FIXED INCOME-
WHERE'S THE YIELD?
(WILL IT EVER COME BACK...)

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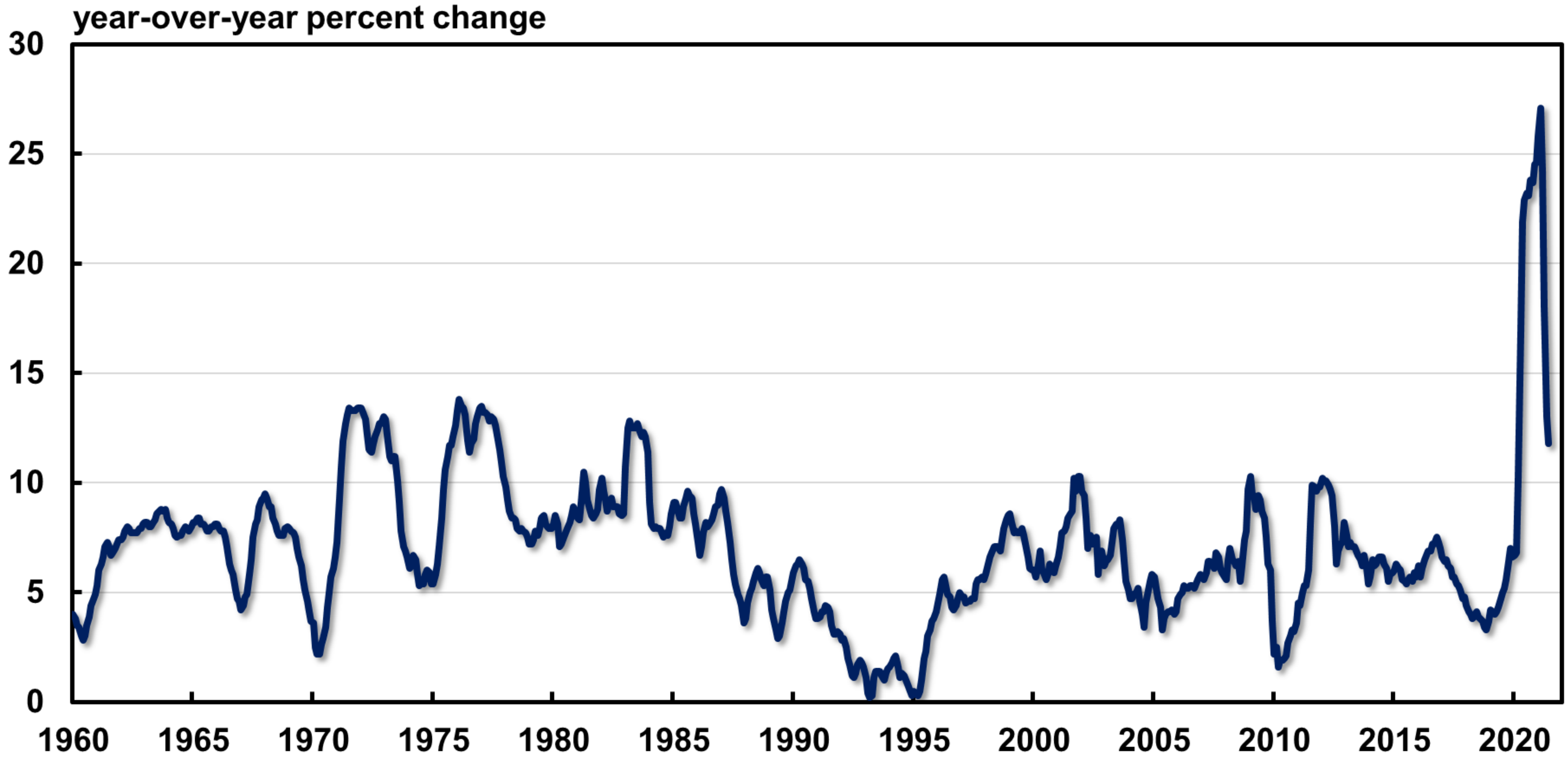
First Trust

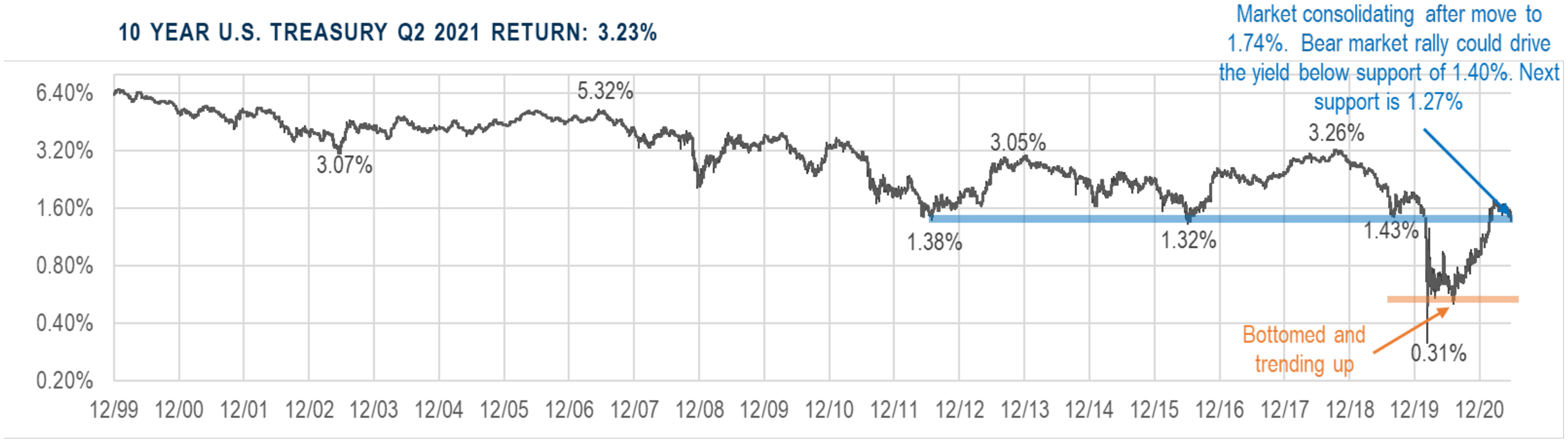
M2 MONEY STOCK



Source: Federal Reserve Board, Federal Reserve Bank of St. Louis. Monthly data Jan 1960 – Jun 2021. This chart is for illustrative purposes only and not indicative of any actual investment.
M2 is a measure of the money supply that includes cash, checking deposits, and easily convertible near money.

WEEKLY 10 YEAR AND 30 YEAR U.S. TREASURY YIELD

December 31, 1999 – June 25, 2021



Source: Bloomberg. **Past performance is no guarantee of future results.** The 10 Year U.S. Treasury return is represented by the ICE BofA Current 10-Year U.S. Treasury Index and is a one-security index comprised of the most recently issued 10-year U.S. Treasury note. The 30 Year U.S. Treasury return is represented by the ICE BofA Current 30-Year U.S. Treasury Index and is a one-security index comprised of the most recently issued 30-year U.S. Treasury note. The Indices are rebalanced monthly.

WEEKLY 2 YEAR AND 5 YEAR U.S. TREASURY YIELD

December 31, 2005 – June 25, 2021

2 YEAR U.S. TREASURY Q2 2021 RETURN: -0.08%

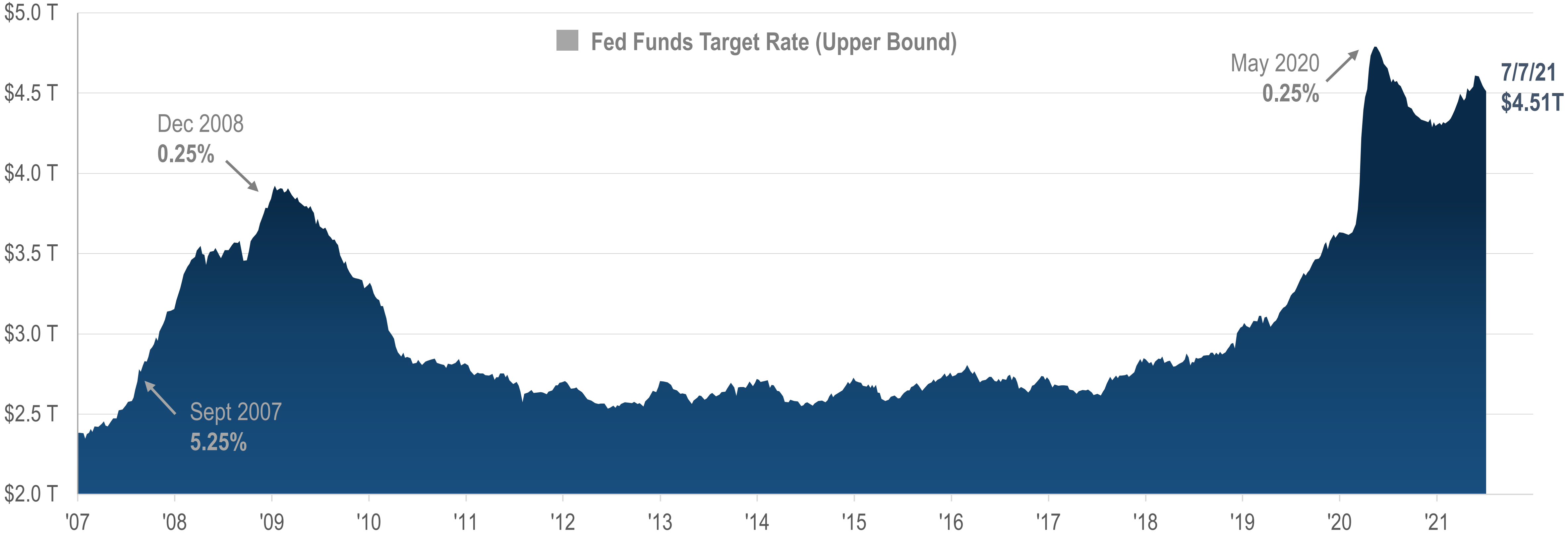
5 YEAR U.S. TREASURY Q2 2021 RETURN: 0.73%

Source: Bloomberg. **Past performance is no guarantee of future results.** The 2 Year U.S. Treasury return is represented by the ICE BofA Current 2-Year U.S. Treasury Index and is a one-security index comprised of the most recently issued 2-year U.S. Treasury note. The 5 Year U.S. Treasury return is represented by the ICE BofA Current 5-Year U.S. Treasury Index and is a one-security index comprised of the most recently issued 5-year U.S. Treasury note. The Indices are rebalanced monthly.

MONEY MARKET FUND ASSETS

ICI ALL MONEY MARKET FUNDS *(TOTAL NET ASSETS)*

Money market fund assets totaled $4.51 trillion for the week ended 7/7/21, up from $3.63 trillion at the start of 2020.



Source: Investment Company Institute (ICI). Weekly data from 2007-7/7/21. For illustrative purposes only and not indicative of any actual investment.

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.

GOVERNMENT BOND YIELDS %

BOND YIELDS IN JAPAN AND PARTS OF EUROPE REMAIN NEGATIVE DESPITE STIMULUS EFFORTS FROM CENTRAL BANKS

	2 YEAR	5 YEAR	7 YEAR	10 YEAR	30 YEAR
UNITED STATES	0.25	0.87	1.21	1.44	2.07
CANADA	0.45	0.98	1.16	1.39	1.84
UNITED KINGDOM	0.06	0.33	0.52	0.72	1.23
ITALY	-0.37	0.09	0.40	0.82	1.84
JAPAN	-0.12	-0.10	-0.07	0.05	0.68
SPAIN	-0.51	-0.25	0.03	0.41	1.40
PORTUGAL	-0.60	-0.32	-0.03	0.39	1.35
FRANCE	-0.64	-0.53	-0.18	0.13	0.91
NETHERLANDS	-0.71	-0.52	-0.44	-0.10	0.36
GERMANY	-0.67	-0.59	-0.40	-0.21	0.29
SWITZERLAND	-0.78	-0.58	-0.46	-0.25	0.03

Source: Bloomberg data as of 6/30/2021.

YIELD CHASERS

	20-Yr. Treasury Yield	Corporate Yield-to-Worst	High Yield Yield-to-Worst
June 2001	**5.91%**	5.90%	13.16%
June 2010	3.74%	**2.84%**	8.89%
June 2021	2.00%	0.96%	**3.87%**

LOW → HIGH

RISK

Source: Bloomberg. Past performance is no guarantee of future results. 20-Yr. Treasuries are represented by The 20 Year U.S. Treasury, Corporate is represented by the ICE BofA 1-5 Year US Corporate Index, High Yield is represented by the ICE BofA US High Yield Constrained Index. The chart above is for illustrative purposes only and not indicative of any investment. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown

WEEKLY 10 YEAR GOVERNMENT BOND YIELDS (GERMANY & JAPAN)

December 31, 2005 – June 25, 2021

WEEKLY 10 YEAR GERMAN BUND YIELD

WEEKLY 10 YEAR JAPANESE GOVERNMENT BOND YIELD

Source: Bloomberg

Past performance is no guarantee of future results.

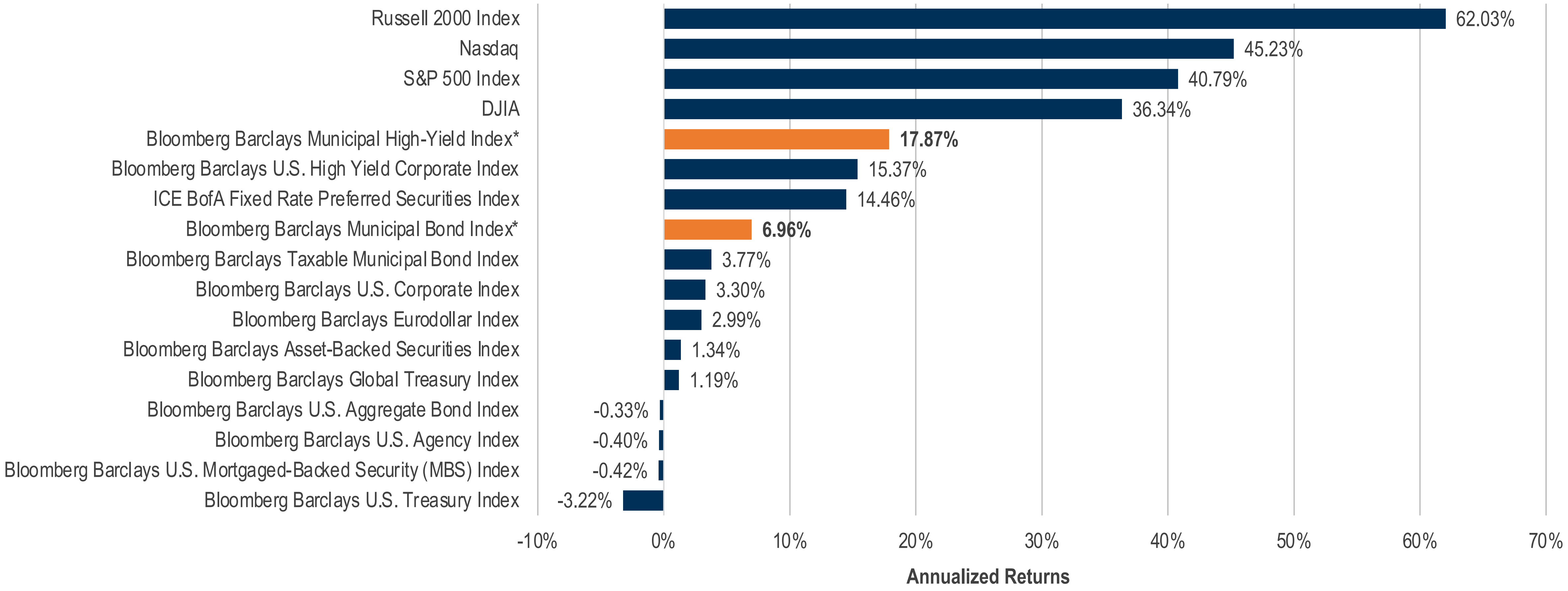
GLOBAL NEGATIVE YIELDING DEBT

December 31, 2013 – June 30, 2021

Source: Bloomberg

Global negative yielding debt is comprised by summing the negative yielding debt within the Bloomberg Barclays Global-Aggregate Index, which is a flagship measure of global investment grade debt from twenty-four local currency markets which includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers.

TRAILING 12 MONTHS TOTAL RETURN



Source: Bloomberg. Data as of 6/30/21. ***Past performance is no guarantee of future results.*** The chart above is for illustrative purposes only and not indicative of any investment. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. *Taxable-equivalent returns illustrate approximately what an investor would have to earn on taxable investments to equal the tax-exempt annualized return using the highest federal tax bracket (37.0%) and another 3.8% for the Medicare Tax for 2021. State and local taxes have not been considered. This information is based on law as of the date of calculation and does not account for any proposed changes in tax rates. This information does not account for limitations on deductions, the alternative minimum tax or taxes other than Federal personal income tax. It is important to note that there are differences between the investment objectives and risks of municipal bonds versus the asset classes shown.

RATE HIKE PROBABILITY

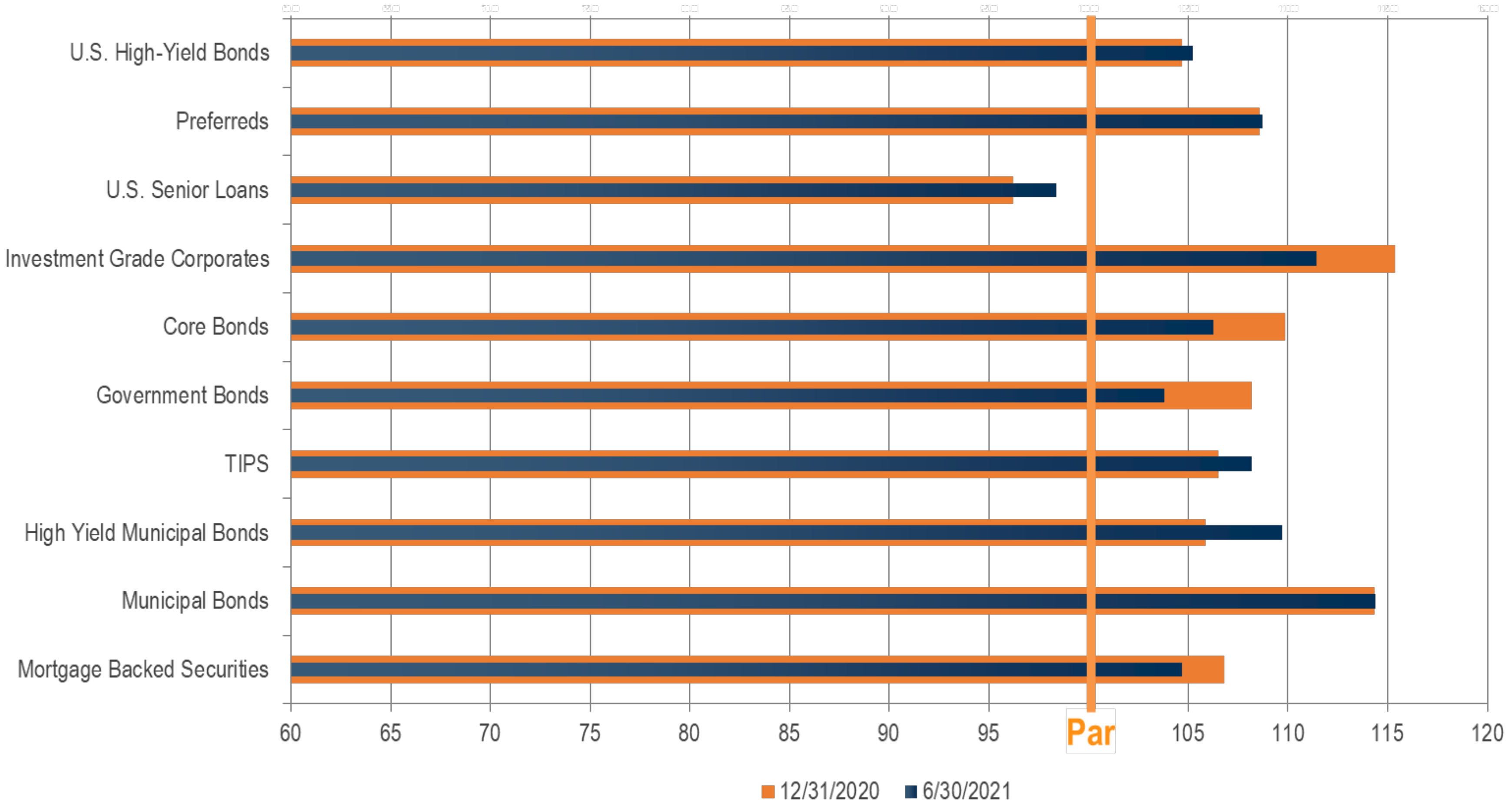
	Probability of Hike in 2021 (As of 7/20/21)	Probability of Hike in 2019 (As of 12/28/18)
Cumulative 175+ Basis Points CUT in 2021	0.0%	0.0%
Cumulative 150+ Basis Points CUT in 2021	0.0%	0.0%
Cumulative 125+ Basis Points CUT in 2021	0.0%	0.0%
Cumulative 100+ Basis Points CUT in 2021	0.0%	0.0%
Cumulative 75+ Basis Points CUT in 2021	0.0%	0.0%
Cumulative 50+ Basis Points CUT in 2021	0.0%	3.0%
Cumulative 25+ Basis Points CUT in 2021	4.8%	13.6%
Probability of No Change	95.2%	75.9%
Cumulative 25+ Basis Points in 2021	0.0%	10.5%

Source: Bloomberg.

Cumulative probability of changes don't sum to 100% as cumulative cuts/hikes of 50 basis points or more are a subset of the cumulative cuts/hikes of 25 basis points +. Because the 25 basis point cut/hike probabilities include all increases or decreases beyond that level, the three entries that sum to 100% are: cut of 25 basis points +, no change, and hike of 25 basis points +.

FIXED INCOME ASSET CLASS PRICE ANALYSIS

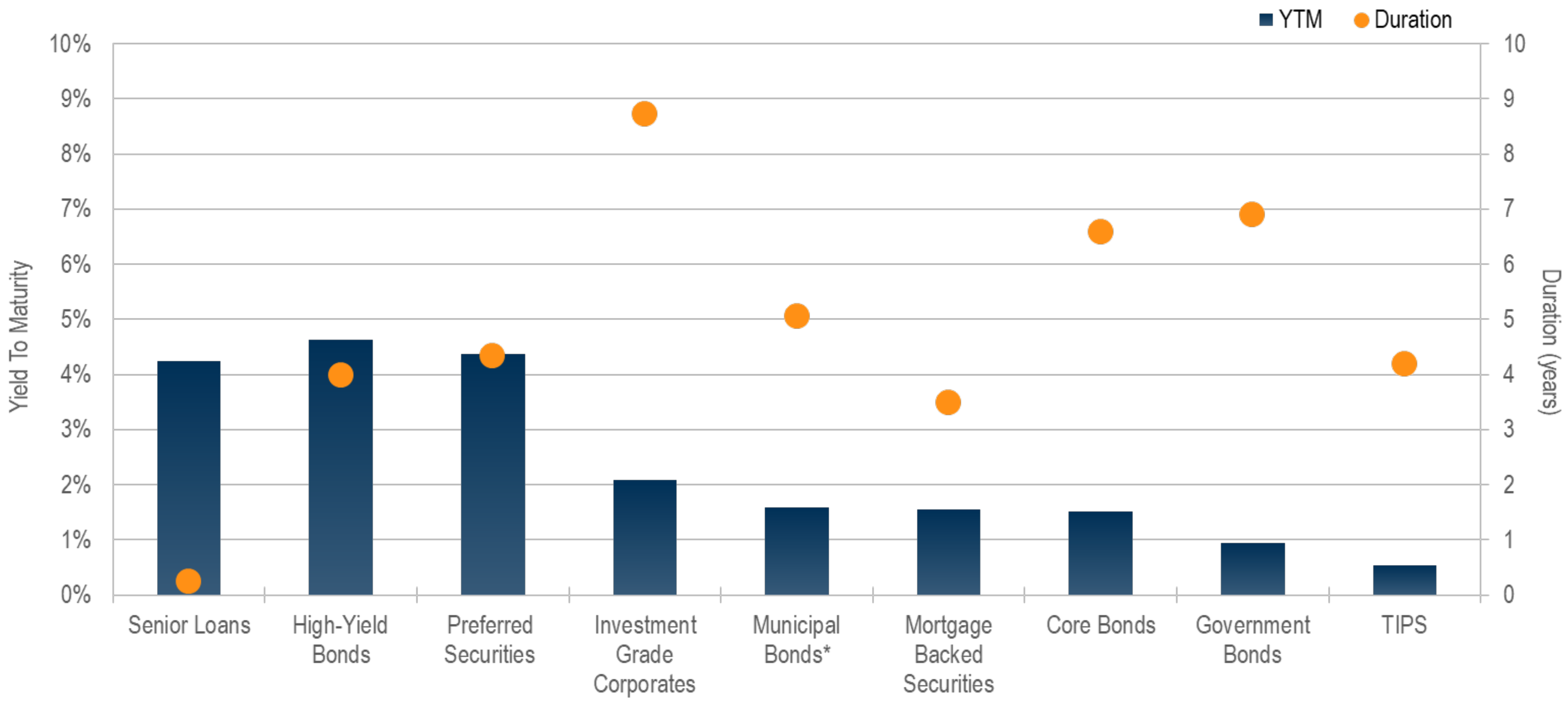
As of June 30, 2021



Source: Barclays, S&P LCD and Bloomberg. **Past performance is no guarantee of future results.** U.S. High-Yield Bonds are represented by the ICE BofA U.S. High Yield Constrained Index; Institutional Preferreds are represented by the ICE BofA Investment Grade Institutional Capital Securities Index; Preferreds are represented by the ICE BofA Fixed Rate Preferred Securities Index; U.S. Senior Loans are represented by the S&P/LSTA Leveraged Loan Index; Investment Grade Corporates are represented by the Bloomberg Barclays U.S. Corporate Investment Grade Index; Core Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index; Government Bonds are represented by the Bloomberg Barclays U.S. Government Index; TIPS are represented by the Bloomberg Barclays U.S. Treasury TIPS 1-5 Year Index; High Yield Municipal Bonds are represented by the Bloomberg Barclays High Yield Municipal Bond Index; Municipal Bonds are represented by the Bloomberg Barclays Municipal Bond Index; Mortgage Backed Securities are represented by the ICE BofA U.S. Mortgage Backed Securities Index.

FIXED INCOME OPPORTUNITY SET – DURATION VS YTM

As of June 30, 2021



Source: Barclays, S&P LCD, and Bloomberg.

*YTM represents the Tax-Equivalent Yield (TEY) for the highest tax bracket of 37%. **Past performance is no guarantee of future results**. U.S. Senior Loans are represented by the S&P/LSTA Leveraged Loan Index; U.S. High-Yield Bonds are represented by the ICE BofA U.S. High Yield Constrained Index; Preferreds are represented by the ICE BofA Fixed Rate Preferred Securities Index; Investment Grade Corporates are represented by the Bloomberg Barclays U.S. Corporate Investment Grade Index; Municipal Bonds are represented by the Bloomberg Barclays Municipal Bond Index; Mortgage Backed Securities are represented by the ICE BofA U.S. Mortgage Backed Securities Index; Core Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index; Government Bonds are represented by the Bloomberg Barclays U.S. Government Index; TIPS are represented by the Bloomberg Barclays U.S. Treasury TIPS 1-5 Year Index.

COMBINED TAXABLE BOND ETF AND MUTUAL FUND NET FLOWS

TOP 20 MORNINGSTAR CATEGORIES

Rank	Morningstar Category	2019	2020	YTD 2021*
1	Intermediate Core Bond	$126,571,568,739	$127,985,448,486	$92,330,450,663
2	Short-Term Bond	$34,935,812,970	$73,662,979,203	$58,803,905,263
3	Intermediate Core-Plus Bond	$60,922,322,120	$57,041,658,215	$42,986,942,941
4	Inflation-Protected Bond	$11,195,306,428	$22,435,417,402	$36,284,681,729
5	Bank Loan	($36,240,827,708)	($24,514,492,218)	$26,770,389,220
6	World Bond-USD Hedged	$32,839,471,608	$13,697,480,367	$24,930,371,172
7	Multisector Bond	$26,979,731,069	($4,693,313,795)	$23,191,771,765
8	Intermediate Government	$39,465,120,082	$25,272,954,548	$9,519,308,622
9	Nontraditional Bond	($10,019,512,940)	($22,009,256,677)	$9,512,199,575
10	Emerging Markets Bond	($119,087,571)	$2,601,785,348	$8,623,413,693
11	Ultrashort Bond	$40,412,735,108	$34,571,587,721	$7,011,413,454
12	Preferred Stock	$11,416,598,411	$10,212,762,835	$5,054,268,801
13	Long Government	$8,779,574,621	($5,461,060,217)	$4,177,321,574
14	Short Government	$2,204,668,106	$19,143,976,330	$3,981,804,965
15	World Bond	($1,633,395,202)	$4,986,863,622	$3,909,927,803
16	Target Maturity	$4,776,490,371	$4,074,907,292	$2,318,228,279
17	Emerging-Markets Local-Currency Bond	($1,615,216,813)	($1,681,169,646)	$959,049,883
18	Long-Term Bond	$334,885,930	($1,746,655,707)	$578,698,625
19	High Yield Bond	$25,466,776,488	$54,211,919,496	($7,834,476,422)
20	Corporate Bond	$19,883,686,971	$53,000,720,305	($8,560,919,899)
	Grand Total	***$396,556,708,788***	***$442,794,512,910***	***$344,548,751,706***

Source: Morningstar Direct. Includes US ETFs and Mutual Funds. Estimated Net Flows in $Millions.

*YTD: 6/30/21.

FIXED INCOME MODELS
AN ACTIVE APPROACH

First Trust


Models
Risk
Economic Overview
Domestic Market Strategy
Global Market Strategy
Fixed Income Sub Committee

FIXED INCOME ASSET ALLOCATION VIEWS AND RATIONALE – 6/30/21

Asset Class	
Ultra-short	We believe ultra-short securities will exhibit lower volatility than other fixed income sectors while offering the potential for enhanced income relative to cash; however, valuations do not appear as attractive given the yields on these securities have remained near historic lows due to the Federal Reserve's actions to keep short term rates near 0%.
U.S. Treasuries	The Fed remains committed to keeping the front end of the yield curve anchored, for now, and treasury yields appear rich. In the second quarter, the curve flattened following aggressive steepening in the first quarter. We expect yields to head higher given the significant recovery in the U.S. economy, large deficit spending and the potential for tapering.
IG Corporates	Corporate fundamentals have improved with the economy and demand for credit remains strong considering meager global sovereign yields despite historically tight credit spreads and low yields. At current valuations we are less constructive on the asset class and believe intermediate term corporates appear overvalued and vulnerable to rising rates.
Mortgages	Government Agency MBS have limited credit risk and can reduce the overall portfolio risk given low expected volatility and a low correlation to corporate credit. Generic agency MBS would be expected to come under pressure when the Fed begins tapering MBS asset purchases. While MBS valuations are elevated and duration extension is a concern, we continue to actively manage this risk and have increasing allocated to sub sectors that offer income and duration risk management opportunities. Within the MBS sector, CMBS appear to have attractive valuations relative to investment grade corporate credit valuations on a historical basis.
High Yield Bonds	High yield bonds are expected to benefit from improving fundamentals as the economic reopening is under way. Default rates are falling, commodity prices are up, and the consumer is strong. Valuations are very tight, but the income characteristics of high yield bonds appear attractive relative to higher rated credit. Economic growth is expected to support credit fundamentals and we believe the relatively short duration of the asset class is attractive in a rising rate environment.
Senior Loans	Investor inflows into senior loan funds have continued for six months after over two years of outflows. The economic reopening, lower default rates, higher commodities and a strong consumer paired with our expectations of a steepening yield curve should benefit senior loans. While senior loan prices and spreads have continued to tighten, we believe the income characteristics and return potential of senior loans appear favorable to investment grade and high yield bonds.
Emerging Market Debt	We expect large US deficit spending with short term rates near zero to support the fundamental picture of a weaker US dollar which we believe benefits emerging market debt. The vaccine rollout continues to accelerate in emerging markets and EM manufacturing PMIs continue to signal expansion while the income characteristics of emerging market bonds are attractive compared to other fixed income assets.
Preferred Securities	Credit improvement momentum has been positive this year as large preferred issuers such as US and European banks reported strong first quarter results and higher oil prices have been a tail wind for energy issuers. Strong inflows provide a positive demand backdrop and though spreads appear fairly valued, the sector provides attractive income characteristics compared to other fixed income asset classes.
Municipal Bonds	State economies continue to open, allowing for faster economic growth and President Biden's $1.9 trillion economic relief package provides a substantial boost to states, counties, cities, mass transit, healthcare providers and airports. As such, states like Illinois and New Jersey get a temporary reprieve. Significant spread compression occurred in the 2nd quarter and "A" and "BBB" rated bonds are now close to pre-covid levels. Small incremental spread compression would be expected in small non-rated bonds and the best total returns on a relative basis are expected to be found in high yield and "BBB" rated municipal securities.

ASSET ALLOCATION VIEWS AND RATIONALE

FIXED INCOME ALLOCATION

Duration Positioning	Favor a Short Duration Position vs. Broad Fixed Income Market	During the June meeting, the FOMC maintained the target range for the federal funds rate at 0.00 – 0.25% and confirmed they will continue to increase their holding of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month. Despite that commitment, there was a noticeable hawkish shift. The Fed now appears willing to begin talking about tapering its QE program and, while all 18 survey participants still expect no increases in the Federal Funds Rate in 2021, several moved their expectations forward and the median is now projecting two 25 basis point hikes in 2023. The Fed increased its projection for GDP growth to 7.0% while expecting unemployment to decline to 4.5% by the end of this year and increased the PCE inflation estimate to 3.4% by year end. The yield curve flattened in the 2nd quarter as longer-term yields, after surging in the first quarter, declined despite higher than expected inflation readings. Longer term U.S. Treasury demand has been supported by institutional foreign demand given the compelling yield levels in the U.S. relative to very low, even negative, foreign yields while institutional investors and pensions have been rebalancing portfolios following strong equity performance. We expect the technical factors weighing on interest rates to subside as global growth accelerates. Moreover, despite softer than anticipated employment gains in April and May, job openings are stronger than ever, and we expect the recovery in employment to accelerate after the extended unemployment benefits expire in September. Moreover, the U.S. financial system remains flooded with liquidity from unprecedented fiscal and monetary stimulus, economic growth is robust, and the Fed is now talking about tapering bond purchases while moving forward expectations for lift-off. We believe that after some consolidation in interest rates after the substantial move that occurred in the first quarter, interest rates will begin to move higher again to better reflect the recovery and acceleration in the U.S. economy. Fundamentals across the fixed income landscape continue to be strong, credit spreads have tightened, and valuation metrics remain elevated. We believe continued economic growth will support credit spreads and yield curve flattening affords an opportunity to take some profits in longer term assets. We expect the path of interest rates to be higher and that investors will benefit from shorter durations relative to their respective benchmarks.
Sector Positioning	Ultra-Short Maturity	As interest rates increase, we believe ultra-short securities will exhibit lower volatility than other fixed income sectors while offering the potential for enhanced income relative to cash. However, yields on these securities have remained near historic lows given the Fed's actions to keep short term rates near 0%.
	Investment Grade Corporate Bonds	Balance sheets and earnings have improved with the economic rebound and demand for credit remains strong considering meager global sovereign yields despite historically tight credit spreads and low yields. At current valuations, we are less constructive on investment grade corporate bonds and believe intermediate term corporates appear overvalued and vulnerable to rising rates.

MODEL VIEW IMPLEMENTATION

FIXED INCOME MODELS	
High Income Model	In the High Income model, we reallocated a portion of the high yield bond fund into senior loans given our expectation for better total return potential and valuation characteristics of senior loans. We maintained a portion of the high yield bond fund given the income characteristics, the high yield fund's direct investments in senior loans and the model's objective.
High Income Municipal Model	In the High Income Municipal model, we repositioned a portion of the Core Municipal holdings into a shorter duration Core Municipal fund to reduce overall model duration consistent with the model investment committee's view on the path of interest rates going forward.
Diversified Low Duration Fixed Income Model	In the Diversified Low Duration Fixed Income model, we repositioned a portion of the short-term investment grade corporate bond fund into the ultra-short fund due to extended valuation in corporate bonds and vulnerability to higher interest rates. We reduced the high yield bond fund in favor of senior loans given our expectation for better total return potential and valuation characteristics of senior loans. We re-allocated the Core Opportunistic fund into the Unconstrained Bond fund as the holdings in the Core Opportunistic fund benefitted from the substantial intermediate and longer-term curve flattening in the second quarter.These changes reduced overall portfolio duration which remains below the benchmark.
Limited Duration Municipal Model	In the Limited Duration Municipal model, we made no changes as the model allocations are consistent with the model investment committee's views on rates and expected credit performance. The model remains underweight the benchmark duration.
Core Plus Fixed Income Model	In the Core Plus Fixed Income model, we repositioned a portion of the investment grade corporate credit allocation into agency and investment grade commercial CMBS. We believe CMBS exhibit attractive valuation characteristics relative to investment grade corporate bonds. We repositioned the high yield bond fund into the senior loan fund given our expectation for better total return potential and more reasonable valuation characteristics in senior loans. Given our expectation for higher rates, the target duration will be approximately 75% of the benchmark.

DIVERSIFIED LOW DURATION FIXED INCOME MODEL GUIDELINES

First Trust Diversified Low Duration Fixed Income Model Guidelines at Time of Rebalance

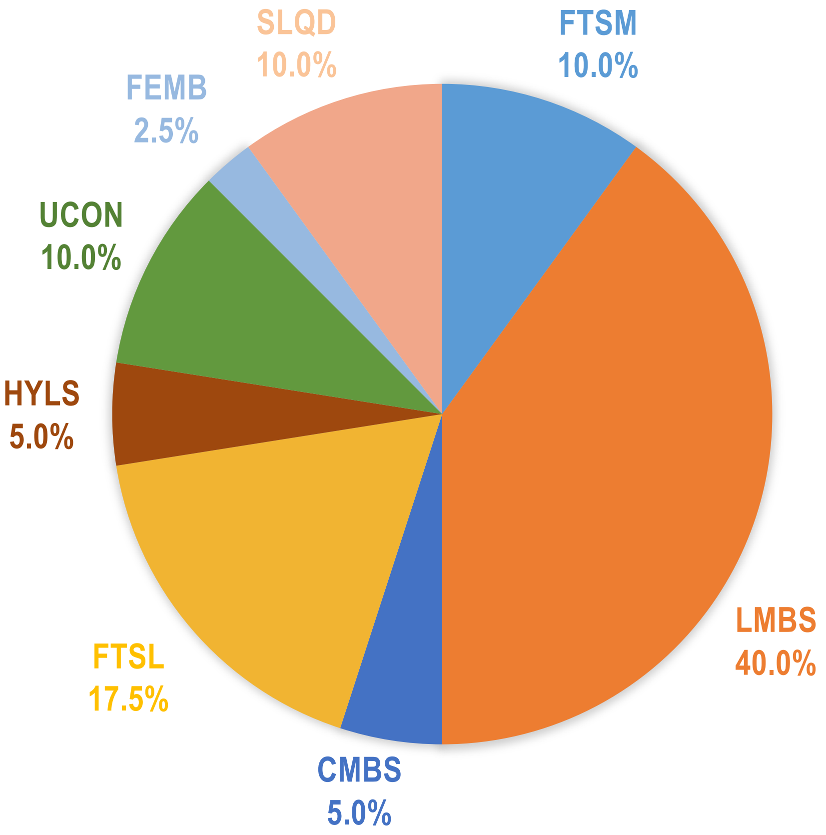
- Effective Duration will be a Max of 3 Years at the Time of Quarterly Rebalance
- Max Allocation of 40% to a Single ETF
- Max Weight to Domestic High Yield Credit (Measures US High Yield Bonds and Senior Loans) is 40%
- Max Weight to International Bonds (Including Emerging Markets) is 20%
- Max Weight to Emerging Markets is 10%
- Universe for ETF initial inclusion (including 3rd party ETFs): $50mm, 6 months trading history, liquidity/cost implementation analysis
- Typically rebalance on a quarterly basis, but have the ability to make intra-quarter changes if deemed necessary

All risk guidelines are measured at the time of rebalance.

STRATEGIC FOCUS MODEL PORTFOLIOS

DIVERSIFIED LOW DURATION FIXED INCOME MODEL – 3Q 2021 ALLOCATION

FUND	TICKER	WEIGHT
U.S. CORPORATE – INVESTMENT GRADE		
iShares 0-5 Year Investment Grade Corporate Bond ETF	SLQD	10.0%
U.S. SHORT MATURITY		
First Trust Enhanced Short Maturity ETF	FTSM	10.0%
U.S. MORTGAGE-BACKED		
First Trust Low Duration Opportunities ETF	LMBS	40.0%
iShares CMBS ETF	CMBS	5.0%
U.S. CORPORATE – HIGH YIELD		
First Trust Senior Loan Fund	FTSL	17.5%
First Trust Tactical High Yield ETF	HYLS	5.0%
U.S. OPPORTUNISTIC CORE		
First Trust TCW Unconstrained Plus Bond ETF	UCON	10.0%
INTERNATIONAL – EMERGING MARKETS		
First Trust Emerging Markets Local Currency Bond ETF	FEMB	2.5%



STRATEGIC FOCUS MODEL PORTFOLIOS

DIVERSIFIED LOW DURATION FIXED INCOME MODEL – PORTFOLIO ANALYSIS (AS OF 6/30/21)

FUND	WEIGHT	WTD. AVG. EFFECTIVE DURATION (YRS)	30-DAY SEC YIELD (%)	UNSUBSIDIZED 30-DAY SEC YIELD (%)
iShares 0-5 Year Investment Grade Corporate Bond ETF	10.0%	2.45	0.67	N/A
First Trust Enhanced Short Maturity ETF	10.0%	0.34	0.30	0.10
First Trust Low Duration Opportunities ETF	40.0%	1.42*	0.67	N/A
iShares CMBS ETF	5.0%	4.93	2.16	N/A
First Trust Senior Loan Fund	17.5%	0.37	2.75	N/A
First Trust Tactical High Yield ETF	5.0%	2.08*	3.44	N/A
First Trust TCW Unconstrained Plus Bond ETF	10.0%	1.40	1.17	1.07
First Trust Emerging Markets Local Currency Bond ETF	2.5%	5.27	5.30	N/A
Weighted Average Model Total		**1.53**	**1.38**	**N/A**

RATING	WTD. AVG. MODEL TOTAL
AAA	8.95%
AA	2.99%
A	8.20%
BBB	8.95%
BB	4.33%
B	18.99%
CCC	2.54%
CC	0.65%
C	0.20%
D	0.69%
Government/Agency	37.03%
A-1 (short-term)	0.32%
A-2 (short-term)	2.29%
A-3 (short term)	0.82%
Cash & Equivalents	2.64%
NR	0.41%

*Net weighted average duration, which includes short positions, is shown.

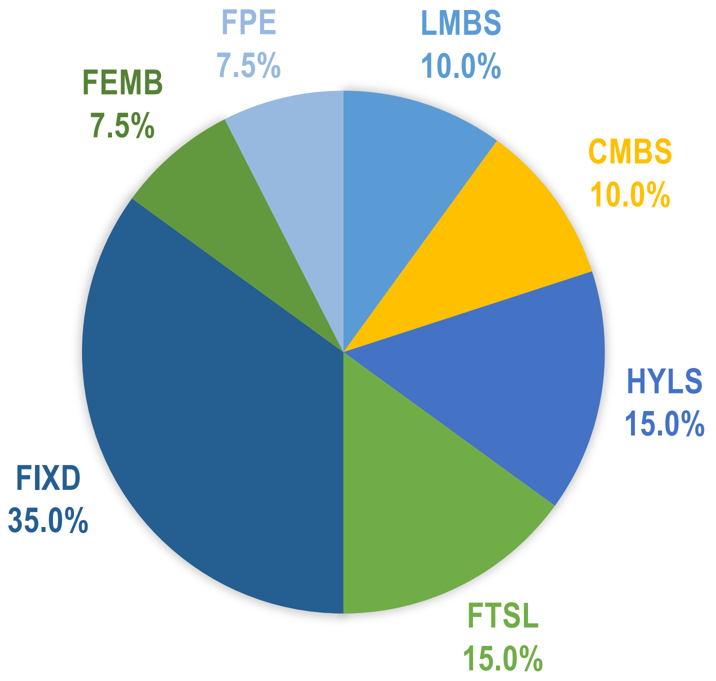
Portfolio statistics and credit ratings are weighted averages of the funds' underlying holdings and are based on fund information as of 6/30/21. The modifiers "+" or "-" are not included for purposes of the credit rating distribution. The historical performance for each fund and risks applicable to the funds can be found in the performance table and risk considerations information, respectively, in this document.

The credit ratings shown relate to the creditworthiness of the issuers of the underlying securities in the funds, and not to the funds or their shares. Credit ratings are subject to change.

STRATEGIC FOCUS MODEL PORTFOLIOS

HIGH INCOME MODEL – 3Q 2021 ALLOCATION

FUND	TICKER	WEIGHT
U.S. MORTGAGE-BACKED		
First Trust Low Duration Opportunities ETF	LMBS	10.0%
iShares CMBS ETF	CMBS	10.0%
U.S. CORPORATE – HIGH YIELD		
First Trust Tactical High Yield ETF	HYLS	15.0%
First Trust Senior Loan Fund	FTSL	15.0%
U.S. OPPORTUNISTIC CORE		
First Trust TCW Opportunistic Fixed Income ETF	FIXD	35.0%
INTERNATIONAL – EMERGING MARKETS		
First Trust Emerging Markets Local Currency Bond ETF	FEMB	7.5%
HYBRID FIXED INCOME		
First Trust Preferred Securities and Income ETF	FPE	7.5%



FIRST TRUST LOW DURATION STRATEGIC FOCUS ETF

LDSF

First Trust

FIRST TRUST LOW DURATION STRATEGIC FOCUS ETF

An actively managed ETF that seeks to generate current income, with a secondary objective of preservation of capital.

- Designed to complement a core fixed income strategy.
- Allocates primarily among First Trust ETFs.
- Duration target of 3 years or less.
- Seeks to provide less interest rate sensitivity versus traditional core fixed income benchmarks over time.

FUND DETAILS

Fund Ticker	LDSF
Fund Inception Date	1/3/2019
CUSIP	33740F870
Intraday NAV	LDSFIV
Primary Listing	Nasdaq

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.

FIRST TRUST EMERGING MARKETS LOCAL CURRENCY BOND ETF

FEMB

First Trust

EMERGING MARKETS ECONOMIC FUNDAMENTALS

THE LONGER TERM CASE FOR INVESTING IN THE EMERGING MARKET LOCAL CURRENCY ASSET CLASS.

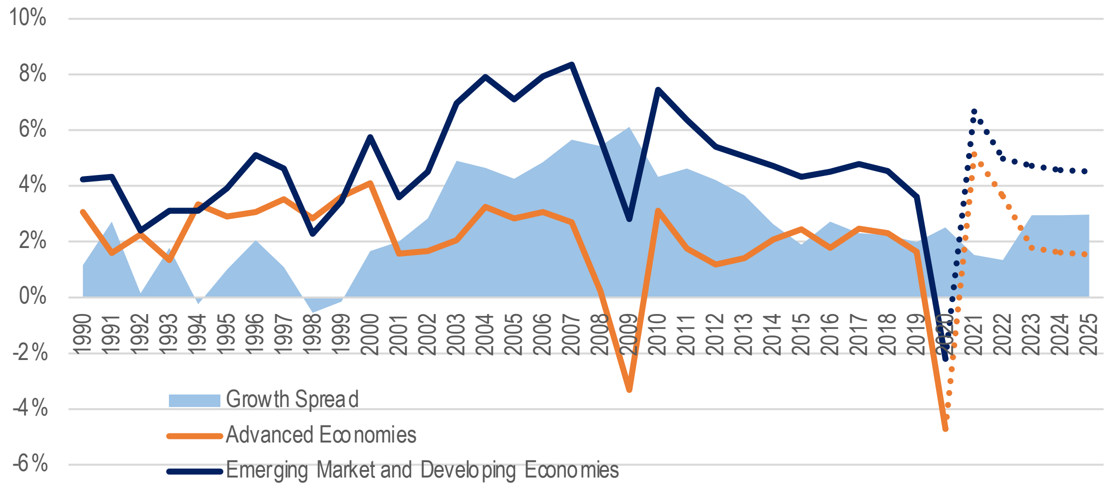
Superior growth prospects:

- According to the IMF, emerging economies growth rates are expected to average 5.09% over the next 5 years, versus 2.74% for advanced economies.
- Emerging economies accounted for 57.5% of global GDP in 2020, on a Purchasing Power Parity basis. (IMF WEO).

Demographics:

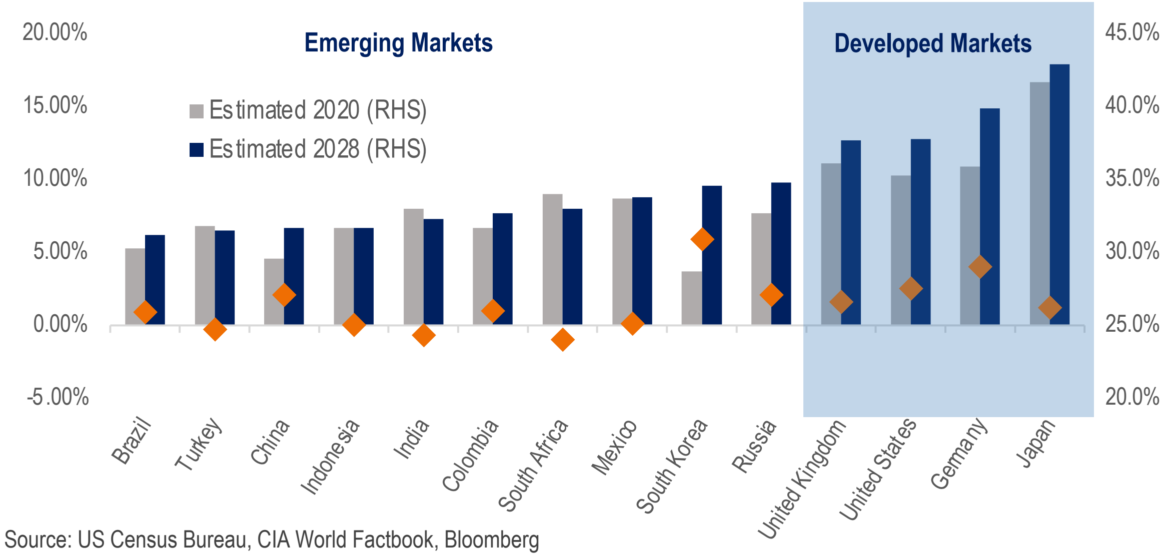
- Emerging markets enjoy highly favorable demographics which we believe will be supportive of future growth and debt sustainability.
- The median age of an American is 38.5 years. The median age of an Indonesian is 31.1, Brazilian is 33.2 and Mexican is 29.3 years.
- The population dependency ratios, ages <15yrs & >64yrs, for emerging markets are lower and/or falling relative to developed markets.

IMF Advanced and Emerging Economies GDP percentage change year-over-year (yoy)



Source: IMF World Economic Outlook Database, Apr 2021. Most recent data available. Projections begin in 2020. There is no guarantee that past trends will continue, or projections will be realized.

Emerging Market vs. Developed Market Dependency Ratios, 2020 - 2028



Source: US Census Bureau, CIA World Factbook, Bloomberg

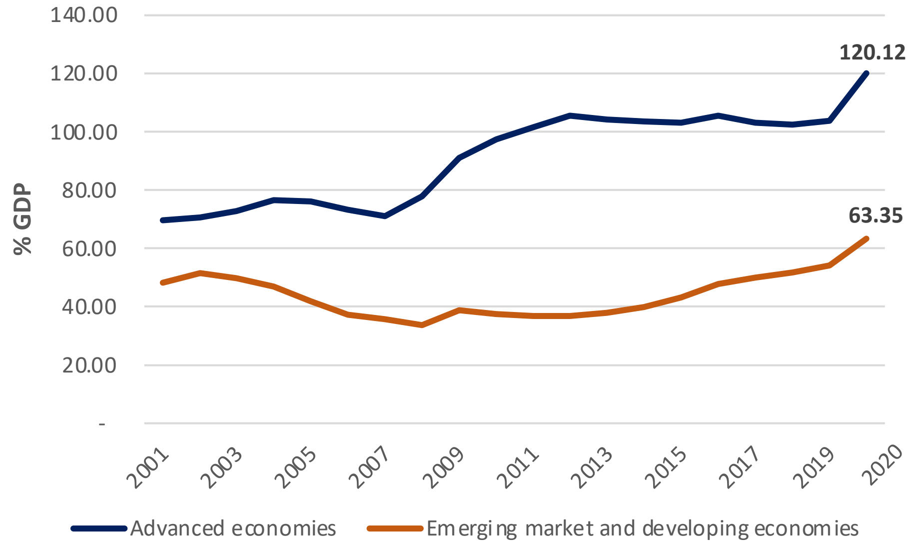
EMERGING MARKETS ECONOMIC FUNDAMENTALS

THE LONGER TERM CASE FOR INVESTING IN THE EMERGING MARKET LOCAL CURRENCY ASSET CLASS.

Debt sustainability:

- The majority of emerging markets countries enjoy lower debt levels than their developed market counterparts.
- General government gross debt as a % of GDP was 127.11% for the United States, 98.94% for Brazil, 60.59% for Mexico, and 36.62% for Indonesia in 2020.

Emerging Market vs. Advanced Economies General Government Gross Debt, % GDP 2001 - 2020

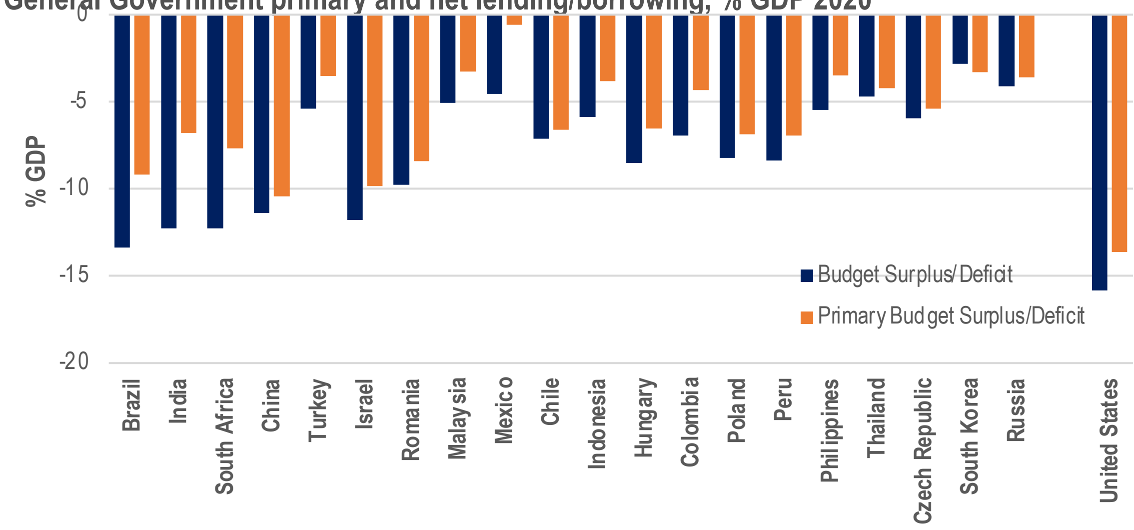


Source: IMF World Economic Outlook Database, Apr 2021. Most recent data available.

Fiscal Deficits:

- Along with lower debt levels a majority of emerging market governments have stabilized fiscal spending.
- According to the IMF, emerging market countries as a group had a net borrowing requirement of 9.54% in 2020 and primary net borrowing requirement of 7.71%. For the United States, these figures are 15.84% and 13.61%, respectively.

General Government primary and net lending/borrowing, % GDP 2020



Source: IMF World Economic Outlook Database, Apr 2021. Most recent data available. Budget surplus or deficit is the government's budget surplus or deficit including all revenues and expenses. The primary deficit excludes interest on debt (adding back interest expenses and minus interest revenues), i.e. all expenses and revenues excluding debt interest payments.

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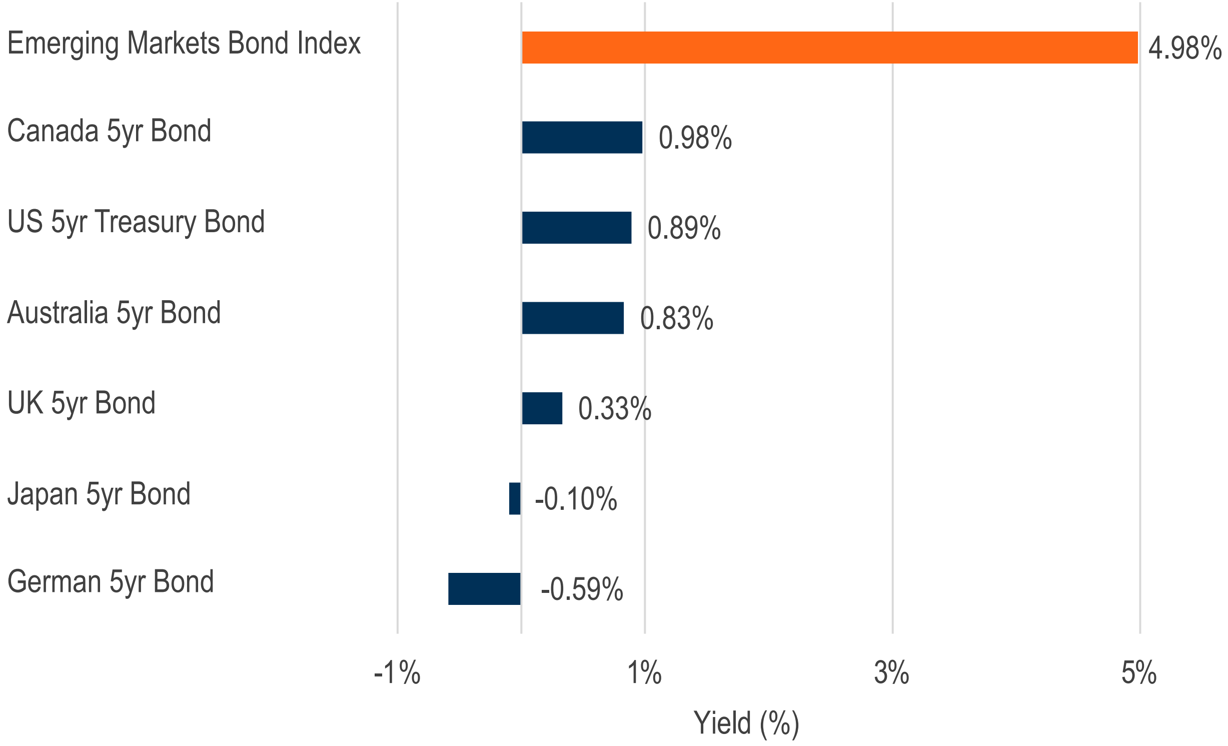
FEMB INVESTS IN EMERGING MARKET TREASURY SECURITIES THAT ARE ISSUED DOMESTICALLY, WHICH MAY HAVE HIGHER YIELD THAN DEVELOPED MARKETS.

Emerging Markets vs Developed Markets Bond Yields as of 06/30/21



Correlation of Monthly Returns from 11/28/14 – 06/30/21[1]

0.31
Correlation to U.S. Aggregate Bonds

-0.02
Correlation to U.S. Treasuries

0.60
Correlation to U.S. Inv. Grade Corporate Bonds

0.69
Correlation to U.S. High Yield Corporate Bonds

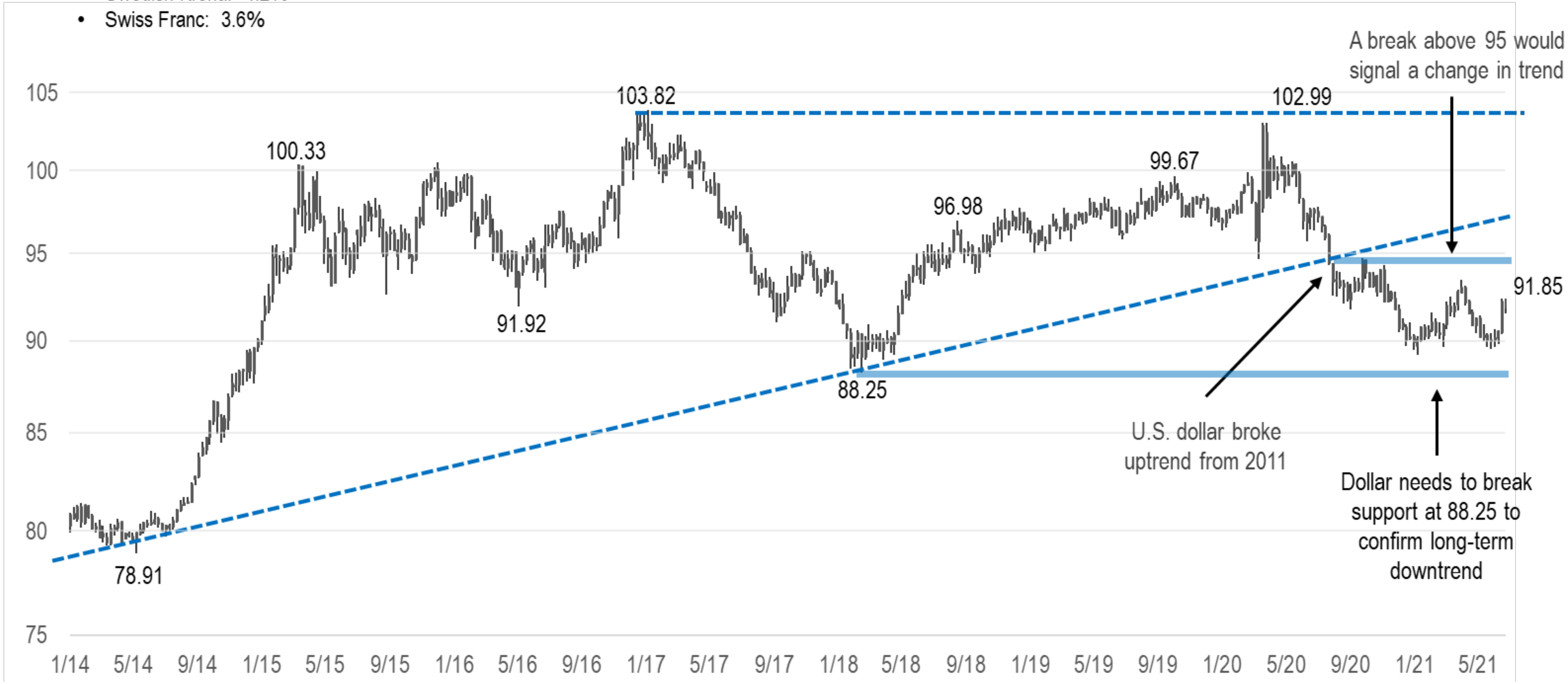
Source: Bloomberg.
Diversification does not guarantee a profit or protect against loss.
[1]U.S. Aggregate Bonds refers to the Bloomberg Barclays U.S. Aggregate Bond Index. U.S. Treasuries refers to the Bloomberg Barclays U.S. Treasury Index. Investment Grade Corporate Bonds refers to the Bloomberg Barclays U.S. Corporate Bond Index. High Yield Corporate Bonds refers to the ICE BofA US HY Constrained Index.

WEEKLY U.S. DOLLAR INDEX (DXY)

January 3, 2014 – June 25 , 2021

DXY is a measure of the U.S dollar's value relative to the following currencies:

- Euro: 57.6%
- Japanese Yen: 13.6%
- British Pound: 11.9%
- Canadian Dollar: 9.1%
- Swedish Krona: 4.2%
- Swiss Franc: 3.6%



Source: Bloomberg

Past performance is no guarantee of future results. The U.S. Dollar Index (DXY) indicates the general international value of the U.S. Dollar (USD). The index calculates this by averaging the exchange rates between the USD and major world currencies.

FIRST TRUST SENIOR LOAN FUND

FTSL

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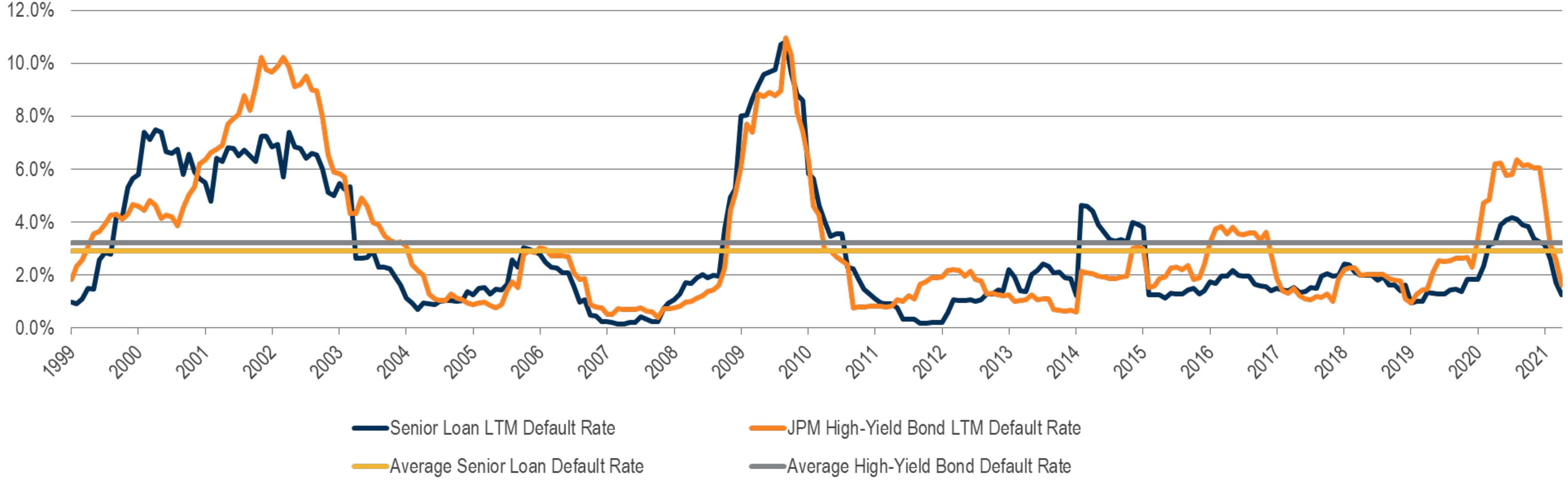
SENIOR LOAN AND HIGH-YIELD BOND HISTORICAL DEFAULT RATES

SENIOR LOAN AND HIGH-YIELD BOND HISTORICAL DEFAULT RATES

March 1999 – June 2021



Source: Standard & Poor's LCD and JP Morgan high-yield research. High-yield bonds are represented by J.P. Morgan's high-yield bond universe based on the last twelve months (LTM). Senior loans are represented by the S&P/LSTA Leveraged Loan Index (LLI) and based on the LTM. The chart is for illustrative purposes only and not indicative of any fund. **Past performance is no guarantee of future results.**
Data through 6/30/2021

PORTFOLIO CHARACTERISTICS: FIRST TRUST SENIOR LOAN FUND (FTSL)

Top 10 Issuers | Based on Market Value as of 6/30/2021

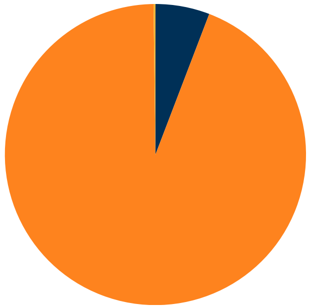
Borrower	Total
Change Healthcare Holdings, LLC	2.52%
Multiplan Inc (MPH)	2.32%
Asurion, LLC	2.26%
Internet Brands, Inc. (Web MD/MH Sub I. LLC)	2.15%
HUB International Limited	2.10%
McAfee, LLC	2.06%
iHeartCommunications, Inc.	2.04%
IRB Holding Corp. (Arby's/Inspire Brands)	1.98%
SolarWinds Holdings, Inc.	1.98%
Caesars Resort Collection, LLC	1.89%

Top 5 Industries | Based on Market Value as of 6/30/2021

Industry	Total
Software	21.07%
Health Care Providers & Services	17.25%
Pharmaceuticals	9.53%
Health Care Technology	8.05%
Hotels, Restaurants & Leisure	7.20%

Rating*	Fund Weight	Index Weight	% Overweight / Underweight
BBB	0.04%	7.96%	-7.92%
BB	7.87%	20.51%	-12.64%
B	86.86%	62.20%	24.65%
CCC	3.52%	6.74%	-3.22%
CC/C/D	1.46%	0.56%	0.90%
NR	0.26%	2.02%	-1.76%

First Trust Senior Loan Fund Asset Class Distribution
Based on Market Value as of June 30, 2021



- Bonds – 5.82%
- Senior Loans – 93.98%
- Equity – 0.21%

As of 6/30/2021, FTSL had approximately $2,328.1 million in net assets.

Portfolio Holdings are subject to change.

*Note: Credit ratings are by Standard & Poor's. The modifiers "+" or "-" are not included for purposes of the credit rating distribution. The credit ratings shown relate to the credit worthiness of the issuers of the underlying securities in the Fund, and not to the Fund or its shares.

Index: S&P/LSTA U.S. Leveraged Loan Index

Source: First Trust Advisors L.P.

OPPORTUNITIES AND RISKS FOR PREFERRED SECURITIES ETFs

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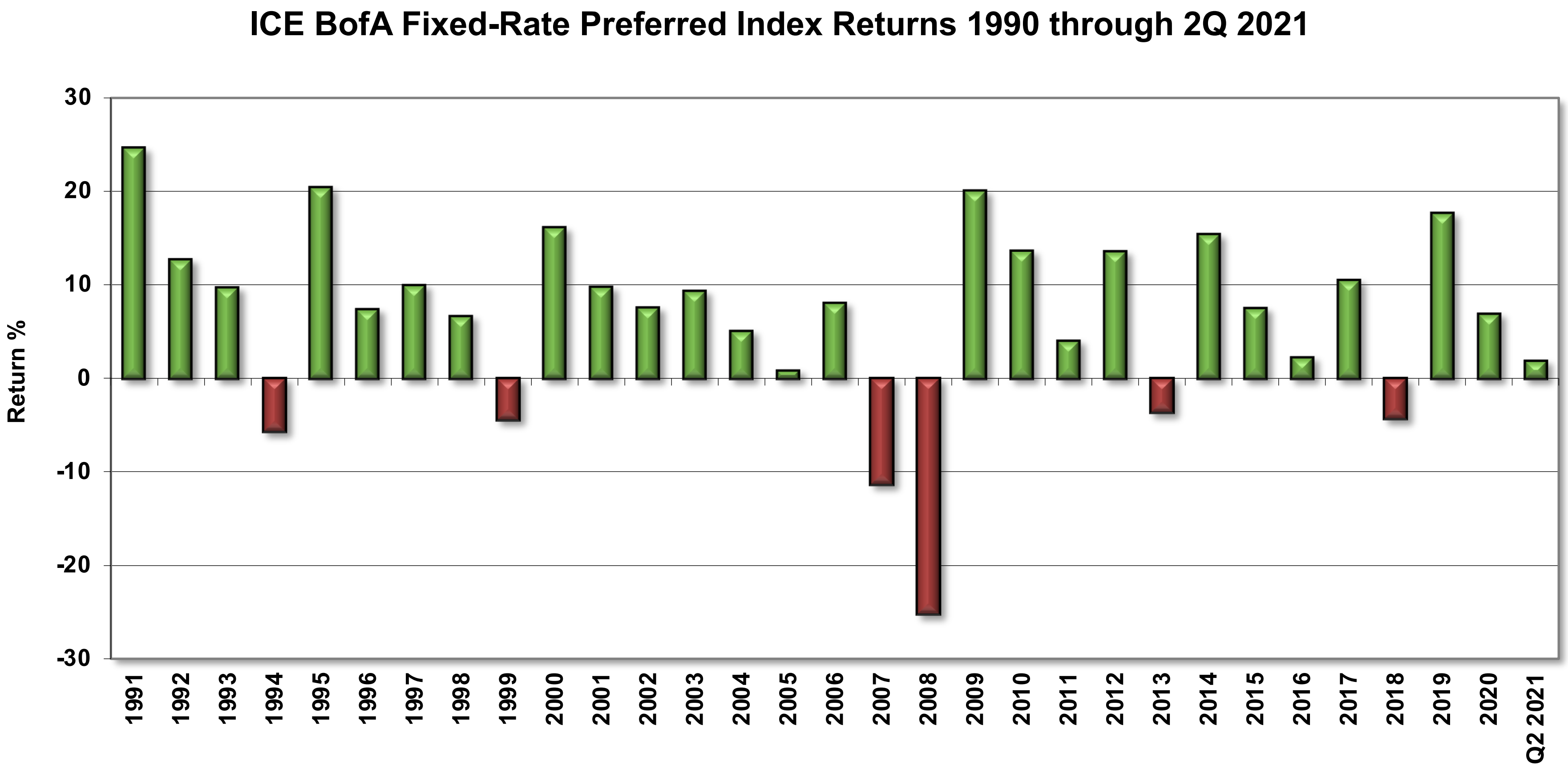
HISTORICAL PERFORMANCE OVER 30-YEAR PERIOD

Since 1990, 5 of the 6 best performing years followed a year of negative returns



Source: ICE Data Services
Past performance is no guarantee of future results, and the performance cited here is not meant to imply the performance of any investment.
See Index Definitions at the end of this presentation.

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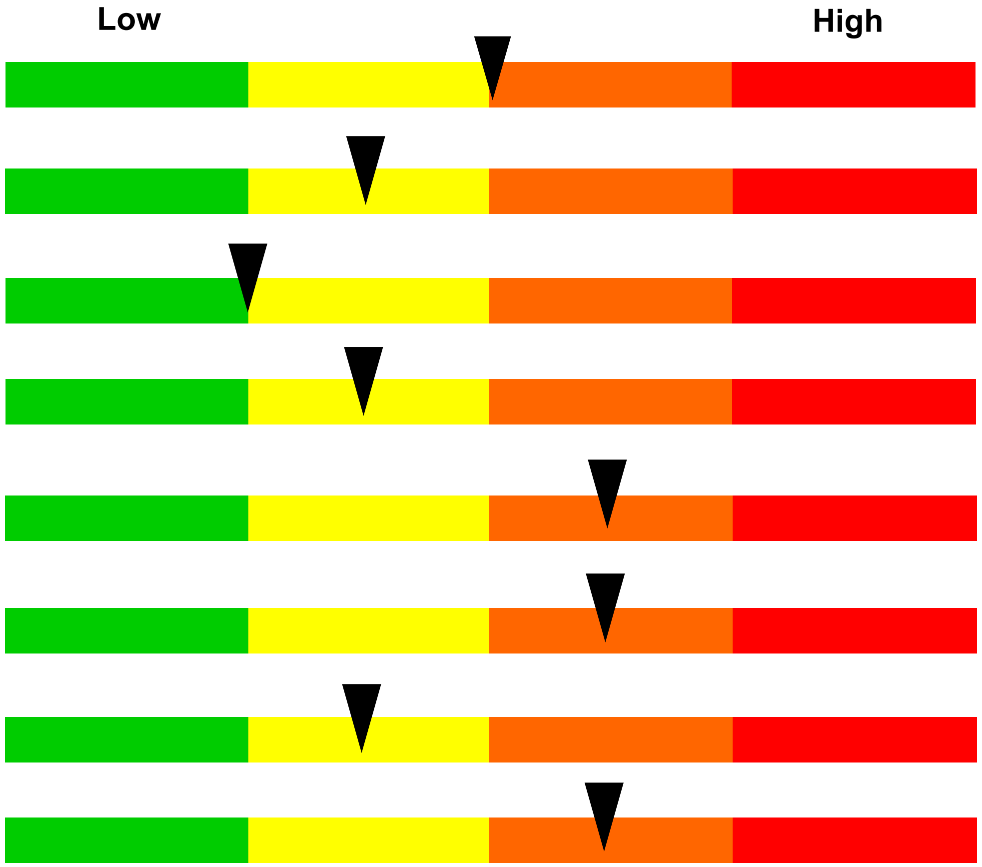
Risk Management is Integral to Stonebridge's Investment Style

View Of Current Risk Level



Risks to Preferred Securities	Viewpoint
Valuation Risk	Preferreds continue to offer significant yield pickup versus other fixed income asset classes despite spread tightening YTD
Credit Risk	Credit outlooks are stable to constructive across the major sectors/issuers in the preferred market
New Issuance/Supply Risk	We expect a material drop in gross issuance and a modest drop in net issuance in 2H21
Extension Risk	The majority of the market remains at a premium and spreads have tightened significantly YTD
Reinvestment Risk	Selective on new issuance but average coupons were still over 5% for the period
Interest Rate Risk	Trajectory of interest rates remains uncertain due to a confluence of factors, including monetary and fiscal policy, inflation and the labor market
Liquidity Risk	Liquidity remains superior in the institutional market versus $25 pars
Political/Regulatory Risk	Potential for changes to tax policy and regulations while monetary policy may begin to tighten over the next 6 to 12 months

The views expressed on this slide are the views of Stonebridge Advisors LLC as of 7/1/2021 and are not intended to reflect the views of other market participants. Stonebridge reserves the right to change its view of the risks inherent in preferred securities at any time.

FIRST TRUST PREFERRED SECURITIES AND INCOME ETF

FPE

First Trust

FIRST TRUST PREFERRED SECURITIES AND INCOME ETF (FPE)

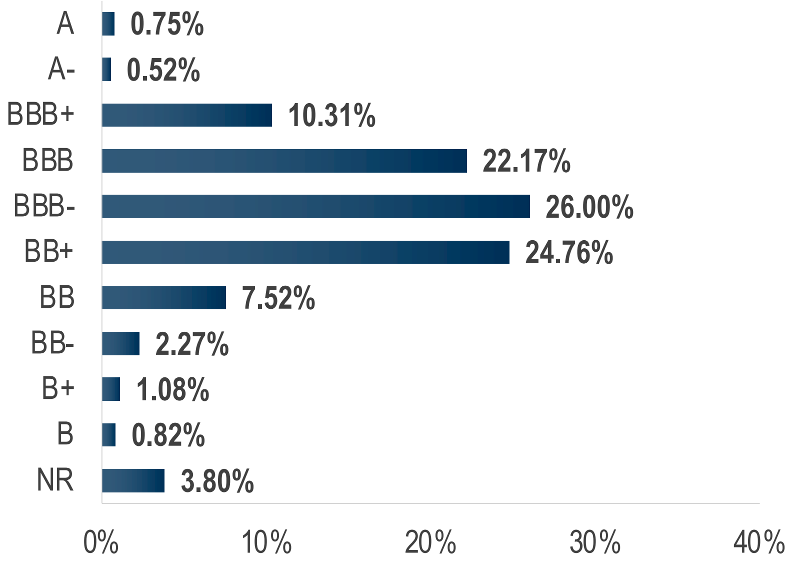
FUND CHARACTERISTICS

Weighted Average Effective Duration	4.05 Years
% Institutional Securities (e.g. $1000 par)	73.69%
% Retail Securities (e.g. $25 par)	26.31%
Weighted Average % of Par	108.69%

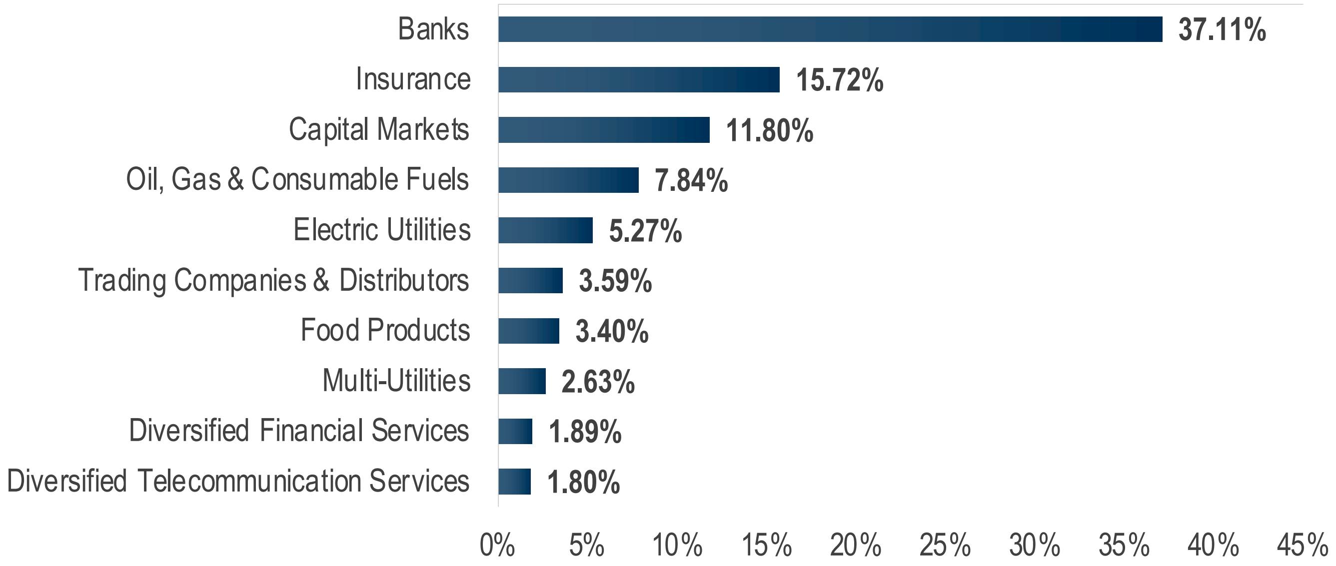
SECURITY TYPE BREAKDOWN

Fixed-to-Floating Rate and Fixed-to-Variable Rate Securities	72.76%
Fixed Rate Securities	20.54%
Floating Rate Securities	6.40%
Step Up Rate Securities	0.30%

CREDIT QUALITY[1]



TOP INDUSTRY EXPOSURE



All data as of 6/30/2021. [1]The credit ratings shown relate to the creditworthiness of the issuers of the underlying securities in the Fund or its shares. Credit ratings are subject to change.

FIRST TRUST PREFERRED SECURITIES AND INCOME ETF (FPE)

INVESTS IN BOTH INSTITUTIONAL AND RETAIL PREFERRED AND HYBRID SECURITIES

Overall Morningstar Rating™ §

★★★★

Among 57 funds in the Preferred Stock category. This fund was rated 3 stars/57 funds (3 years), 4 stars/46 funds (5 years) based on risk adjusted returns.

Ticker	**FPE**
Inception Date	2/11/2013
Total Net Assets	$7.0 BN
Expense Ratio	0.85%
Potential Advantages to Investing	
Actively Managed	Yes
High Income Potential	30-Day SEC Yield: 3.29% 12-Month Distribution Rate: 4.52%
Actively Managed Duration	Yes
Access to New Issuance	Yes

All information as of 6/30/21.

FPE Performance Summary (%)	1 Month	3 Month	1 Year	3 Year	5 Year	Since Fund Inception
Net Asset Value	1.38	3.34	17.02	8.18	7.15	5.99
Market Price	1.43	3.33	17.24	8.25	7.21	6.02
Index Performance**						
ICE BofA Fixed Rate Preferred Securities Index	1.37	3.06	11.86	7.08	5.75	6.07
Blended Benchmark	1.23	3.16	13.65	8.68	7.44	N/A
ICE BofA US Investment Grade Institutional Capital Securities Index	1.02	2.76	11.31	8.57	N/A	N/A
Prior Blended Benchmark	1.22	2.83	10.72	8.00	6.34	6.16

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. **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.

****The Blended Benchmark 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. On July 6, 2021, the fund's benchmark changed from the Prior Blended Benchmark to the Blended Benchmark, because the Advisor believes that the Blended Benchmark better reflects the investment strategies of the Fund. The Blended Benchmark consists of a 30/30/30/10 blend of the ICE BofA Core Plus Fixed Rate Preferred Securities Index, the ICE BofA US Investment Grade Institutional Capital Securities Index, the ICE USD Contingent Capital Index and the ICE BofA US High Yield Institutional Capital Securities Index. The Blended Benchmark is intended to reflect the proportional market cap of each segment of the preferred and hybrid securities market. The Prior Blended Benchmark consists of a 50/50 blend of the ICE BofA Fixed Rate Preferred Securities Index and the ICE BofA U.S. Capital Securities Index. The Prior Blended Benchmark was added to reflect the diverse allocation of institutional preferred and hybrid securities in the fund's portfolio. The Blended Benchmark and Prior Blended Benchmark returns are calculated by using the monthly returns of the indices listed above during each period shown. At the beginning of each month the indices are rebalanced to a 30/30/30/10 and 50-50 ratio respectively to account for divergence from that ratio that occurred during the course of each month. The monthly returns are then compounded for each period shown above, giving the performance for the Blended Benchmark and Prior Blended Benchmark for each period shown above.

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.

FIRST TRUST INSTITUTIONAL PREFERRED SECURITIES AND INCOME ETF

FPEI

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FIRST TRUST INSTITUTIONAL PREFERRED SECURITIES AND INCOME ETF (FPEI)

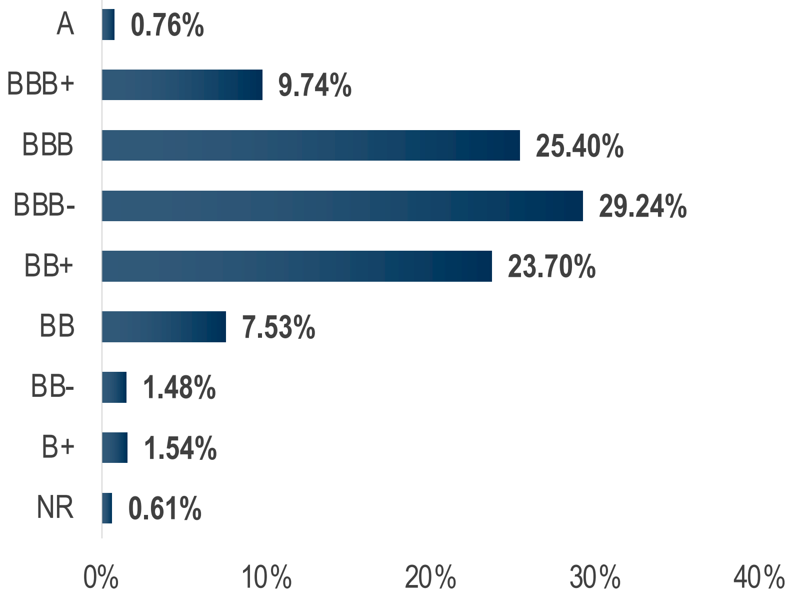
FUND CHARACTERISTICS

Weighted Average Effective Duration	3.95 Years
% Institutional Securities (e.g. $1000 par)	97.92%
% Retail Securities (e.g. $25 par)	2.08%
Weighted Average % of Par	109.41%

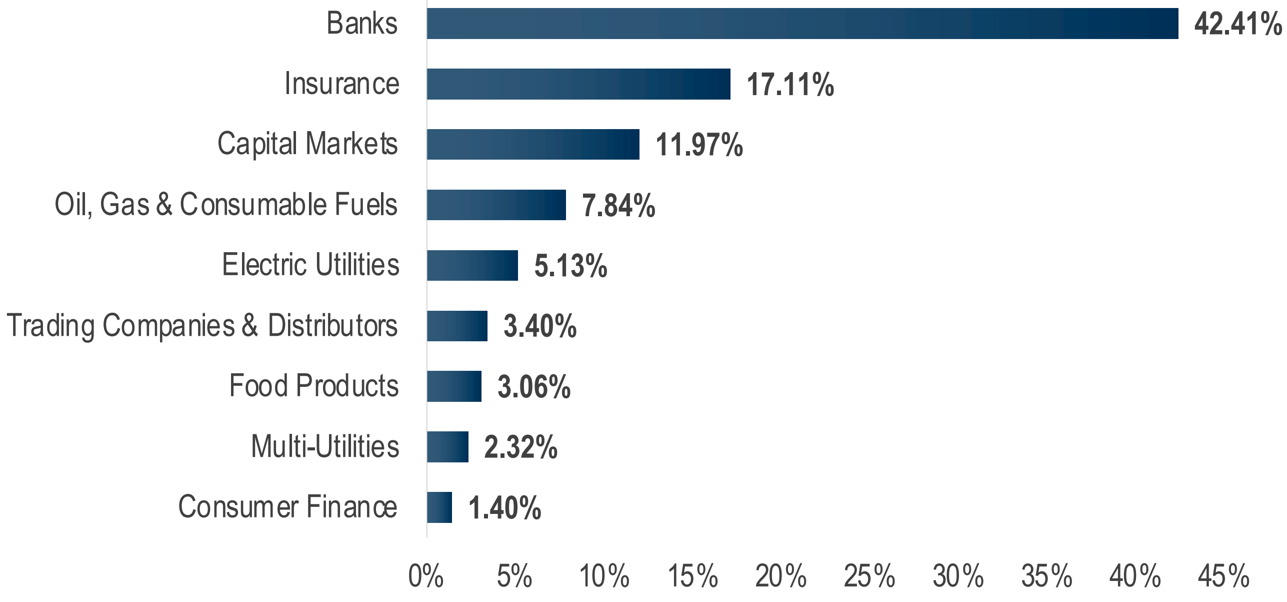
SECURITY TYPE BREAKDOWN

Fixed-to-Floating Rate and Fixed-to-Variable Rate Securities	85.17%
Fixed Rate Securities	8.34%
Floating Rate Securities	6.49%

CREDIT QUALITY[1]



TOP INDUSTRY EXPOSURE



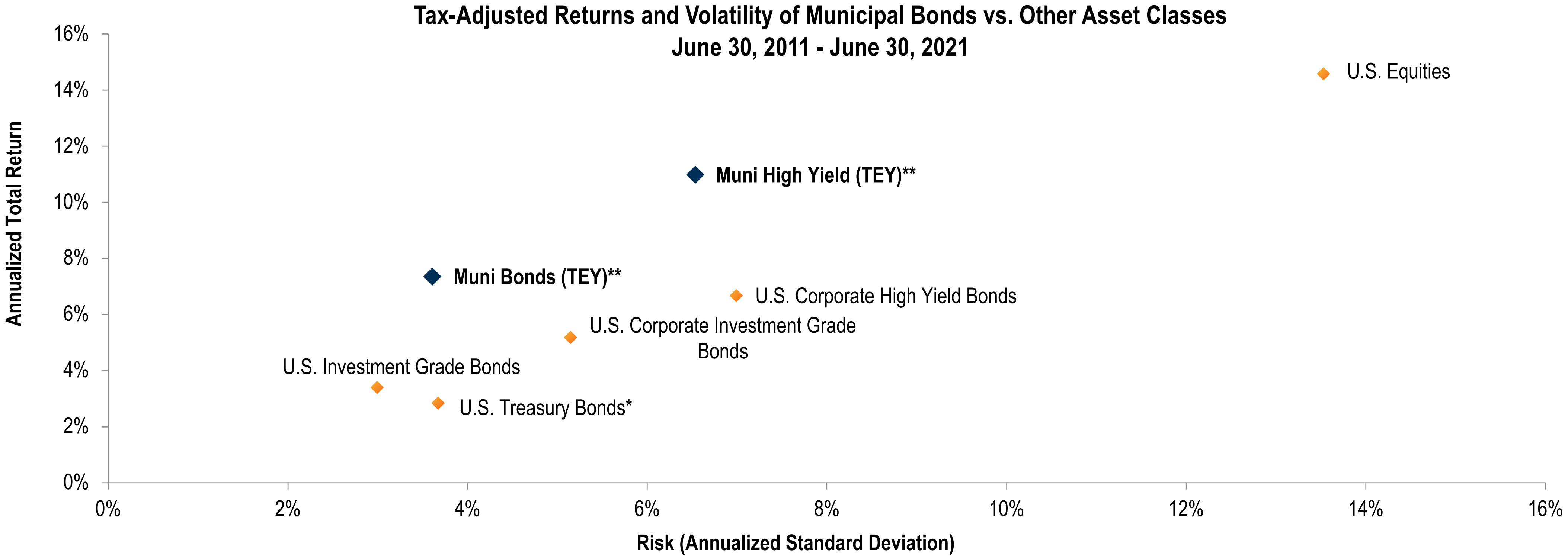
All data as of 6/30/21. [1]The credit ratings shown relate to the creditworthiness of the issuers of the underlying securities in the Fund or its shares. Credit ratings are subject to change.

MUNICIPAL BOND MARKET UPDATE

First Trust

ATTRACTIVE HISTORICAL AFTER-TAX RETURNS

TAX-ADJUSTED RETURNS AND VOLATILITY OF MUNICIPAL BONDS VS. OTHER ASSE CLASSES JUNE 30, 2011 – JUNE 30, 2021



Source: Barclays.

Past performance is no guarantee of future results.

This chart is for illustrative purposes only and is not indicative of any investment. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. *U.S. Treasury income is exempt from state income taxes and the return shown is adjusted using a national state average tax rate (4.81%). **The chart shows the municipal bond yields on a TEY (taxable equivalent yield) basis which adjusts the returns using the total federal income tax rate for top income levels (37%) and another 3.8% for the Medicare tax for 2021. State and local taxes have not been considered. This information is based on law as of the date of calculation and does not account for any proposed changes in tax rates. This information does not account for limitations on deductions, the alternative minimum tax or taxes other than Federal personal income tax. It is important to note that there are differences between the investment objectives and risks of municipal bonds versus the asset classes shown above. See asset definitions elsewhere in this presentation.

CREDIT RISK IS NOT CREATED EQUAL

MOODY'S AVERAGE 10-YEAR CUMULATIVE DEFAULT RATES FROM 1970-2020

CORPORATE VS. MUNICIPALS

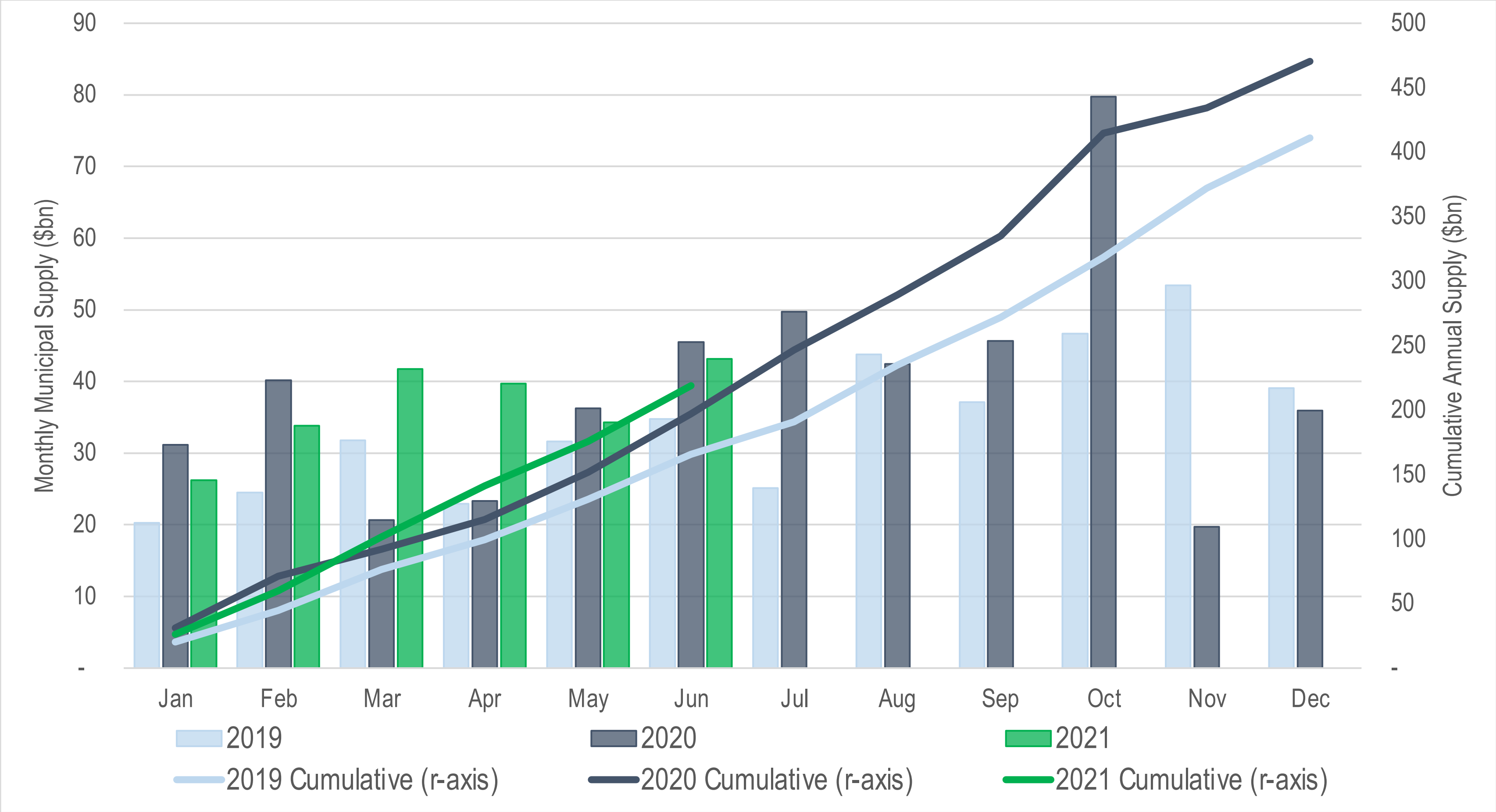
Rating	Corporate	Municipal	Difference
Aaa	0.35%	0.00%	0.36%
Aa	**0.77%**	0.02%	0.77%
A	**2.04%**	**0.10%**	**2.01%**
Baa	**3.61%**	**1.09%**	**2.48%**
Ba	15.27%	3.48%	11.83%
B	34.27%	17.07%	16.21%
Caa	51.48%	24.36%	22.82%
IG	**2.24%**	**0.10%**	**2.15%**
All Rated	**10.55%**	**0.16%**	**10.01%**

- Baa rated municipal debt defaults slightly more often than AA rated corporate debt.
- Baa rated corporate debt defaults more than three times as often as Baa rated municipal debt.
- A rated corporate debt defaults over 20 times as often as A rated municipal debt.

Source: Moody's Investors Service. (Latest available data.)

MUNICIPAL NEW ISSUE SUPPLY

2020 supply totaled $470bn, compared to a supply of $411bn in 2019.



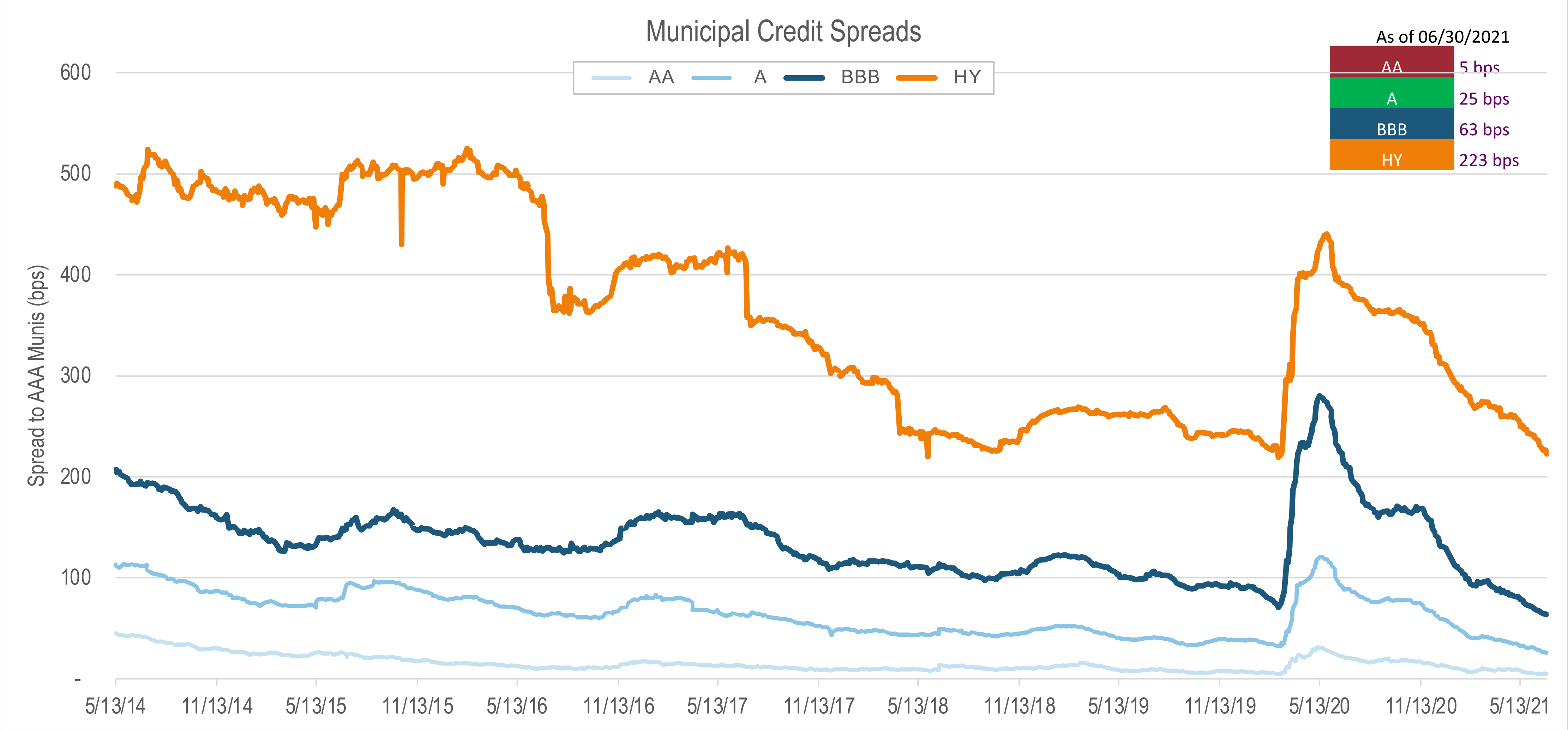
2019 total new issuance stood at $411bn, a 29% year-over-year increase.

2020 new issuance supply was $470bn, outpacing 2019's supply by $59bn. However, 29% of the supply came in the form of taxable issuance, compared to the average of 11% from 2003 -2020.

For the first half of 2021, supply totaled $219bn, over the same period last year (2020) supply was $197bn.

Source: Bloomberg.

SPREADS ACROSS CREDIT



Source: Bloomberg. Data from 5/13/14 through 6/30/21. The chart above is for illustrative purposes only. **Past Performance is not a guarantee of future results.** See asset class definitions elsewhere in this presentation.

FIRST TRUST MANAGED MUNICIPAL ETF

FMB

First Trust

FIRST TRUST MANAGED MUNICIPAL ETF (FMB)

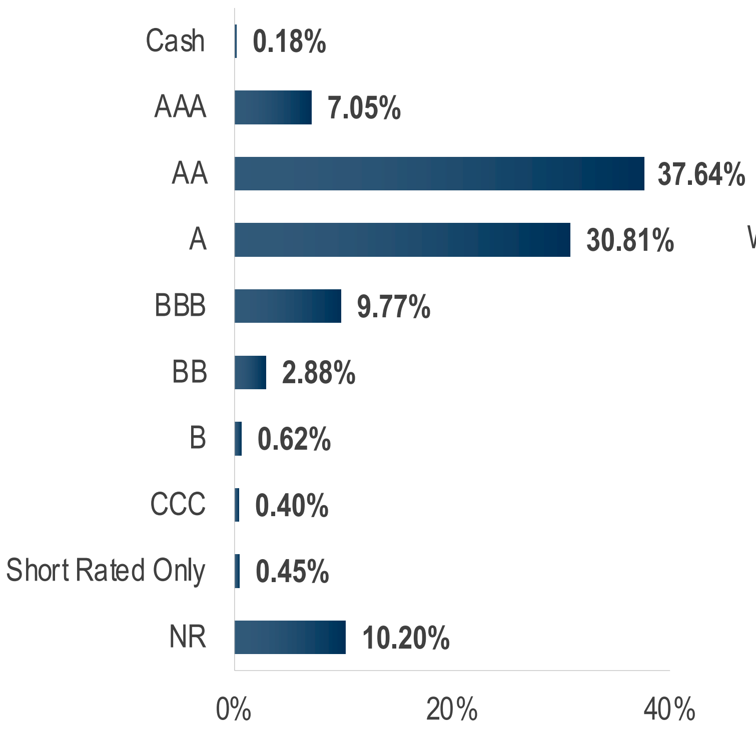
FUND CHARACTERISTICS* (AS OF 6/30/2021)

Weighted Average Effective Duration (includes Short Positions)	5.35 Years
Weighted Average Effective Duration (Long Positions)	5.65 Years
Short Position – US Treasury Futures	-2.85%

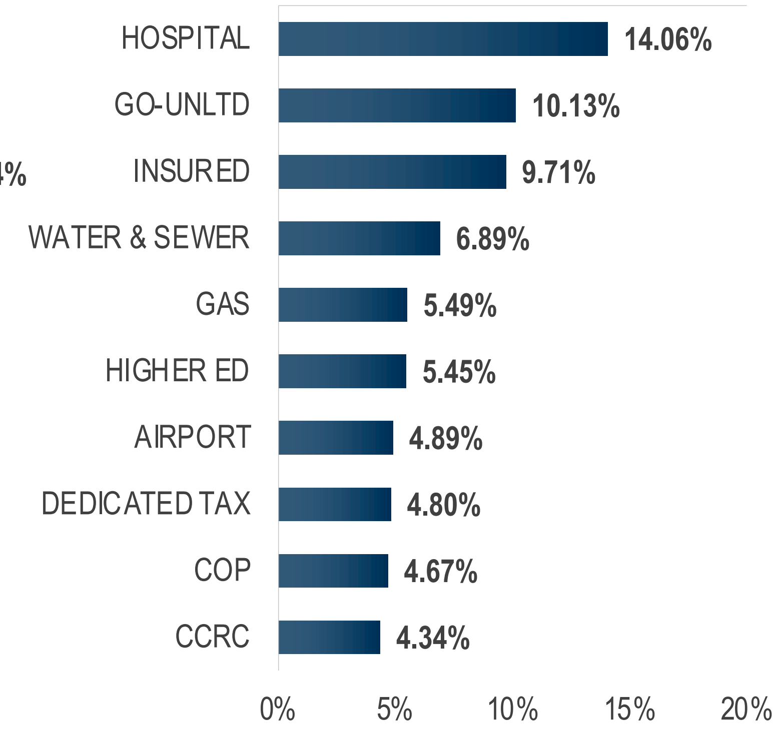
DISTRIBUTION INFORMATION (AS OF 6/30/2021)

Dividend per Share Amount	$0.0925
30-Day SEC Yield	0.96%
Unsubsidized 30-Day SEC Yield	0.81%
Taxable Equivalent 30-Day SEC Yield[2]	1.62%
12-Month Distribution Rate	2.07%
Annualized Distribution Rate	1.94%
Taxable Equivalent Annualized Distribution Rate[2]	3.28%

CREDIT QUALITY (AS OF 6/30/2021)[1]



TOP SECTOR EXPOSURE (AS OF 6/30/2021)



*Portfolio information statistics exclude cash and other assets and liabilities.

[1]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. Credit ratings are subject to change.

[2]The taxable equivalent 30-Day SEC yield and the taxable equivalent annualized distribution rate are for illustrative purposes only. This information illustrates approximately what you would have to earn on taxable investments to equal the tax-exempt yield and tax-exempt annualized distribution rate using the highest federal tax bracket and Medicare tax for 2021. This information is based on present law as of the date of publication and does not account for any proposed changes in tax rates. This information does not account for limitations on deductions, the alternative minimum tax or taxes other than Federal personal income tax and Medicare tax.

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.

FIXED INCOME- WHERE'S THE YIELD? (WILL IT EVER COME BACK...)

ROBERT DEROCHIE
SR. VICE PRESIDENT
CLIENT PORTFOLIO MANAGER – FIXED INCOME SPECIALIST