

## » Fund Objective

This actively managed exchange-traded fund seeks to provide investors with long-term total return.

## » Fund Facts

Fund Ticker	FAAR
CUSIP	33740Y101
Intraday NAV	FAARIV
Fund Inception Date	5/18/16
Expense Ratio	0.95%
Primary Listing	Nasdaq

## » Fund Description

- » The First Trust Alternative Absolute Return Strategy ETF seeks to achieve long-term total return using a long/short commodities strategy.<sup>^</sup> The fund intends to invest primarily in exchange-listed commodity futures contracts through a wholly-owned subsidiary.<sup>1</sup>
- Unlike traditional investment strategies, where returns are generally tied to the ups and downs of a single benchmark, absolute return strategies may produce positive returns in any market environment, independent of the market being up, down or flat.
  - Absolute return strategies offer a potential strategy diversification benefit, that may help to achieve more consistent returns over time and reduce overall investment risk, but it does not guarantee a profit or protect against a loss.
  - The fund is managed by a team of experienced portfolio managers that specialize in alternative investments.
- » Through the investment process, the advisor will:
- Select commodity futures based on open interest and daily trading volume.
  - Forecast the expected volatility and cross-correlation of each commodity.
  - Generate a set of long/short portfolios that seek to maximize returns at various levels of volatility.
  - Evaluate the futures curve for each commodity to seek the highest potential return contract.
  - Analyze performance of the commodities and determine what affected performance, as well as how to position the portfolio going forward.

## » Fund Advisor

- » The portfolio is managed by the First Trust Advisors L.P. Investment Committee.
- » Day-to-day management decisions for the fund's portfolio are made by two investment committee members:
- John Gambla, CFA, FRM, PRM, Senior Portfolio Manager
  - Rob A. Guttschow, CFA, Senior Portfolio Manager

## » Performance Summary (%)

	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Fund Inception
<b>Fund Performance*</b>							
Net Asset Value (NAV)	5.15	12.45	19.74	3.02	1.84	—	1.66
After Tax Held	5.15	12.44	18.29	2.38	1.22	—	1.05
After Tax Sold	3.05	7.37	11.59	2.01	1.11	—	0.98
Market Price	5.60	11.71	20.00	3.17	2.15	—	1.76

## » Index Performance\*\*

Bloomberg Commodity Index	13.30	21.15	45.61	3.90	2.40	—	3.14
3 Month U.S. Treasury Bills + 3%	0.75	1.52	3.14	4.43	4.26	—	4.24
S&P 500 Index	8.55	15.25	40.79	18.67	17.65	—	17.83

## » Calendar Year Total Returns (%)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD
FAAR	—	—	—	—	—	—	6.04	-9.23	-1.27	7.35	12.45
Bloomberg Commodity Index	—	—	—	—	—	—	1.70	-11.25	7.69	-3.12	21.15
3 Month U.S. Treasury Bills + 3%	—	—	—	—	—	—	3.92	5.00	5.40	3.74	1.52
S&P 500 Index	—	—	—	—	—	—	21.83	-4.38	31.49	18.40	15.25

## » 3-Year Statistics

	Standard Deviation (%)	Alpha	Beta	Sharpe Ratio	Correlation
FAAR	6.94	136.27	-44.60	0.26	-0.54
Bloomberg Commodity Index	15.29	172.17	-55.92	0.24	-0.54
3 Month U.S. Treasury Bills + 3%	0.33	—	1.00	57.05	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 determined by using the midpoint of the national best bid offer price ("NBBO") 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.

\*\*3 Month U.S. Treasury Bills + 3% 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.

^"Long" and "short" are investment terms used to describe ownership of commodity futures contracts. Taking a "long" position means purchasing a futures contract. The owner of a "long" position in a futures contract may profit from an increase in the price of the underlying commodity, and conversely, will incur a loss if the underlying commodity declines in price. Taking a "short" position means selling a futures contract. The owner of a "short" position in a futures contract may profit from a decrease in the price of the underlying commodity, and conversely, will incur a loss if the underlying commodity increases in price.

## » Portfolio Information

Number Of Holdings - Long Exposure	27
Number Of Holdings - Short Exposure	10

## » Commodity Futures Exposure (%)<sup>1</sup>

Energy	23.78
Precious Metals	11.12
Industrial Metals	9.96
Agricultural	6.23
Livestock	2.51

## » Fund Exposure (%)

Long Exposure	70.99%
Short Exposure	-17.39%
Net Exposure	53.60%

## » Top Holdings (%) – Long Exposure<sup>1</sup>

Gold 100 oz, Aug21	6.97
Soybean, Nov21	6.25
Lean Hogs, Aug21	5.28
Copper, Sep21	4.70
Corn, Sep21	4.05
Silver, Sep21	3.86
Corn, Dec21	3.84
Brent Crude Oil, Dec21	3.43
Brent Crude Oil, Sep21	3.40
Low Sulphur Gasoil G, Sep21	3.11

## » Cash & Collateral (%)

Cash	100.00
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## » Top Holdings (%) – Short Exposure<sup>1</sup>

Cotton No. 2, Dec21	-3.57
Wheat (CBT), Sep21	-3.55
Live Cattle, Aug21	-2.63
KC HRW Wheat, Dec21	-2.39
Coffee 'C', Sep21	-2.36
Soybean Meal, Dec21	-1.16
Cocoa, Sep21	-1.00
Natural Gas, Sep21	-0.52
Cattle Feeder, Aug21	-0.14
Sugar #11 (World), Oct21	-0.07

<sup>1</sup>The futures investments are held indirectly through the FT Cayman Subsidiary III, 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.*

## Risk Considerations

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. A fund's 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 a 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. The outbreak of the respiratory disease designated as COVID-19 in December 2019 has caused significant volatility and declines in global financial markets, which have caused losses for investors. While the development of vaccines has slowed the spread of the virus and allowed for the resumption of "reasonably" normal business activity in the United States, many countries continue to impose lockdown measures in an attempt to slow the spread. Additionally, there is no guarantee that vaccines will be effective against emerging variants of the disease.

In managing a fund's investment portfolio, the portfolio managers will apply investment techniques and risk analyses that may not have the desired result.

A fund that effects all or a portion of its creations and redemptions for cash rather than in-kind may be less tax-efficient. The failure or bankruptcy of a fund's and the subsidiary's clearing broker could result in substantial loss of fund assets.

Commodity prices can have significant volatility, and exposure to commodities can cause the value of a fund's shares to decline or fluctuate in a rapid and unpredictable manner.

To avoid exceeding position limits set by the Commodity Futures Trading Commission, a fund may have to liquidate commodity contract positions at disadvantageous times or prices which may result in substantial loss of fund assets.

Investments linked to the prices of commodities may be considered speculative and subject a fund to greater volatility than investments in traditional securities. A liquid secondary market may not exist for certain commodity-linked derivatives which may make it difficult for a fund to sell them at a desirable price.

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.

As the use of Internet technology has become more prevalent in the course of business, funds have become more susceptible to potential operational risks through breaches in cyber security.

Certain securities are subject to call, credit, inflation, income, interest rate, extension, and prepayment risks. These risks could result in a decline in a security's value and/or income, increased volatility as interest rates rise or fall and have an adverse impact on a fund's performance.

The use of derivatives, including futures contracts can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives.

Trading on foreign commodity markets is not regulated by any US government agency and may involve risks not applicable to US exchanges.

The frequent trading of commodity futures contracts may increase the amount of commissions or mark-ups that a fund pays when it buys and sells contracts which may detract from a fund's performance.

A commodity price may change substantially between periods of trading due to adverse news announcements.

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.

Leverage may result in losses that exceed the amount originally invested and may accelerate the rates of losses.

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 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.

High portfolio turnover may result in higher levels of transaction costs and may generate greater tax liabilities for shareholders.

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 does not invest directly in commodities. Rather, it invests in a wholly-owned subsidiary, which will have the same investment objective as a fund, but unlike a fund, it may invest without limitation in commodities. The subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Thus, a fund, as an investor in the subsidiary, will not have all the protections offered to investors in registered investment companies.

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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.

Trading on the exchange may be halted due to market conditions or other reasons. There can be no assurance that the requirements to maintain the listing of a fund on the exchange will continue to be met or be unchanged.

Securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.

Portfolio holdings that are valued using techniques other than market quotations may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used.

A fund may invest in securities that exhibit more volatility than the market as a whole.

"Whipsaw" markets in which significant price movements develop but then repeatedly reverse, may cause substantial losses to a fund.

First Trust Advisors L.P. is the adviser 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 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.

## 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 **3 Month U.S. Treasury Bills + 3%** is made up of 3 Month U.S.

Treasury Bills and a spread of 3 percent accrued daily because the Treasury bill rate can fluctuate over time. 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 500 Index** is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.