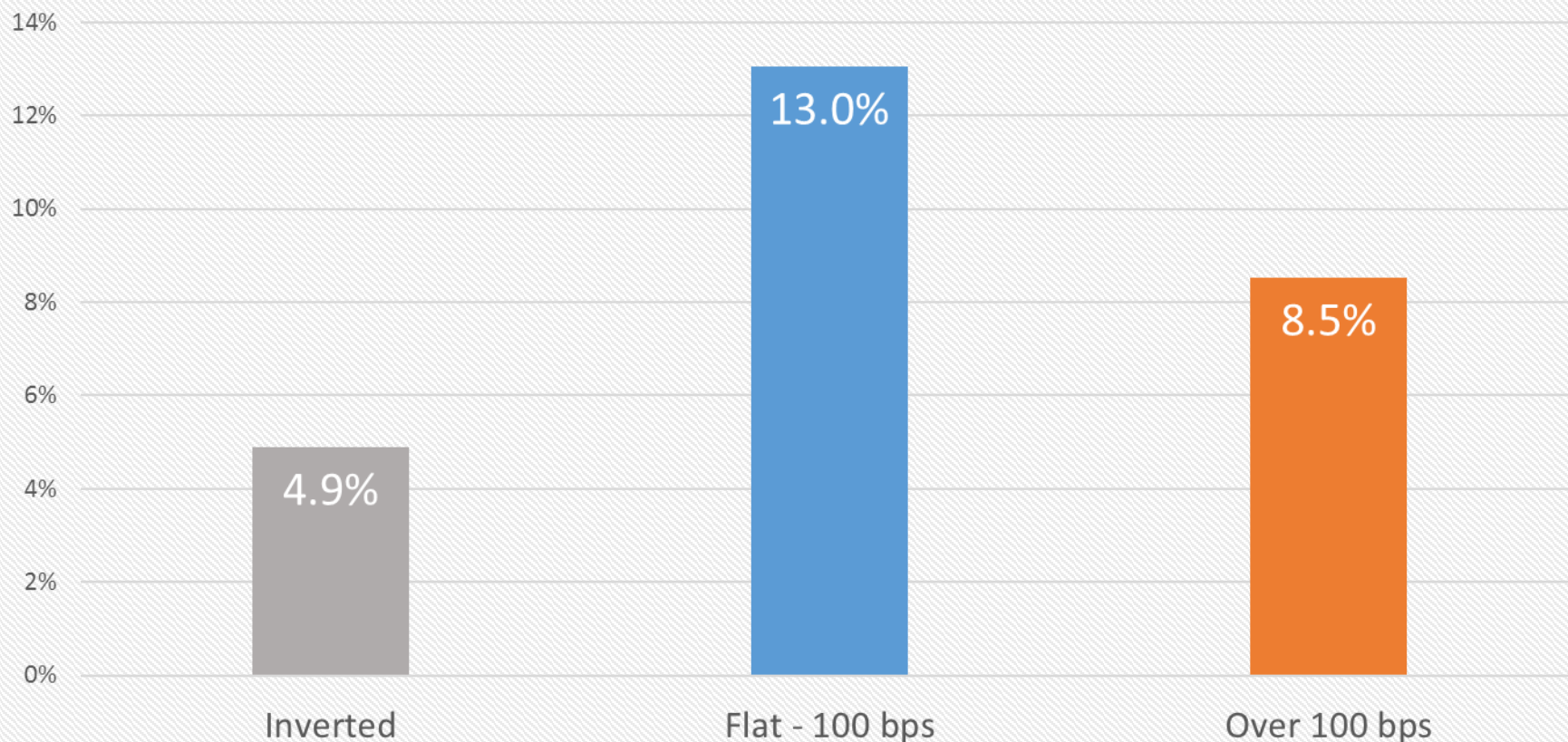
Source: Bloomberg  
Grey areas denote prior economic recessions. Past performance is no guarantee of future results.  
Data through 6/29/2018

# Federal Funds Rate Model



Source: Federal Reserve Board, BEA. Quarterly data Q1 1960 – Q1 2018.

# S&P 500 Average Price Returns by Yield Curve Steepness



The spread between the 10-Year Treasury yield and 2-Year Treasury yield was 55 basis points on 3/21/18

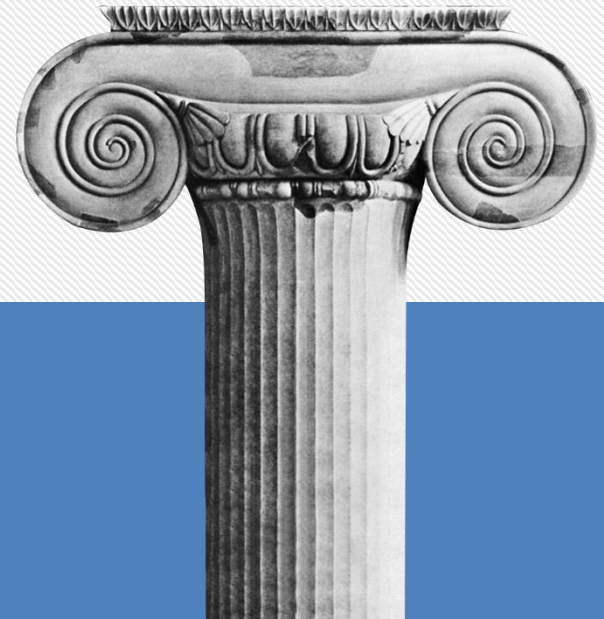
Source: Bloomberg. S&P 500 returns are forward 12 month price returns and averaged based on yield curve shape from 1/31/1977 - 2/28/2017. Performance is price return only (no dividends). The chart is for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results.

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# FTSM

## First trust enhanced short maturity etf

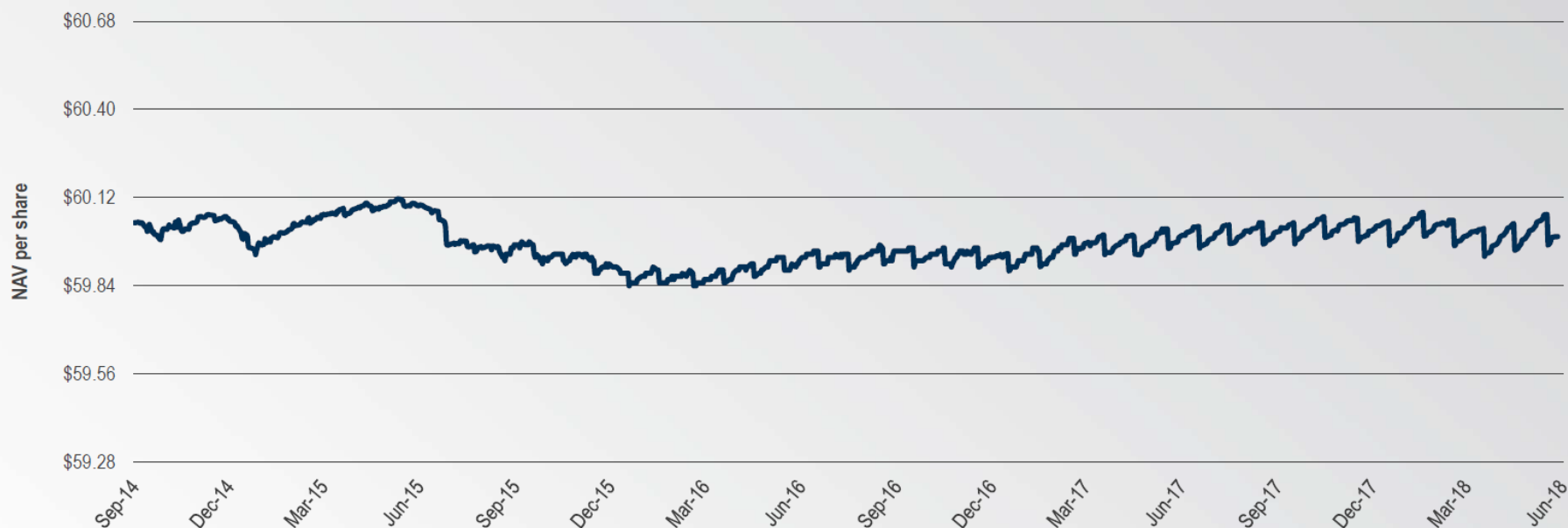
NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE





## FTSM NAV STABILITY

- Since inception, FTSM has had a narrow NAV range of \$0.23 per share.

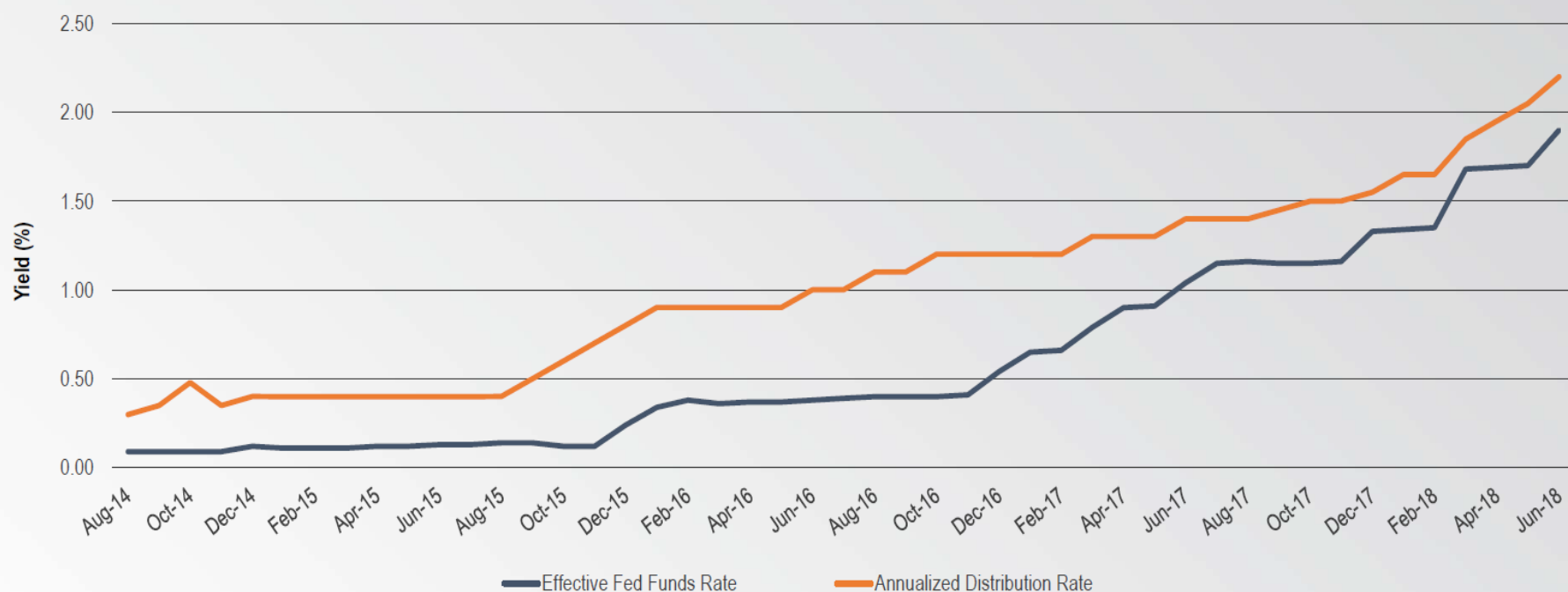


Past performance is not a guarantee of future results.  
 Fund inception date is 8/5/2014. Daily NAV is shown through 6/29/18. See standardized performance elsewhere in this presentation.

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## FTSM MONTHLY DISTRIBUTION VS. FED FUNDS RATE

- Thirteen distribution increases since Fed began hiking rates in December 2015. We believe there are more rate hikes to come in 2018.



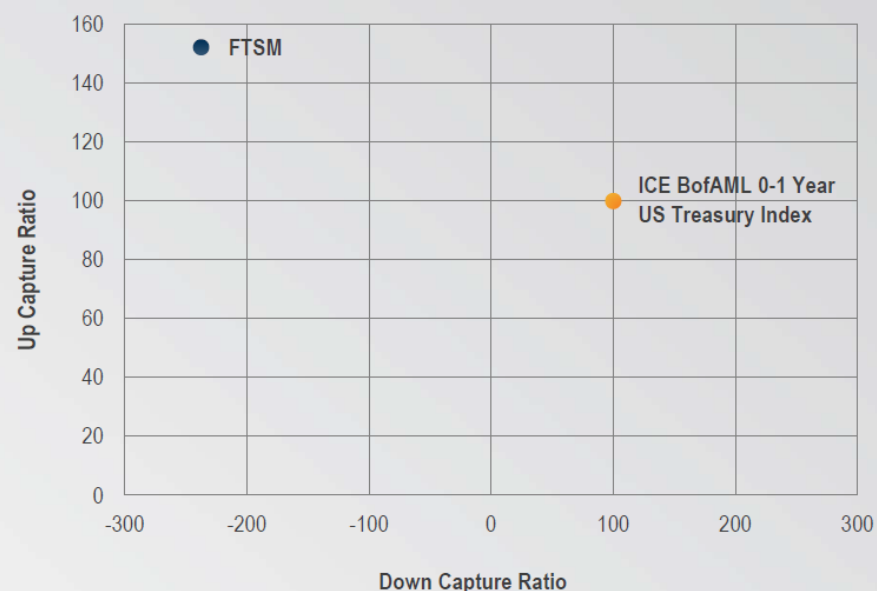
Past performance is no guarantee of future results. FTSM's distribution history represents dividends that were paid by the fund and is not a guarantee of the fund's future dividend paying ability. See standardized performance elsewhere in this presentation. Fund inception date is 8/5/2014. Data as of 6/29/2018.

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## UPSIDE CAPTURE & DOWNSIDE PROTECTION POTENTIAL WITH LOW VOLATILITY

FTSM HAS HISTORICALLY OUTPERFORMED ITS BENCHMARK IN BOTH UP AND DOWN MARKETS

Performance Metric	FTSM	ICE BofAML 0-1 Year US Treasury Index
Standard Deviation	0.24%	0.18%
Alpha	0.48	--
Beta	0.27	1.00
Sharpe Ratio	2.73	1.15
Upside Capture Ratio	149.65	100.00
Downside Capture Ratio	-237.43	100.00



*Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting [www.ftportfolios.com](http://www.ftportfolios.com).*

Data from 8/29/14– 6/29/18. Investment analysis was performed against the ICE BofAML 0-1 Year Treasury Index.

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22

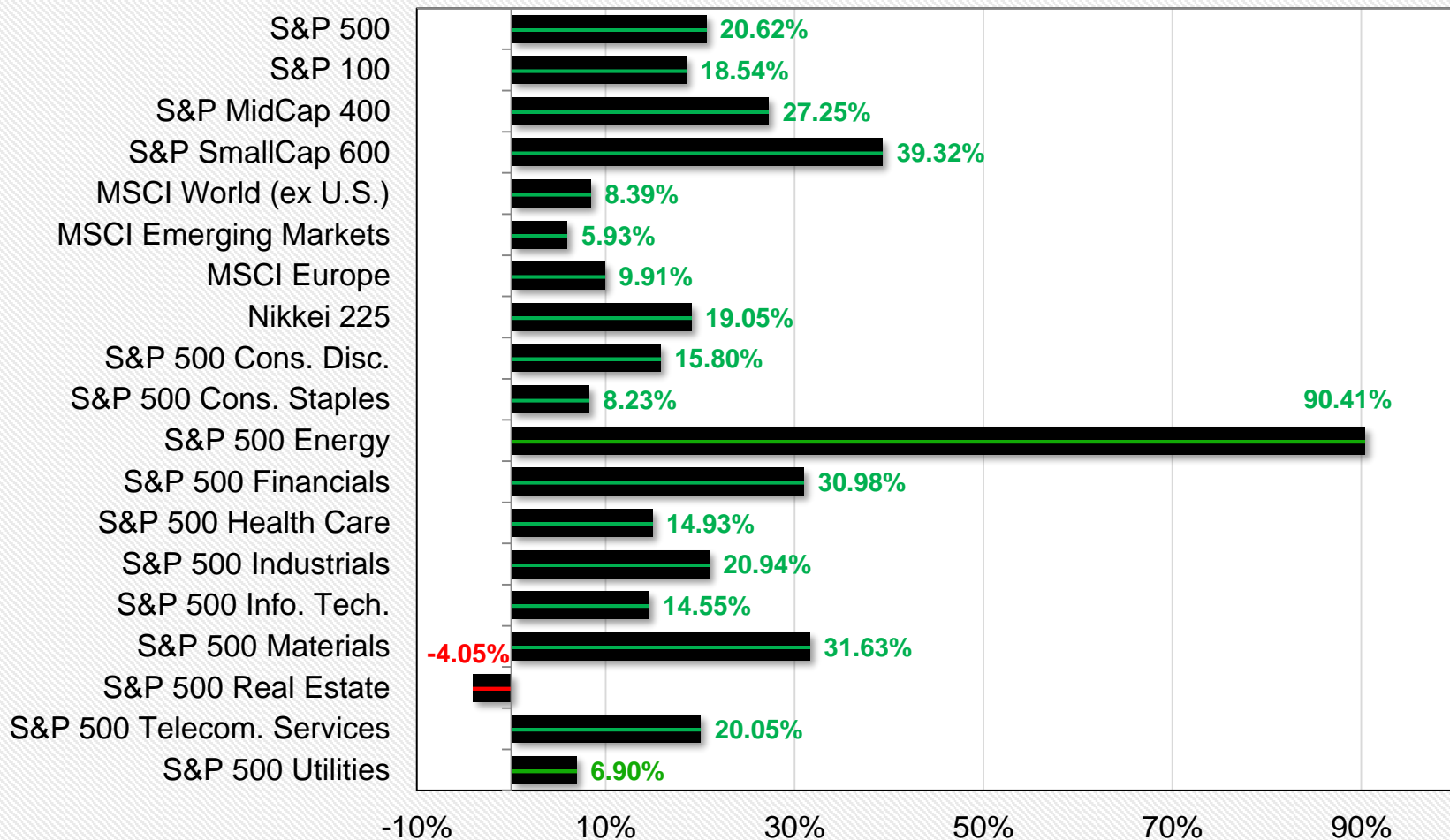
# Sector Ranks

Overall Rank	Sector Name	Estimated 2018 P/E		Projected 5 Year Earnings Growth		Price to Book		Long Term Debt to Capital		Sum of Ranks
		P/E	Rank	%	Rank	P/B	Rank	%	Rank	
1	<i>Financials</i>	13.42	2	10.71%	7	1.55	1	30.31%	2	12
2	<i>Energy</i>	19.11	8	20.68%	2	2.00	4	27.27%	1	15
3	<i>Materials</i>	16.07	3	11.92%	5	2.66	5	40.13%	5	18
4	<i>Health Care</i>	17.19	4	11.24%	6	4.15	7	38.72%	4	21
5	<i>Telecom</i>	10.42	1	8.81%	8	1.86	2	56.09%	10	21
6	<i>Industrials</i>	17.67	6	12.51%	4	4.41	8	48.64%	6	24
7	<i>Info Tech</i>	19.99	9	14.72%	3	6.54	10	31.53%	3	25
8	<i>Utilities</i>	17.19	5	3.86%	10	1.88	3	52.76%	8	26
9	<i>Staples</i>	18.32	7	8.45%	9	4.07	6	51.53%	7	29
10	<i>Discretionary</i>	22.54	10	25.40%	1	5.71	9	55.05%	9	29
		Estimated 2018 P/E		Projected 5 Year Earnings Growth		Price to Book		Long Term Debt to Capital		
<b>S&amp;P 500</b>		<b>17.95</b>		<b>14.14%</b>		<b>3.32</b>		<b>40.09%</b>		

Example - For illustrative purposes only.

Sources: S&P, FactSet, Compustat, Bloomberg. As of 8/31/2018. There can be no assurance that any of the projections cited will occur.

# 2018 Est. EPS Growth (Y-O-Y) – Major Equity Indices

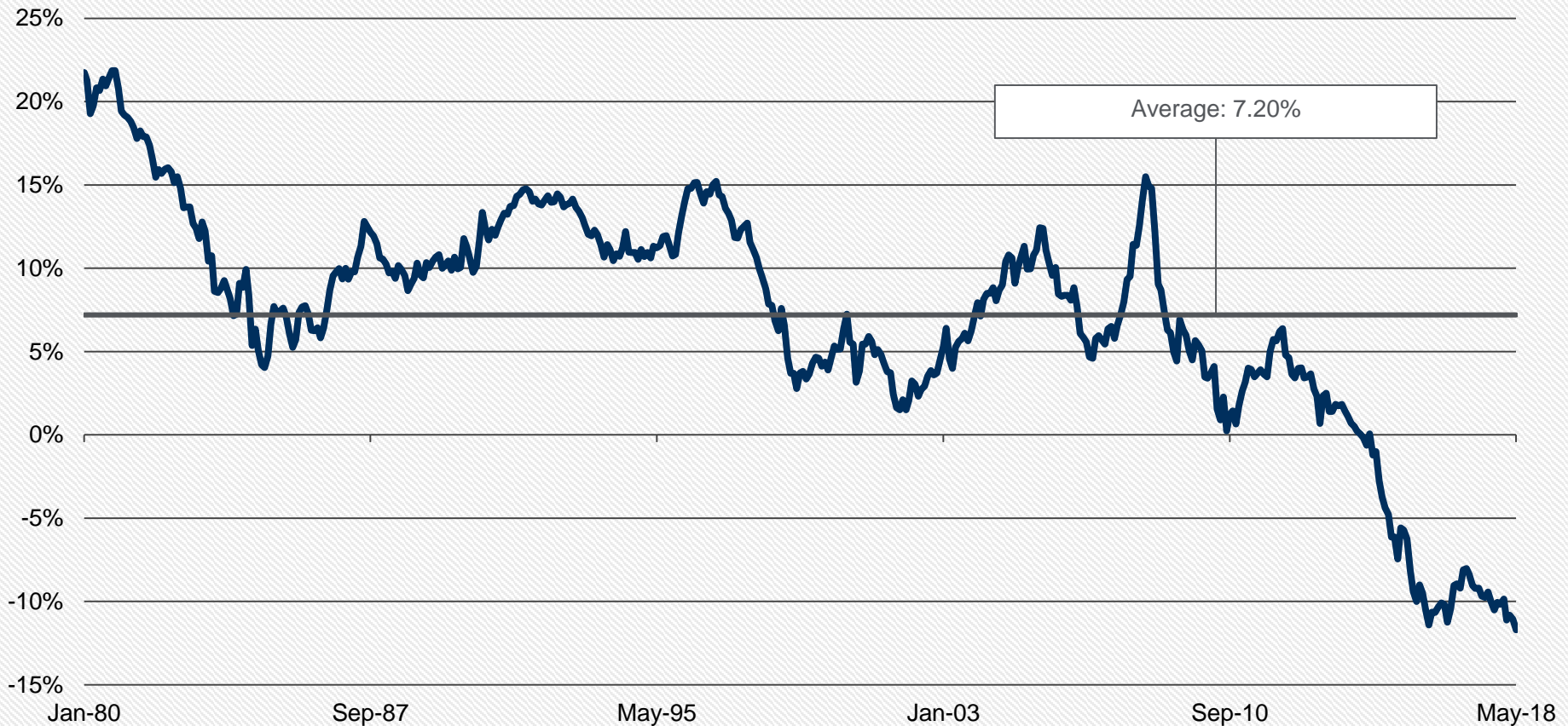


Source: Bloomberg. As of 8/31/18. There can be no assurance that any of the projections cited will occur.

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# 10-Year Annualized Rolling Total Returns

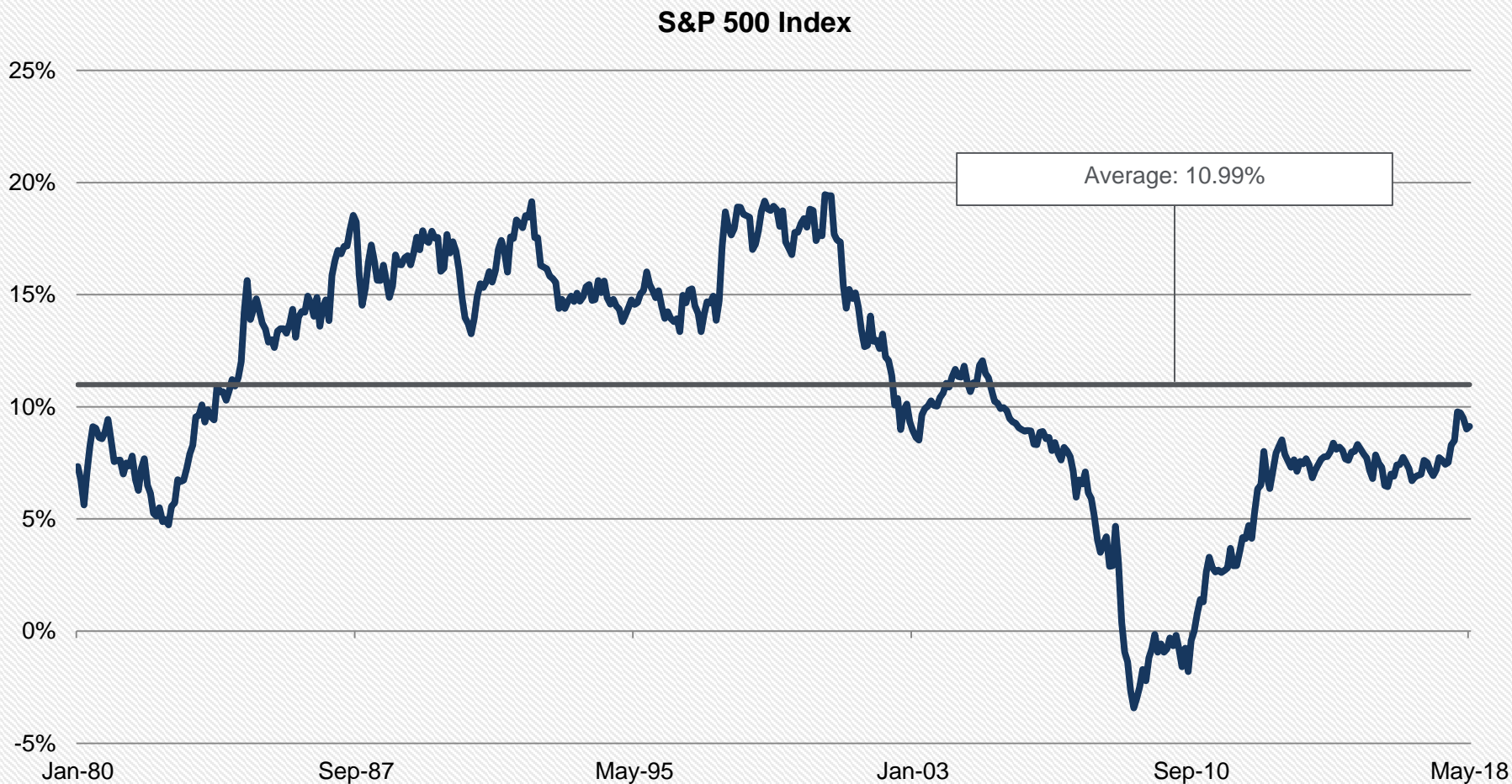
S&P GSCI® Index



Source: Bloomberg, 1/31/80 through 5/31/18. Past performance is no guarantee of future results. The chart is for illustrative purposes only and not indicative of any actual investment.

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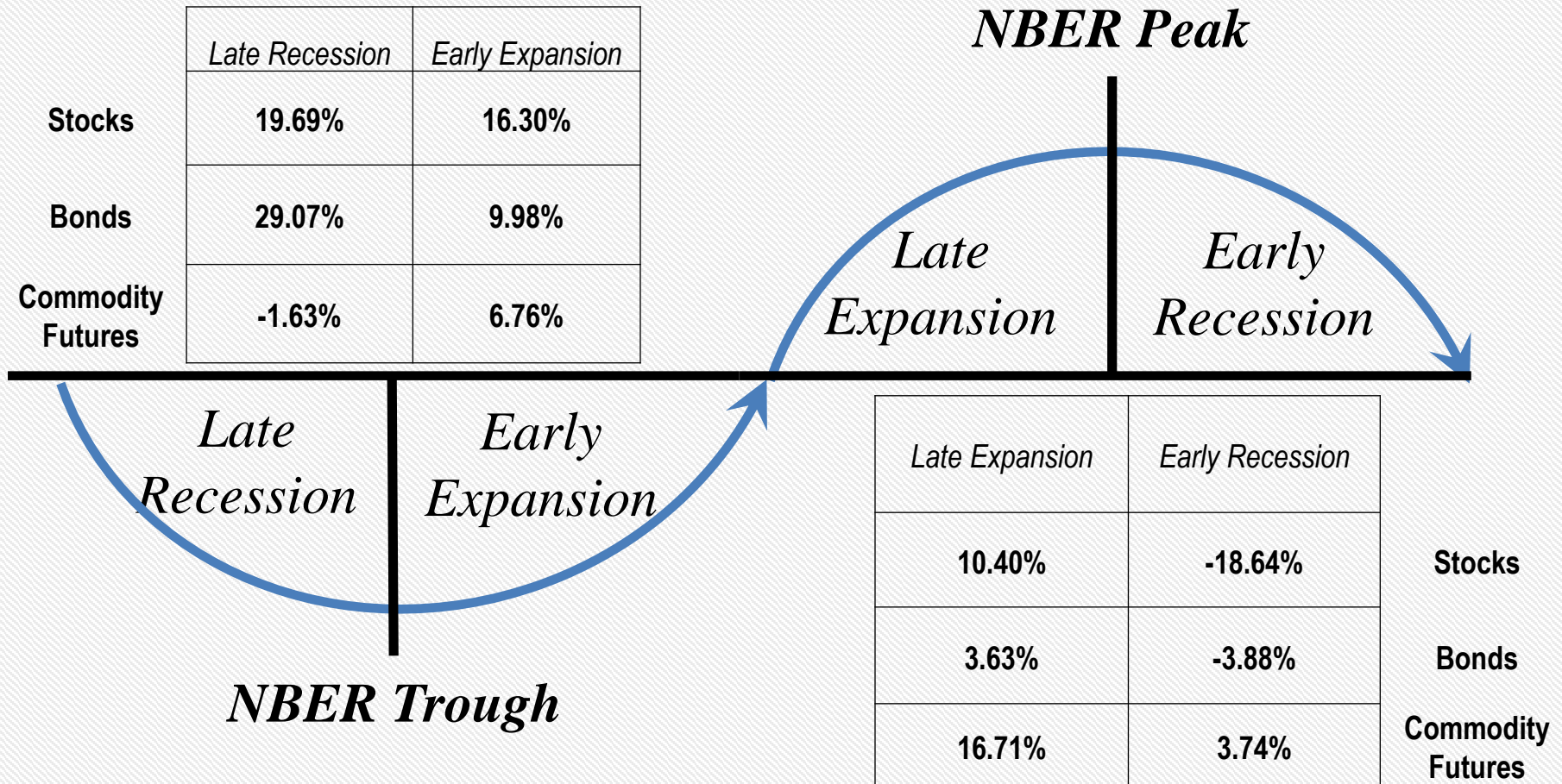
# 10-Year Annualized Rolling Total Returns



Source: Bloomberg, 1/31/80 through 5/31/18. Past performance is no guarantee of future results. The chart is for illustrative purposes only and not indicative of any actual investment.

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# Commodities and the NBER Business Cycle (1959-2004)



Gorton, G. and K. Geert Rouwenhorst (2006). "Facts and Fantasies about Commodity Futures." Financial Analysts Journal, vol. 62, no. 2: 47-68. "Stocks" represents the S&P 500 Index, "Bonds" represents the Ibbotson Corporate Bond Total Return Index. "Commodity Futures" represents an equally-weighted portfolio of fully collateralized futures contracts. Past performance is no guarantee of future results. An index cannot be purchased directly by investors.

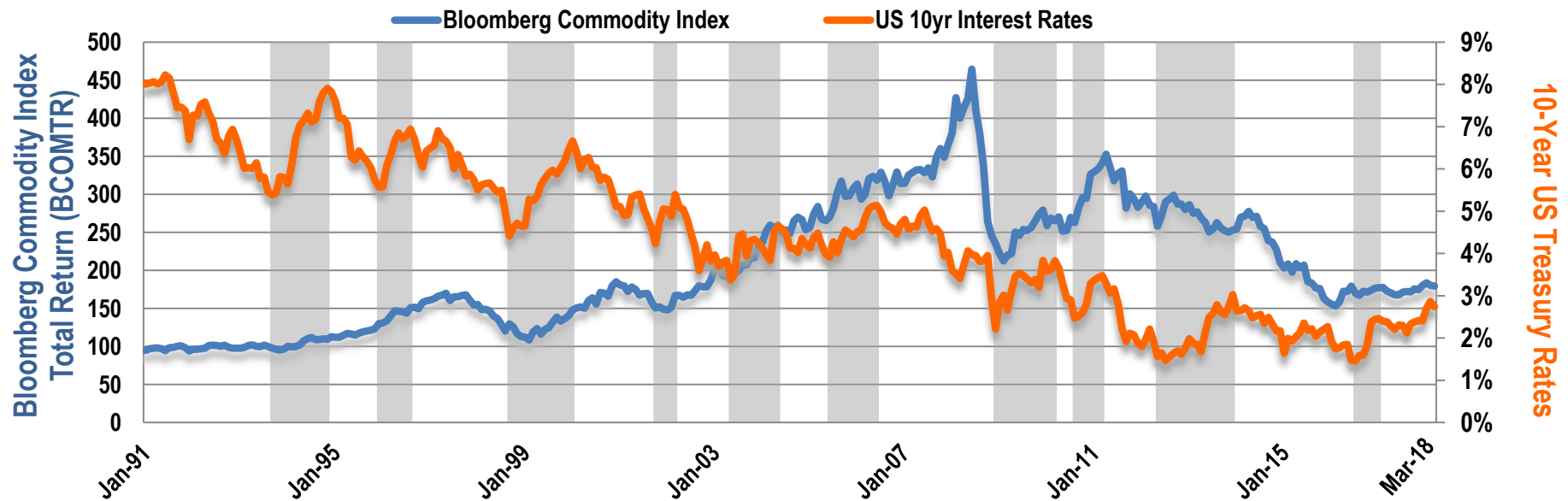


# Interest Rates and commodity prices

Since 1993, there have been 10 periods where 10-year US Treasury interest rates have risen by 1% or more (see chart below)

- 9 out of 10 periods had positive returns for the Bloomberg Commodity Index
- In the 2 periods where rates rose over 2%, the index had double digit returns
- There was only 1 rising rate period where the index had a negative return (5/2012 – 12/2013)
- That return was -1.93%

Time Periods	Change in Rates	Change in BCOMTR
09/1993 – 11/1994	2.52%	12.43%
12/1995 – 08/1996	1.37%	16.12%
09/1998 – 01/2000	2.25%	14.02%
10/2001 – 03/2002	1.16%	10.96%
05/2003 – 05/2004	1.28%	27.81%
06/2005 – 06/2006	1.22%	18.09%
12/2008 – 03/2010	1.61%	12.92%
08/2010 – 03/2011	1.00%	29.72%
05/2012 – 12/2013	1.47%	-1.93%
07/2016 -- 01/2017	1.00%	4.15%



Source: Bloomberg. Past performance is no guarantee of future results. Data from 1/31/91 – 3/29/18. This chart is for illustrative purposes only and is not indicative of any investment.

# FTGC - FT Tactical Global Commodities ETF

## FTGC

As of 12/29/17

### First Trust Global Tactical Commodity Strategy Fund

#### >> Fund Objective

This actively managed exchange-traded fund seeks total return and a relatively stable risk profile while providing investors with commodity exposure.

#### >> Fund Facts

Fund Ticker	FTGC
CUSIP	33739H101
Intraday NAV	FTGCIV
Fund Inception Date	10/22/13
Expense Ratio	0.95%
Primary Listing	Nasdaq

#### >> Fund Description

- The First Trust Global Tactical Commodity Strategy Fund seeks to provide investors with commodity exposure through a wholly-owned subsidiary.
- Unlike index-based commodities ETFs, the fund is actively managed and takes a risk-managed approach to commodities investing that aims to provide an improved risk/return relationship.
- The fund offers a potential diversification benefit because of the historically low correlation of commodities to other asset classes.
- The fund is managed by a team of experienced portfolio managers that specialize in alternative investments.
- Through the investment process, the advisor seeks to maximize the return of a highly diversified commodity portfolio targeted to a specific volatility range.
- Select 10 to 35 distinct commodities based upon liquidity as measured by open interest. The list of commodities considered for inclusion can and will change over time.
- Model and forecast the expected volatility level of each commodity using daily historical data.
- Generate a set of portfolios that seeks to maximize returns given specific levels of volatility along the efficient frontier.
- Rebalance monthly (or more frequently subject to market conditions) to the optimal asset weighting given the desired risk range for the portfolio.
- The commodity futures selected for the portfolio are those with a realized volatility profile that the advisor believes is far more stable than traditional portfolio construction approaches.

#### >> Fund Advisor

- First Trust Advisors L.P. is the advisor to the fund and manages the fund's portfolio.
- Daily investment decisions are made by:
  - John Gamba, CFA, FRM, PRM, Senior Portfolio Manager, Alternatives Investment Team of First Trust
  - Rob A. Guttschow, CFA, Senior Portfolio Manager, Alternatives Investment Team of First Trust

#### >> Performance Summary (%)

Fund Performance*	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Net Asset Value (NAV)	4.58	2.79	2.79	-7.16	—	—	-8.15
After Tax Held	4.04	2.26	2.26	-7.32	—	—	-8.26
After Tax Sold	2.59	1.58	1.58	-5.42	—	—	-6.05
Market Price	4.38	2.49	2.49	-7.31	—	—	-8.19
<b>Index Performance**</b>							
S&P 500 Index	6.64	21.83	21.83	11.41	—	—	12.91
Bloomberg Commodity Index	4.71	1.70	1.70	-5.03	—	—	-8.23
S&P GSCI*	9.90	5.77	5.77	-7.52	—	—	-14.18

#### >> Calendar Year Total Returns (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
FTGC	—	—	—	—	—	—	—	-11.89	-22.56	0.54	2.79
S&P 500 Index	—	—	—	—	—	—	—	13.69	1.38	11.96	21.83
Bloomberg Commodity Index	—	—	—	—	—	—	—	-17.01	-24.66	11.77	1.70
S&P GSCI*	—	—	—	—	—	—	—	-33.06	-32.86	11.57	5.77

#### >> 3-Year Statistics

	Standard Deviation (%)	Alpha	Beta	Sharpe Ratio	Correlation
FTGC	9.32	-4.03	0.70	-0.79	0.94
S&P 500 Index	10.07	11.71	0.16	1.09	0.20
Bloomberg Commodity Index	12.48	—	1.00	-0.38	1.00

*Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting [www.ftportfolios.com](http://www.ftportfolios.com).*

\*NAV returns are based on the fund's net asset value which represents the fund's net assets (assets less liabilities) divided by the fund's outstanding shares. **After Tax Held** returns represent return after taxes on distributions. Assumes shares have not been sold. **After Tax Sold** returns represent the return after taxes on distributions and the sale of fund shares. Returns do not represent the returns you would receive if you traded shares at other times. **Market Price** returns are based on the midpoint of the bid/ask spread on the stock exchange on which shares of the fund are listed for trading as of the time that the fund's NAV is calculated. Returns are average annualized total returns, except those for periods of less than one year, which are cumulative. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown. The after-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.

\*\***The Bloomberg Commodity Index is the fund's benchmark.** Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.

### First Trust Global Tactical Commodity Strategy Fund

As of 12/29/17

#### >> Agricultural Futures Weights (%)<sup>1</sup>

Soybean Meal, Mar18	6.84
Sugar #11, Mar18	6.79
Soybean Oil, Mar18	5.11
Cotton No. 2, Mar18	4.95
Cocoa, Mar18	4.90
Soybean, Mar18	3.50
Coffee, Mar18	2.99
Lean Hogs, Feb18	2.82
Corn, Mar18	1.94
Live Cattle, Feb18	1.24
Cattle Feeder, Jan18	1.20
<b>Total</b>	<b>42.28</b>

#### >> Energy Futures Weights (%)<sup>1</sup>

Brent Crude Oil, Mar18	6.22
Gasoline RBOB, Mar18	6.07
Low Sulphur Gasoil, Jan18	5.46
WTI Crude Oil, Mar18	3.98
New York Harbor ULSD, Mar18	3.10
Natural Gas, Feb18	1.38
Low Sulphur Gasoil, Feb18	1.09
Gasoline RBOB, Feb18	0.56
<b>Total</b>	<b>27.86</b>

#### >> Metals Futures Weights (%)<sup>1</sup>

Copper, Mar18	8.24
Silver, Mar18	6.88
Gold 100 oz, Feb18	6.12
LME Zinc, Mar18	3.76
LME Nickel, Mar18	3.30
LME Lead, Mar18	0.96
<b>Total</b>	<b>29.26</b>

#### >> Cash & Collateral (%)

Cash	100.00
<b>Total</b>	<b>100.00</b>

<sup>1</sup>The futures investments are held indirectly through the FT Cayman Subsidiary, a wholly-owned subsidiary of the fund organized under the laws of the Cayman Islands.

*You should consider the 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](http://www.ftportfolios.com) to obtain a prospectus or summary prospectus which contains this and other information about the fund. The prospectus or summary prospectus should be read carefully before investing.*

#### ETF Characteristics

The fund lists and principally trades its shares on The Nasdaq Stock Market LLC. Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Market prices may differ to some degree from the net asset value of the shares. 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 the 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.

#### Risk Considerations

The fund's shares will change in value, and you could lose money by investing in the fund. One of the principal risks of investing in the fund is market risk. The trading prices of commodities futures, fixed income securities and other instruments fluctuate in response to a variety of factors. The fund's net asset value and market price may fluctuate significantly in response to these factors. As a result, an investor could lose money over short or long periods of time. In addition, the net asset value of the fund may be more volatile over short-term periods than other investment options because of the fund's significant use of financial instruments that have a leveraging effect. The fund is subject to management risk because it is an actively managed portfolio. The advisor will apply investment techniques and risk analyses that may not have the desired result. There can be no assurance that the fund's investment objective will be achieved. The fund does not invest directly in futures instruments. Rather, it invests in a wholly-owned subsidiary, which will have the same investment objective as the fund, but unlike the fund, it may invest without limitation in futures instruments. The subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Thus, the fund, as an investor in the subsidiary, will not have all the protections offered to investors in registered investment companies.

The value of commodities and commodity-linked instruments typically is based upon the price movements of a physical commodity or an economic variable linked to such price movements. The prices of commodities and commodity-linked instruments may fluctuate quickly and dramatically and may not correlate to price movements in other asset classes. An active trading market may not exist for certain commodities. Each of these factors and events could have a significant negative impact on the fund. All futures and futures-related products are highly volatile. Price movements are influenced by a variety of factors. The value of commodities, commodity-linked instruments, futures and futures-related products may be affected by changes in overall economic conditions, changes in interest rates, or factors affecting a particular commodity or industry, such as production, supply, demand, drought, floods, weather, political, economic and regulatory developments. The fund regularly purchases and sells commodity futures contracts to maintain a fully invested position. This frequent trading may increase the amount of commissions or mark-ups to broker-dealers that the fund pays when it buys and sells contracts, which may detract from the fund's performance.

The fund will, under most circumstances, effect most creations and redemptions, in whole or in part for cash, rather than in-kind securities. As a result, the fund may be less tax-efficient.

The fund, through the subsidiary, will engage in trading on commodity markets outside the U.S. Trading on such markets is not regulated by any U.S. government agency and may involve certain risks not applicable to trading on U.S. exchanges. The fund holds investments that are denominated in non-U.S. currencies, or in securities that provide exposure to such currencies, currency exchange rates or interest rates denominated in such currencies. Changes in currency exchange rates and the relative value of non-U.S. currencies may affect the value of the fund's investments and the value of the fund's shares. Commodity futures contracts traded on non-U.S. exchanges or with non-U.S. counterparties present risks because they may not be subject to the same degree of regulation as their U.S. counterparts.

The fund may be subject to the forces of "whipsaw" markets (as opposed to choppy or stable markets), in which significant price movements develop but then repeatedly reverse, which could cause substantial losses.

The fund is classified as "non-diversified" and may invest a relatively high percentage of its assets in a limited number of issuers. As a result, the 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.

First Trust Advisors L.P. is the advisor to the fund. First Trust Advisors L.P. is an affiliate of First Trust Portfolios L.P., the fund's distributor. First Trust Advisors L.P. is registered as a commodity pool operator and commodity trading advisor and is also a member of the National Futures Association. The information presented is not intended to constitute an investment recommendation, 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 and the Internal Revenue Code. First Trust has no knowledge of, and has not been provided any information regarding any investment. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.

#### Definitions

**Standard Deviation** is a measure of price variability (risk). **Alpha** is an indication of how much an investment outperforms or underperforms on a risk-adjusted basis relative to its benchmark. **Beta** is a measure of price variability relative to the market. **Sharpe Ratio** is a measure of excess reward per unit of volatility. **Correlation** is a measure of the similarity of performance. The **Bloomberg Commodity Index** is made up of exchange-traded futures on physical commodities and represents 20 commodities, which are weighted to account for economic significance and market liquidity. The **S&P GSCI** is recognized as a leading measure of general price movements and inflation in the world economy and is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes. The **S&P 500 Index** is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

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# Portfolio Analytics Resources



## Portfolio Analytics Resources

The Portfolio Analytics Team assists advisors in evaluating and visualizing their ETF and mutual fund model portfolios. Below are details on two comprehensive portfolio analyses the team can provide, per advisor request:

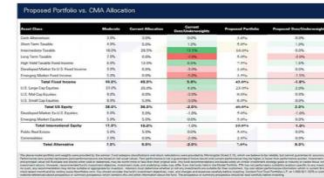
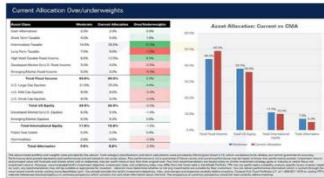
### PORTFOLIO ANALYSIS/GAP & OVERLAP ANALYSIS

- Current allocation versus custom benchmark
- Historical MPT and return statistics
- Holdings-based analysis—identify portfolio gaps and holding overlaps
- Potential investment alternatives to enhance diversification and portfolio characteristics



### CAPITAL MARKETS ASSUMPTION ANALYSIS

- CMA analysis assists FAs who track home office allocations or use their capital market assumptions
- Realign current allocation to better track the risk profile and characteristics of models constructed by the home office
- Assist with positioning First Trust ETFs that fit home office research and economic outlook
- Historical MPT and return statistics
- Holdings-based analysis—identify portfolio gaps and holding overlaps



**TO FIND OUT MORE ABOUT THESE RESOURCES AND OTHER ADVISOR TOOLS,  
CONTACT YOUR FIRST TRUST WHOLESALER AT (866) 848-9727**

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 and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.

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