LMBS

As of 12/31/21

First Trust Low Duration Opportunities ETF

Fund Objective

This exchange-traded fund seeks to generate current income with a secondary objective of capital appreciation.

Fund Facts

Fund Ticker	LMBS
CUSIP	33739Q200
Intraday NAV	LMBSIV
Fund Inception Date	11/4/14
Expense Ratio	0.68%
30-Day SEC Yield†	0.95%
Primary Listing	Nasdaq

Fund Description

- The First Trust Low Duration Opportunities ETF is an actively managed exchange-traded fund.
- Under normal conditions, the fund will seek to achieve its investment objectives by investing at least 60% of its net assets (including investment borrowings) in investment grade, mortgage-related debt securities and other mortgage-related instruments tied to residential and commercial mortgages.
- An investment in the fund may offer the following advantages:
  - Attractive level of current income with an effective duration target of 3 years or less;
  - Limited price sensitivity due to a focus on managing and limiting the average portfolio duration;
  - High asset credit quality with at least 60% of assets in the government-sponsored mortgage sector and less expected price sensitivity to the credit cycle;
  - Large and liquid asset class effectively accommodates efficient portfolio rebalancing.

Fund Advisor

- The portfolio is selected and managed by First Trust Advisors L.P.
  - The portfolio management team uses top-down research focused on the global economy, macro trends in the fixed income market as well as ongoing valuations and trends of core mortgage-backed securities sectors.
  - The portfolio managers believe thorough and continuous monitoring of overall housing market fundamentals, quantitative portfolio modeling, and the ability to rebalance the portfolio to stay within the fund's three-year duration target is critical to achieving higher risk-adjusted returns.
- Daily investment decisions are made by:
  - Jim Snyder, Portfolio Manager, Securitized Products Group
  - Jeremiah Charles, Portfolio Manager, Securitized Products Group

Performance Summary (%)

	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Fund Inception
Fund Performance*							
Net Asset Value (NAV)	-0.59	-0.77	-0.77	1.71	1.67	–	2.65
After Tax Held	-0.78	-1.58	-1.58	0.77	0.65	–	1.54
After Tax Sold	-0.35	-0.45	-0.45	0.91	0.84	–	1.55
Market Price	-0.73	-0.89	-0.89	1.59	1.60	–	2.62
Index Performance**							
ICE BofA 1-5 year US Treasury & Agency Index	-0.68	-1.09	-1.09	2.41	1.88	–	1.61

Calendar Year Total Returns (%)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
LMBS	–	–	–	–	2.37	6.84	1.76	1.46	4.15	1.81	-0.77
ICE BofA 1-5 year US Treasury & Agency Index	–	–	–	–	0.97	1.08	0.66	1.54	4.18	4.22	-1.09

3-Year Statistics

	Standard Deviation (%)	Alpha	Beta	Sharpe Ratio	Correlation
LMBS	1.66	0.85	-0.10	0.43	0.03
ICE BofA 1-5 year US Treasury & Agency Index	1.67	–	1.00	0.96	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.

†30-day SEC yield is calculated by dividing the net investment income per share earned during the most recent 30-day period by the maximum offering price per share on the last day of the period.

*__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.

**__The ICE BofA 1-5 year US Treasury & Agency 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.

Portfolio Information

Number Of Holdings	1420
Weighted Average Effective Duration (Long Positions)[1]	2.64 Years
Weighted Average Effective Duration (Short Positions)[1]	-1.98 Years
Weighted Average Effective Net Duration[1]	0.66 Years
Weighted Average Effective Maturity	3.25 Years

[1]A measure of a security's sensitivity to interest rate changes that reflects the change in a security's price given a change in yield.
[2]The ratings are by one or more nationally recognized statistical rating organizations (NRSROs), including Standard & Poor's Rating Group, a division of the McGraw Hill Companies, Inc., Moody's Investors Service, Inc., Fitch Ratings, or a comparably rated NRSRO. For situations in which a security is rated by more than one NRSRO and the ratings are not equivalent, the highest ratings are used. A credit rating is an assessment provided by a NRSRO, of the creditworthiness of an issuer with respect to debt obligations. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Investment grade is defined as those issuers that have a long-term credit rating of BBB- or higher. "NR" indicates no rating. The credit ratings shown relate to the creditworthiness of the issuers of the underlying securities in the fund, and not to the fund or its shares. U.S. Treasury, U.S. Agency and U.S. Agency mortgage-backed securities appear under "Government". Credit ratings are subject to change.

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 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.

Top Holdings (%)

Fannie Mae or Freddie Mac TBA, 3%, due 08/01/2049	7.33
Fannie Mae or Freddie Mac TBA, 2.50%, due 10/01/2051	6.96
Fannie Mae FN FM8217, 4%, due 03/01/2050	1.77
Freddie Mac FR SB03880, 3.50%, due 02/01/2034	1.55
Fannie Mae FN CB0860, 3%, due 06/01/2051	1.54
Fannie Mae FN FM2500, 2.50%, due 03/01/2035	1.38
Freddie Mac FR ZT1989, 3.50%, due 01/01/2033	1.19
Fannie Mae FN FM1194, 4.50%, due 05/01/2039	1.16
Fannie Mae Series 2012-42, Class WF, Variable rate, due 09/01/2038	0.94
Fannie Mae or Freddie Mac TBA, 2%, due 10/01/2051	0.80

Fund Composition (%)

Agency MBS Pass-Throughs	43.10
Agency MBS CMOs	23.66
Agency CMBS	10.01
Non-Agency RMBS	8.97
Cash & Cash Equivalents	7.14
Non-Agency CMBS	3.61
ABS	2.68
Inflation Linked Bonds	0.84
Government ETF	0.01
Other	-0.02

Credit Quality (%)[2]

Government & Agency	77.60
Cash & Cash Equivalents	7.14
AAA	10.59
AA+	0.17
AA	0.52
A	0.33
A-	0.17
BBB+	0.24
BBB	0.12
BBB-	0.67
BB+	0.53
BB	0.30
BB-	0.19
B	0.08
NR	1.35

Non-Agency RMBS Holdings Characteristics

Number of Holdings	150
Average Holding Size	0.10%
Weighted Average Effective Maturity	2.33 Years
Weighted Average Coupon	2.13%
Weighted Average Price	$99.81

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. 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.

Asset-backed securities are generally not backed by the full faith and credit of the U.S. government and are subject to the risk of default on the underlying asset or loan, particularly during periods of economic downturn.

A fund that effects all or a portion of its creations and redemptions for cash rather than in-kind may be less tax-efficient.

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 and options, 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. These risks are heightened when a fund's portfolio managers use derivatives to enhance a fund's returns or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held by a fund.

The market value of floating rate securities may fall in a declining interest rate environment and may also fall in a rising interest rate environment if there is a lag between the rise in interest rates and the reset. Income earned by a fund on floating rate securities may decline due to lower coupon payments on floating-rate securities.

High yield securities, or "junk" bonds, are less liquid and are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, are considered to be highly speculative.

A fund may be a constituent of one or more indices which could greatly affect a fund's trading activity, size and volatility.

The yield on an interest-only security is extremely sensitive to the rate of principal payments on the underlying mortgage assets and a rapid payment rate may have an adverse effect on a fund's yield to maturity from these securities. Conversely, principal-only securities tend to decline in value if prepayments are slower than anticipated.

To the extent a fund invests in floating or variable rate obligations that use the London Interbank Offered Rate ("LIBOR") as a reference interest rate, it is subject to LIBOR Risk. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, will cease making LIBOR available as a reference rate over a phase-out period that will begin immediately after December 31, 2021. The unavailability or replacement of LIBOR may affect the value, liquidity or return on certain fund investments and may result in costs incurred in connection with closing out positions and entering into new trades. Any potential effects of the transition away from LIBOR on a fund or on certain instruments in which a fund invests can be difficult to ascertain, and they may vary depending on a variety of factors, and they could result in losses to a fund.

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.

Mortgage-related securities are more susceptible to adverse economic, political or regulatory events that affect the value of real estate. They are also subject to the risk that the rate of mortgage prepayments decreases, which extends the average life of a security and increases the interest rate exposure.

There are no government or agency guarantees of payments in securities offered by non-government issuers, therefore they are subject to the credit risk of the issuer. Non-agency securities often trade "over-the-counter" and there may be a limited market for them making them difficult to value.

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 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.

The purchase of TBA ("to be announced") securities may give rise to investment leverage and increase a fund's volatility. In addition, default by, or bankruptcy of, a counterparty to a TBA transaction would expose a fund to possible losses.

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.

Due to the lack of centralized information and trading, and variations in lot sizes of certain debt securities, the valuation of debt securities may carry more uncertainty and risk than that of publicly traded securities.

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.

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 **ICE BofA 1-5 year US Treasury & Agency Index** measures the performance of US dollar denominated US Treasury and non-subordinated US agency debt.