FPA SYMPOSIUM 2025
Central Virginia

MITCH SEEBACH
VICE PRESIDENT | FIRST TRUST®

Options trading is not appropriate for all investors.
There can be no assurance that the strategies will achieve their investment objectives.

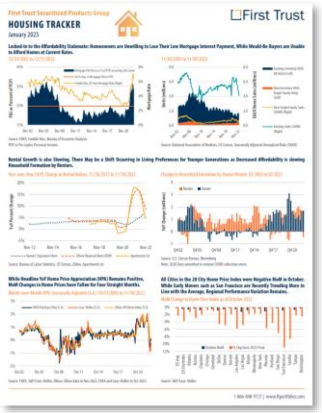
First Trust

WE WILL COME TO YOU

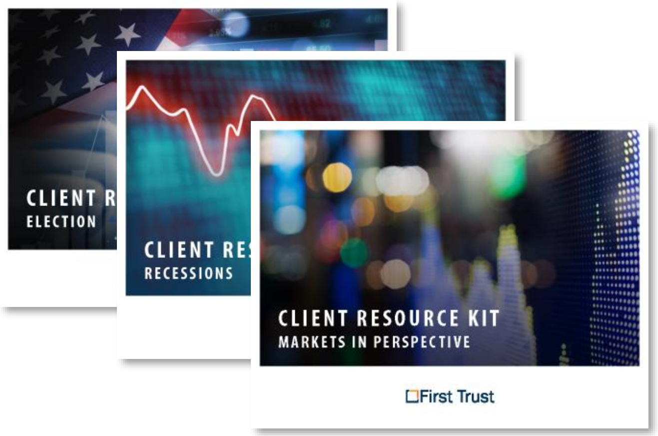
FIRST TRUST RESOURCES

During these volatile times, First Trust is here for you, offering insights and putting our best and brightest minds at your fingertips. We're delivering research and putting things in perspective to help your clients see past the doubts and fears that dominate the headlines and get them back on track with meeting their goals.

Housing Tracker

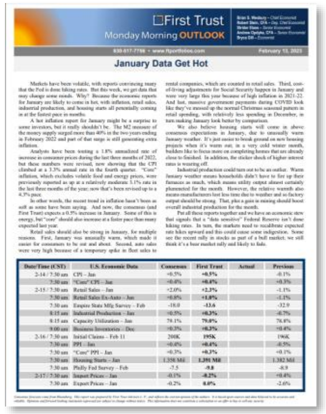


Client Resource Kits



Wesbury 101
Economic Commentary

Monday Morning
Outlook



First Trust Economics Blog
The Antidote to Conventional Wisdom

High Frequency
Data Tracker

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.

PORTFOLIO ANALYSIS RESOURCES

Enabling Financial Professionals with Comprehensive Portfolio Analysis

Who We Are

The Portfolio Analytics Team, established in 2009, aims to help financial professionals analyze model portfolios and research themes. The PA Team is one of the fastest growing and most heavily utilized resources at First Trust. The team, inclusive of CFA® charterholders, can assist in navigating the expansive world of ETFs and Funds; positioning strategies to seek to enhance risk/reward characteristics and potentially capture desired investment outcomes.

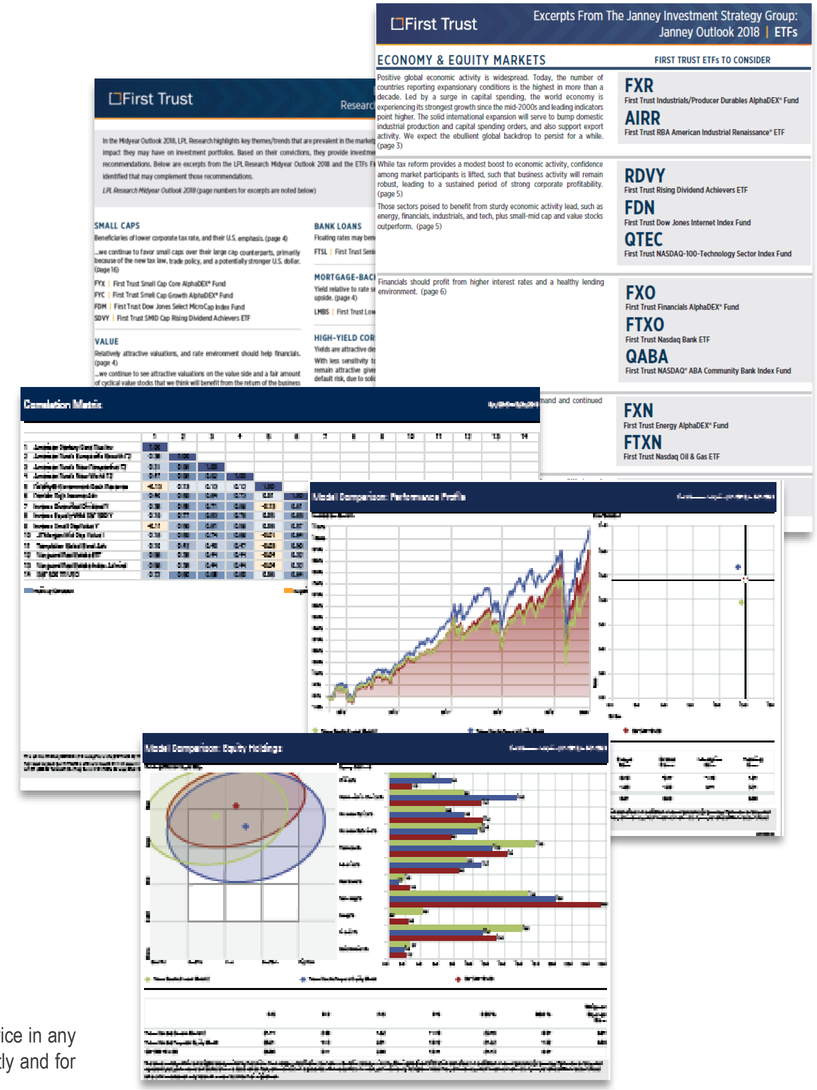
What We Offer

Due Diligence - Operate as an intermediary between First Trust's Portfolio Managers, third party subadvisors and operations to facilitate detailed strategy reviews for onboarding and ongoing product due diligence.

Research Alignment - Work with broker/dealers and distill home-office research to identify top opportunities that align with their capital market assumptions and communicate these to the field.

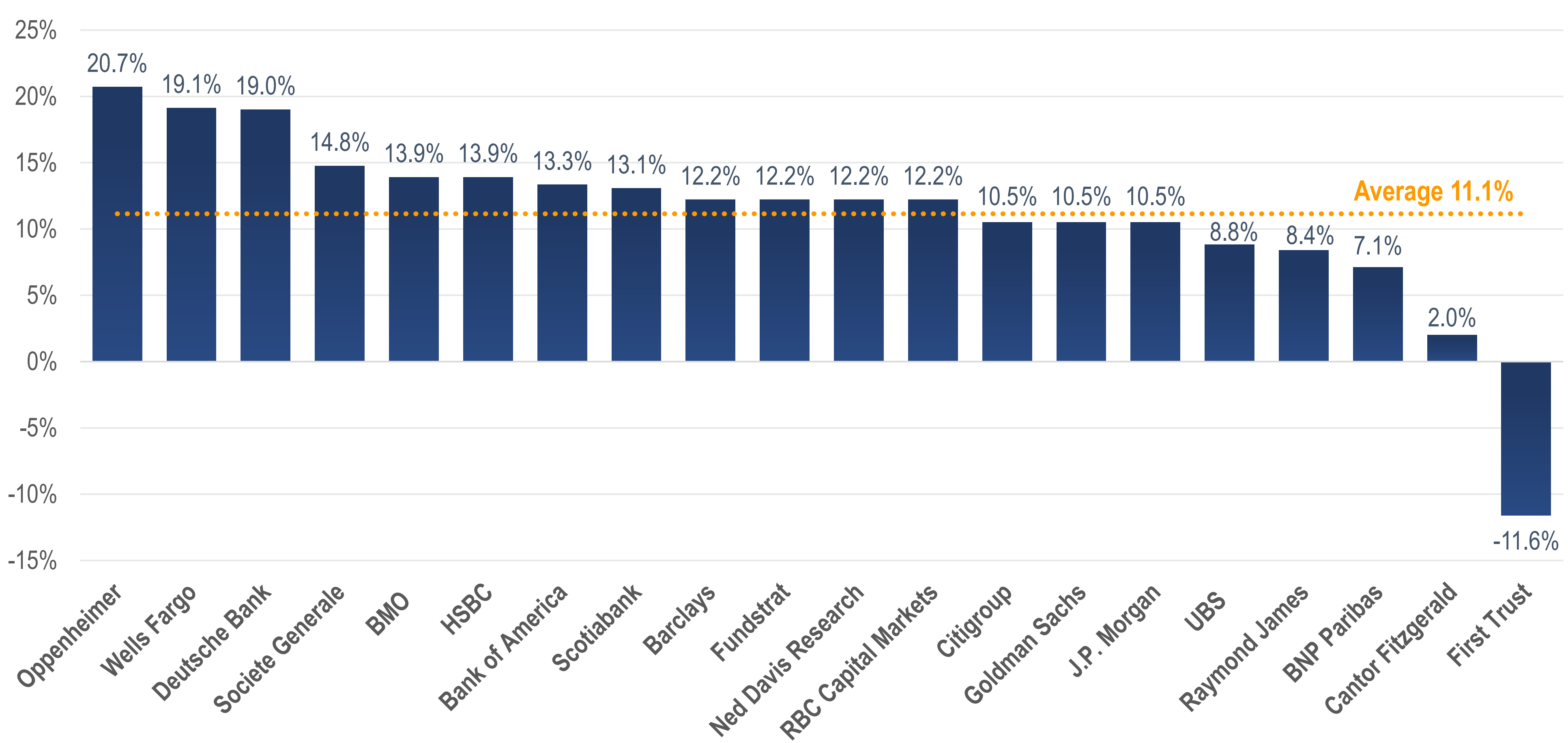
Comprehensive Portfolio Analytics - Assist financial professionals evaluate existing model portfolios, with the intention of enhancing risk/reward characteristics to potentially achieve investment goals. Portfolio analysis offers detailed equity and fixed income holdings data, as well as historical MPT statistics relative to a custom benchmark that mirrors a portfolio's asset allocation.

Detailed Product Analysis - Analysis of performance statistics, compare/contrast underlying exposures and methodologies. Assessment of product risk attributes, size and style characteristics, relative sector over/underweights as well as a fundamental analysis on factors.



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.

S&P 500 INDEX: STRATEGISTS' PROJECTIONS FOR YEAR-END 2025



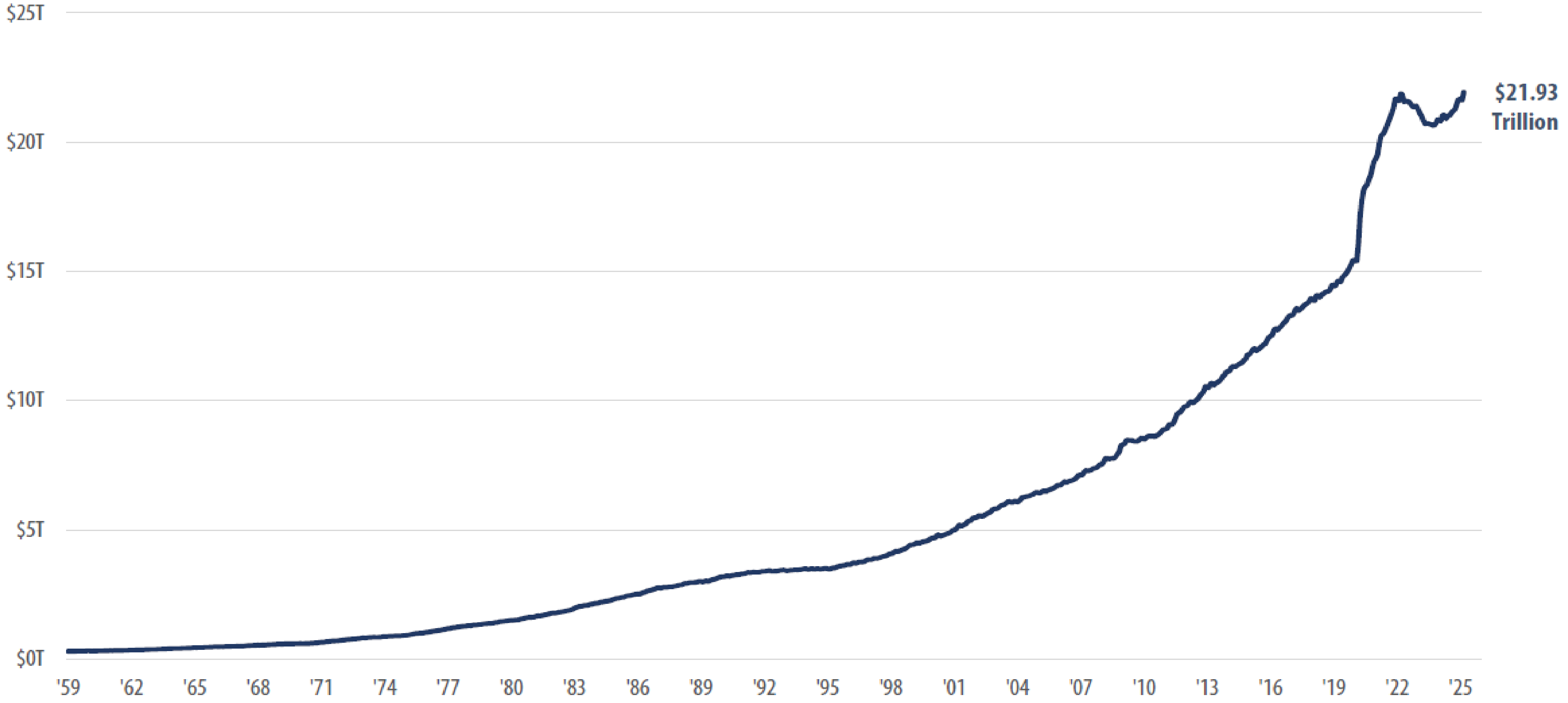
Firm	Projected 2025 Close
Oppenheimer	7,100
Wells Fargo	7,007
Deutsche Bank	7,000
Societe Generale	6,750
BMO	6,700
HSBC	6,700
Bank of America	6,666
Scotiabank	6,650
Barclays	6,600
Fundstrat	6,600
Ned Davis Research	6,600
RBC Capital Markets	6,600
Citigroup	6,500
Goldman Sachs	6,500
J.P. Morgan	6,500
UBS	6,400
Raymond James	6,375
BNP Paribas	6,300
Cantor Fitzgerald	6,000
First Trust	5,200
Average	**6,537**

Source: First Trust, Bloomberg. Percent change is based on each institution's projection of the price return of the S&P 500 Index which is calculated based on the 2024 year-end S&P 500 Index price level of 5,881.63 at market close on 12/31/2024. Projections as of 12/2024. Opinions and forward-looking statements expressed are subject to change without notice. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Index returns do not reflect any fees, expenses, or sales charges. Investors cannot invest directly in an index.

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.

M2 MONEY STOCK

currency in circulation (trillions of dollars)



Source: First Trust, Federal Reserve Bank of St. Louis. Monthly data from January 1959 – March 2025, not seasonally adjusted. M2 includes hard currency, checking deposits, savings deposits, small denomination time deposits and retail money market funds.

2025 YEAR-END OUTLOOK

First Trust
Monday Morning OUTLOOK

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke, CFA – Senior Economist
Bryce Gill – Economist
Nate Gerze, CFA – Economic Analyst

630-517-7756 • www.ftportfolios.com January 6, 2025

2025: A Year of Promise and Paybacks

The College Football playoffs included 12 teams this year and all five automatic berth teams (because they won their conference championships) are now out, including the top two ranked teams, Oregon and Georgia. It wasn't supposed to turn out this way, and the debate about why has only just started.

And if you think forecasting college football is hard, try the economy, stock market, and elections. Not one Wall Street firm came close to predicting the level of the S&P 500 on 12/31/24. They were all too low. The sharp slowdown in growth, or even recession, that we forecast did not come true.

Inflation stopped improving too, and even the Fed had to shift its forecast for rate cuts for 2025, reducing them from a total of one percentage point to half of that. And don't forget that most presidential election forecasts missed the shift in nearly all demographic groups even in blue states toward Donald Trump.

All of this makes forecasting 2025 another significant challenge. The US has run nearly $2 trillion budget deficits in each of the past two years, half of all job growth in the past two years has been in government and healthcare jobs, growth in the money supply is trending higher.

At the same time, the new Trump Administration wants to cut spending by up to $2 trillion (over how many years we have no idea), push for an extension of the 2017 tax cuts, and possibly cut other tax rates as well. In addition, tariffs are in the picture, as is a significant slowdown in immigration, with deportations of some immigrants who are already here.

This follows some of the most dramatic policies in US history. We've always thought that COVID lockdowns were a huge negative for growth, then and in the future. Yes, we know GDP fell sharply early on, but then massive government spending (and handouts) along with the largest surge in the US money supply in the history of the country pushed GDP back up to its previous level (even with many states locked down). The stimulus masked the pain, like morphine.

We have always believed the morphine just delayed the pain and a recession was inevitable once it wore off. But the US is hooked on morphine, with irresponsibly high deficits creating government jobs and short-term spending stimulus. If Trump and DOGE cut the deficit, the morphine will wear off. With significantly less stimulus a recession is highly likely. Not a deep recession, but one that causes real GDP to decline 0.5% to 1%, and corporate profits to disappoint for the first time in years.

There are caveats to this forecast. The debt ceiling is now back in place…this means the Treasury will finally dip into its checking account at the Fed. This account holds over $750 billion, and when the Treasury spends that money, it will boost M2 growth. So, while the federal government spends less, the M2 measure of money will rise no matter what the Fed does.

This is one reason why we don't expect inflation to fall much more. We expect CPI will be up in the 2.5 – 3.0% range this year. And what this means is that the 10-year Treasury yield, which may find a bid as growth slows, will have a hard time falling below 4%.

And when we put that into our Capitalized Profits Model, it says that stocks are overvalued by about 20% right now. Will stocks fall that much? Probably not because the market seems euphoric over the impact of AI, new satellite networks, and even Ozempic. But another year of 20%+ gains in stocks does not seem to be in the cards. We expect the S&P 500 to end 2025 between 5000-5400…let's say 5200.

At the same time…China is in trouble economically, while also making trouble geo-politically. One thing we believe is that if the US gets its fiscal house in order, and at the same time projects power and not appeasement, the world will become a safer place. In the Middle East, the October 7th massacre, which was absolutely horrific, was a turning point for Iran. While peace might not break out, there is less chance of a wider war. Trumps victory is also affecting p
Canada, Fra
So, wh
this new wo
great for g
headwind.
less intrusiv
But, remem
1981. Tod
policies lift
while reduc
nearly the s
We stil
policies of
year it pays.

Consensus forecasts come from Bloomberg. This report was prepared by First Trust Advisors L. P., and reflects the current opinion of
reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitu

S&P 500: 5,200

GDP: -0.5%

Unemployment: 4.5%

Inflation: 2.5-3%

Corporate Profits: 0-5%

10-Year Treasury Note Yield: 4.0%+

Subscribe to the Monday Morning Outlook: www.ftportfolios.com/Retail/Research/Subscription

First Trust Economic Team

Brian S. Wesbury
Chief Economist

Robert Stein, CFA
Deputy Chief Economist

Strider Elass
Senior Economist

Andrew Opdyke, CFA
Senior Economist

Bryce Gill
Economist

Nate Gerze, CFA
Economic Analyst

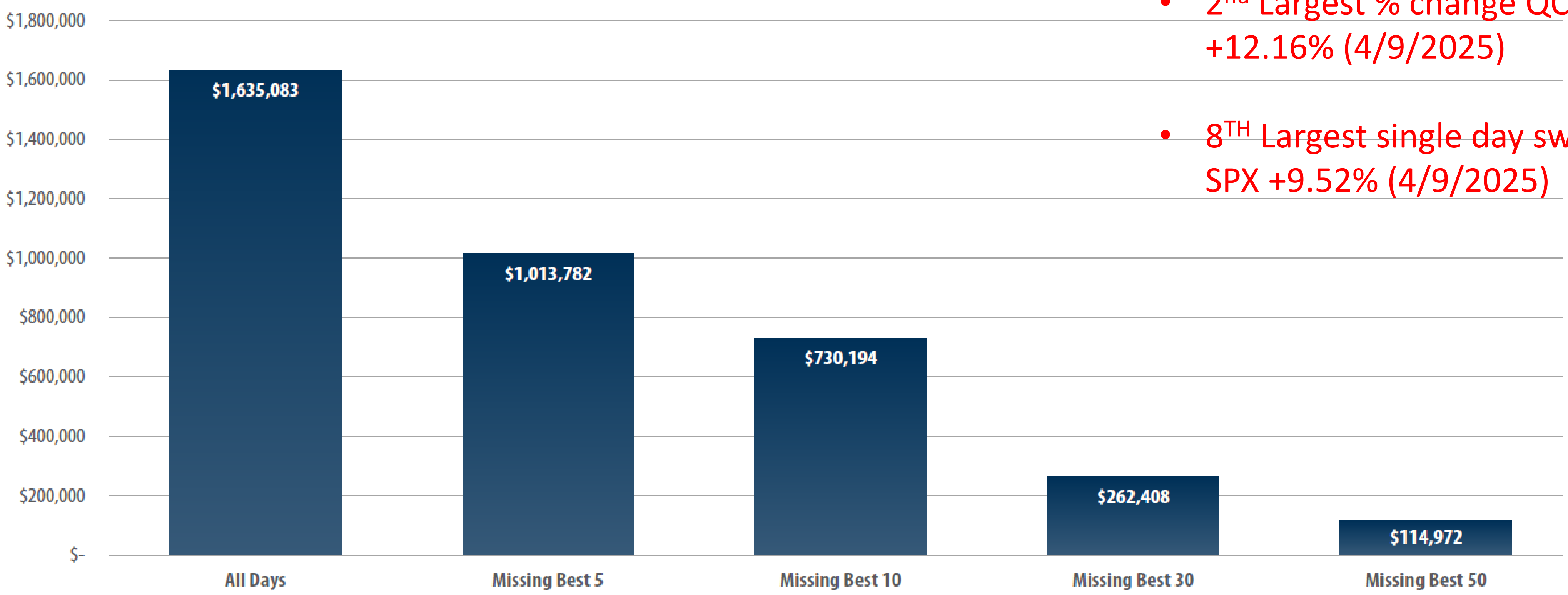
Forecasts as of January 2025.

MISSING THE BEST DAYS IN THE MARKET

Investing in the stock market can be volatile, which may tempt some investors to pull out of the market to avoid the bad days. However, it is impossible to predict when good and bad days will happen. This chart shows the potential effect that pulling out of the stock market could have on a portfolio. An investor does not have to miss many good days to feel the financial impact over time. We believe investors will be rewarded for sticking with their investment plan.

GROWTH OF $10K INVESTED IN THE S&P 500 INDEX: 12/31/79 – 3/31/25

- 2nd Largest % change QQQ – +12.16% (4/9/2025)
- 8TH Largest single day swing – SPX +9.52% (4/9/2025)



Source: First Trust, Bloomberg. **Past performance is no guarantee of future results.** Returns are total returns. The illustration is not indicative of any actual investment and excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. These returns were the result of certain market factors and events which may not be repeated in the future. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. An index cannot be purchased directly by investors.

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.

FUND OF LADDERED BUFFER ETFs OVERVIEW

Target Outcome ETFs® Fund of Laddered Buffer ETFs

BUFR	BUFZ	BUFD	BUFQ	BUFS	BUFY
10% Buffer ETFs[1]	15% Buffer ETFs[1]	25% Buffer ETFs[1]	10% Buffer ETFs[1]	15% Buffer ETFs[1]	15% Buffer ETFs[1]
FT Vest Laddered Buffer ETF	FT Vest Laddered Moderate Buffer ETF	FT Vest Laddered Deep Buffer ETF	FT Vest Laddered Nasdaq Buffer ETF	FT Vest Laddered Small Cap Moderate Buffer ETF	FT Vest Laddered International Moderate Buffer ETF
Based on SPY	Based on SPY	Based on SPY	Based on QQQ	Based on IWM	Based on EFA

The buffer is only provided by the Underlying ETFs. The funds themselves do not provide any buffer against losses. The funds simply seek to provide diversified exposure to the Underlying ETFs. In order to understand each fund's strategy and risks, it is important to understand the strategies and risks of the Underlying ETFs. The funds do not seek to directly experience the full stated caps and buffers of the Underlying ETFs.

10% Buffer ETFs seek to shield investors from the first 10% of losses and 25% Deep Buffer ETFs seek to shield investors from -5% to -30% of losses and 15% Buffer ETFs seek to shield investors from the first 15% of losses over a Target Outcome Period, before fees and expenses.

CUSTOM WEALTH SOLUTIONS

FPA OF CVA

MIKE EGAN, CFP®, CIMA®

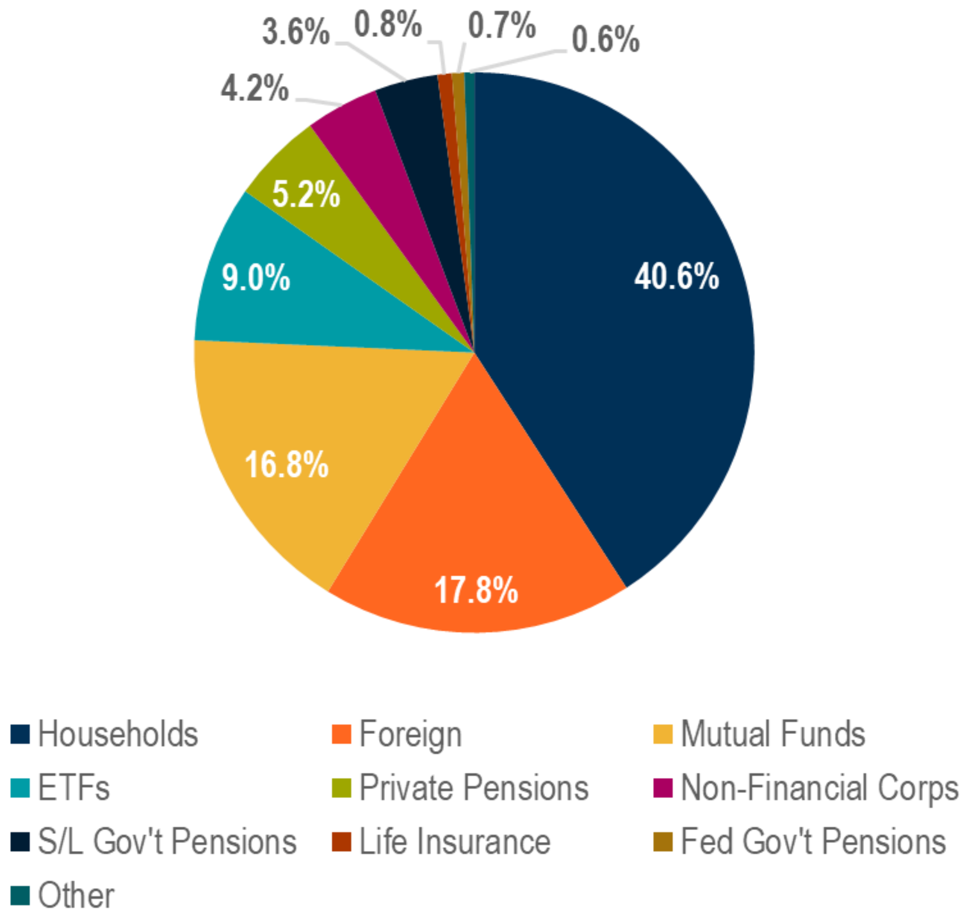
Options trading is not appropriate for all investors.
There can be no assurance that the strategies will achieve their investment objectives.

First Trust

U.S. CORPORATE EQUITY OWNERSHIP

- The Federal Reserve's "Financial Accounts of the U.S." reports that households have the highest corporate equity ownership at **40.6%.**
- Households directly held $37.7T out of $92.9T in U.S. Corporate Equities

Holders of U.S. Corporate Equities Q4 2024



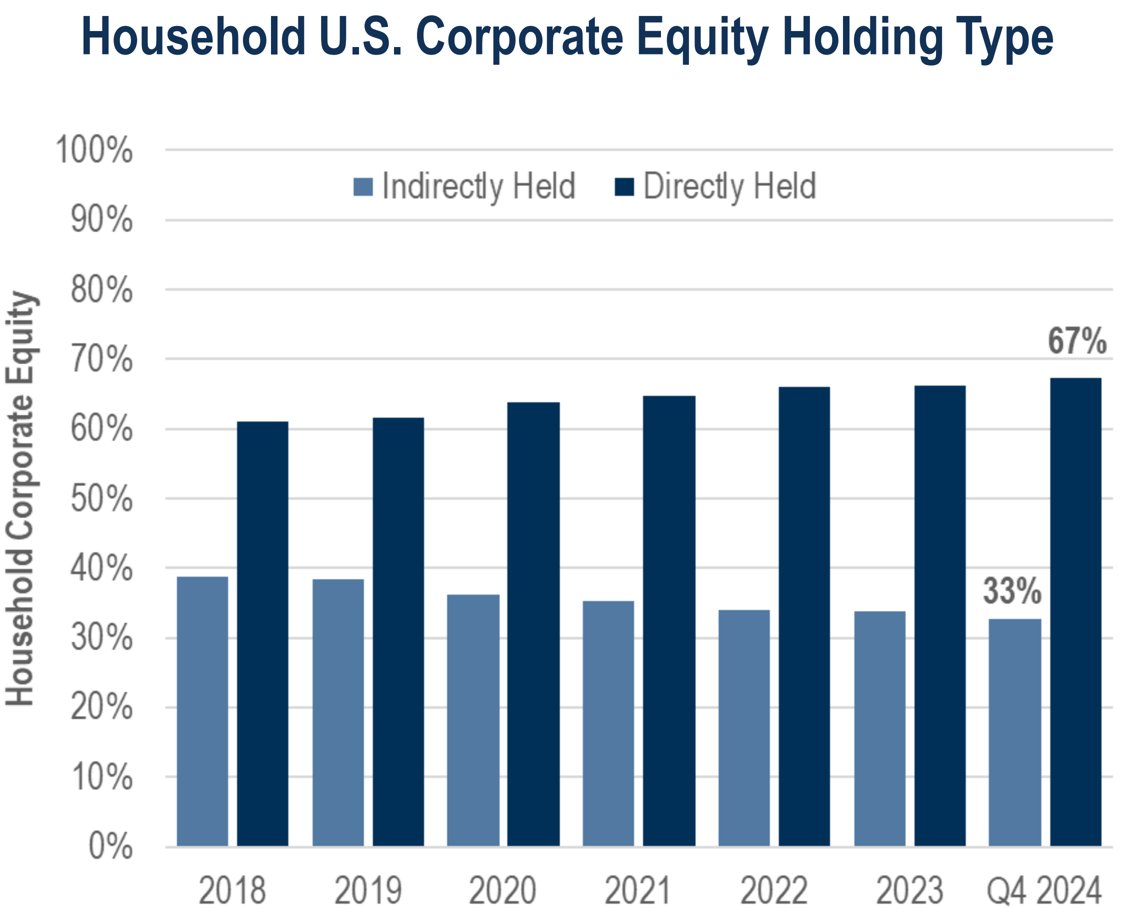
Source: The Federal Reserve 2024 – Financial Accounts of the United States, fourth quarter 2024. Percent of total issues at market value.
Note: As of Q4 2024. Households include non-profit organizations. Other contains foreign banking offices in the U.S. and funding corporations. State and Local (S/L). Non-Financial Corporations (Non-Fin Corps).

U.S. CORPORATE EQUITY OWNERSHIP

Since 2018, households have been trending towards **owning corporate equities directly rather than indirectly.**

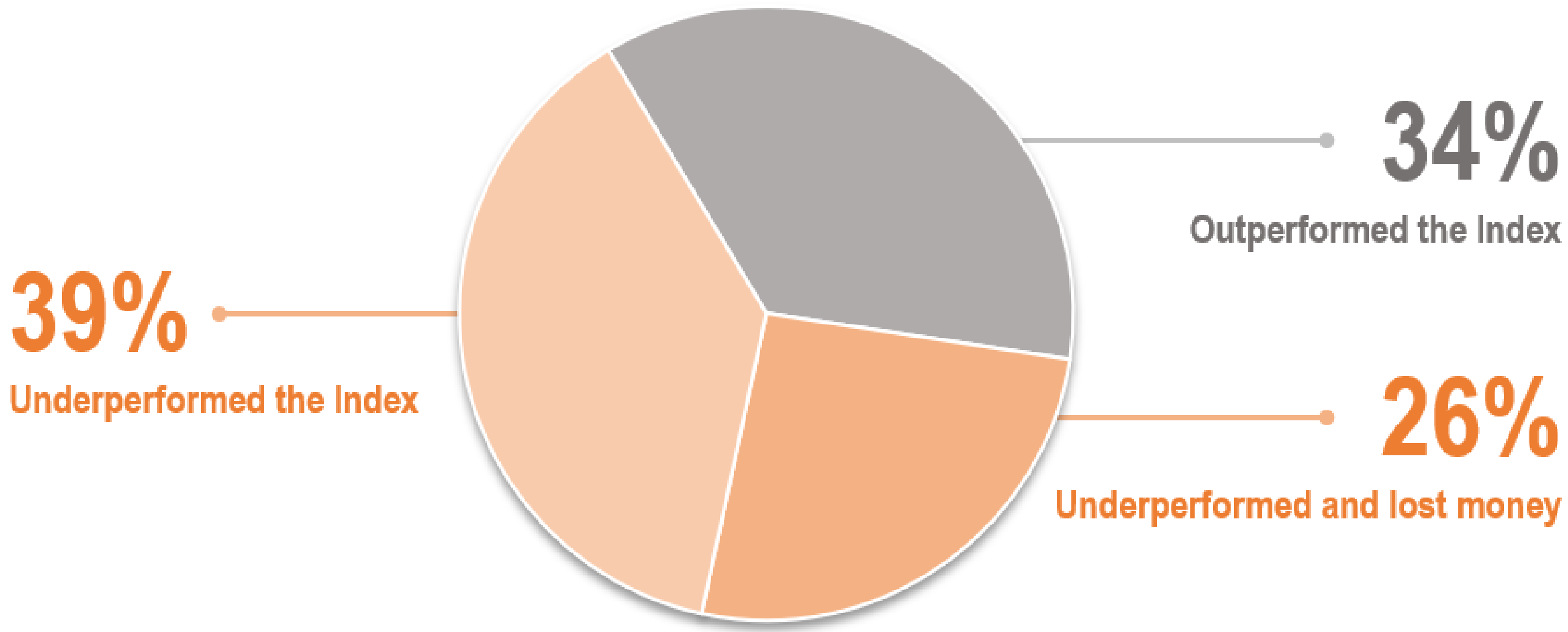
Much of this wealth sits in brokerage accounts with advisors, but the advisor cannot charge a fee due to the concentrated and/or low basis nature of the positions.

67% of household corporate assets are held directly versus indirectly as shown in the chart to the right.



Source: *The Federal Reserve 2024 - Financial Accounts of the United States, fourth quarter 2024*. Percent of total issues at market value.

HISTORICAL RETURN BREAKDOWN OF THE S&P 500® INDEX CONSTITUENTS



65% of the S&P 500® Index constituents underperformed the Index.

Since 1990, approximately 35% (or about a third) of the stocks in the S&P 500® Index went down by at least 50% and remain below that level.

For stocks in the S&P 500® Index since 1990, the average volatility has measured 29.81% compared to 18.08% for the index itself.

Data from 1/31/1990 to 12/31/2024. Sources: Capital IQ and Bloomberg. Returns are measured from the date added to the index (or start of the study period) to the date removed (or end of the study period) for all companies included in the index during the study period, using month-end prices.

Index data shown is for illustrative purposes only and not indicative of any actual investment. 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 investor cannot invest directly in an index. **Past performance is no guarantee of future results.**

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

This summary is not intended to be tax or legal advice. This summary cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This summary is being used to support the promotion or marketing of the transactions herein. The taxpayer should consult an independent tax advisor.

INDUSTRY GROWTH AND ADOPTION

MANAGED ACCOUNT AUM

9.1% growth in Q4 2023

2023: $11.5 trillion

13%+ projected growth (2023-2026)

2026: $15.6 trillion projection

SMA ALLOCATIONS

Usage increased from 22%-41% (2020-2022)

Avg. Allocations:

2023: 18%

26% projected growth (2025)

High-Net-Worth Clients Avg. Allocations:

2023: 23%

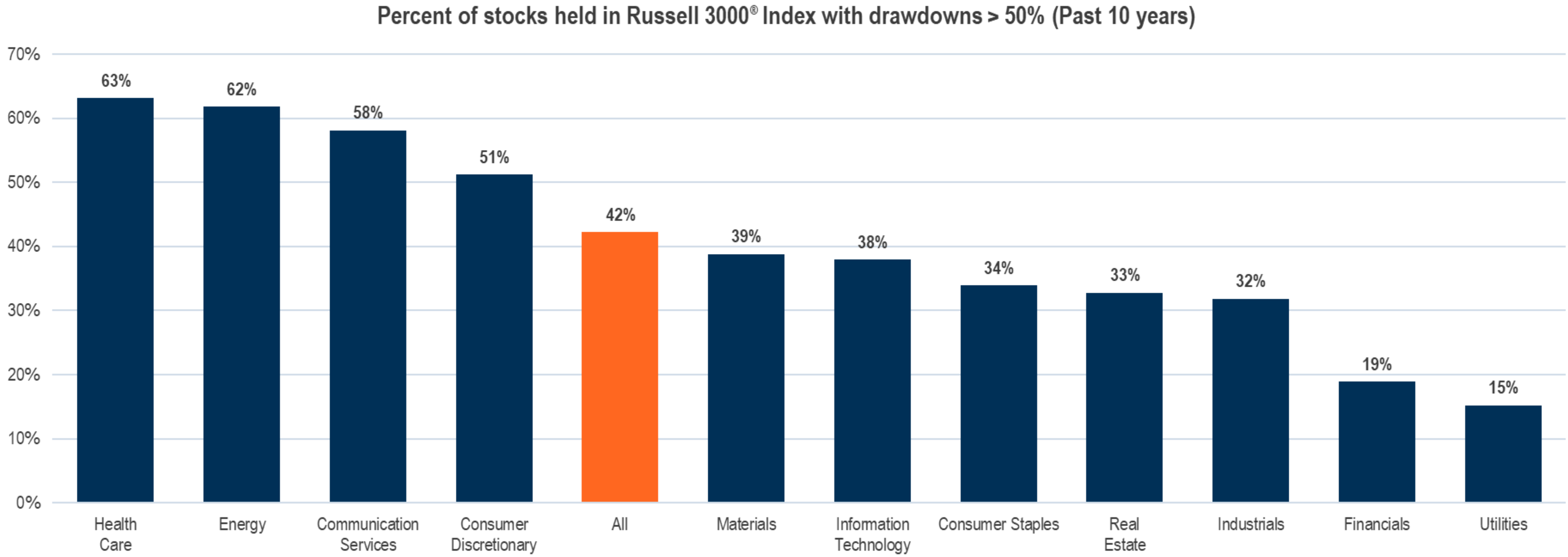
31% projected growth (2025)

Sources: Money Management Institute, 2024, Cerulli, 2023, Insurance NewsNet, 2023, Financial Advisor, 2024.
Past trends may not continue and future projections may not be realized.

This summary is not intended to be tax or legal advice. This summary cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This summary is being used to support the promotion or marketing of the transactions herein. The taxpayer should consult an independent tax advisor.

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.

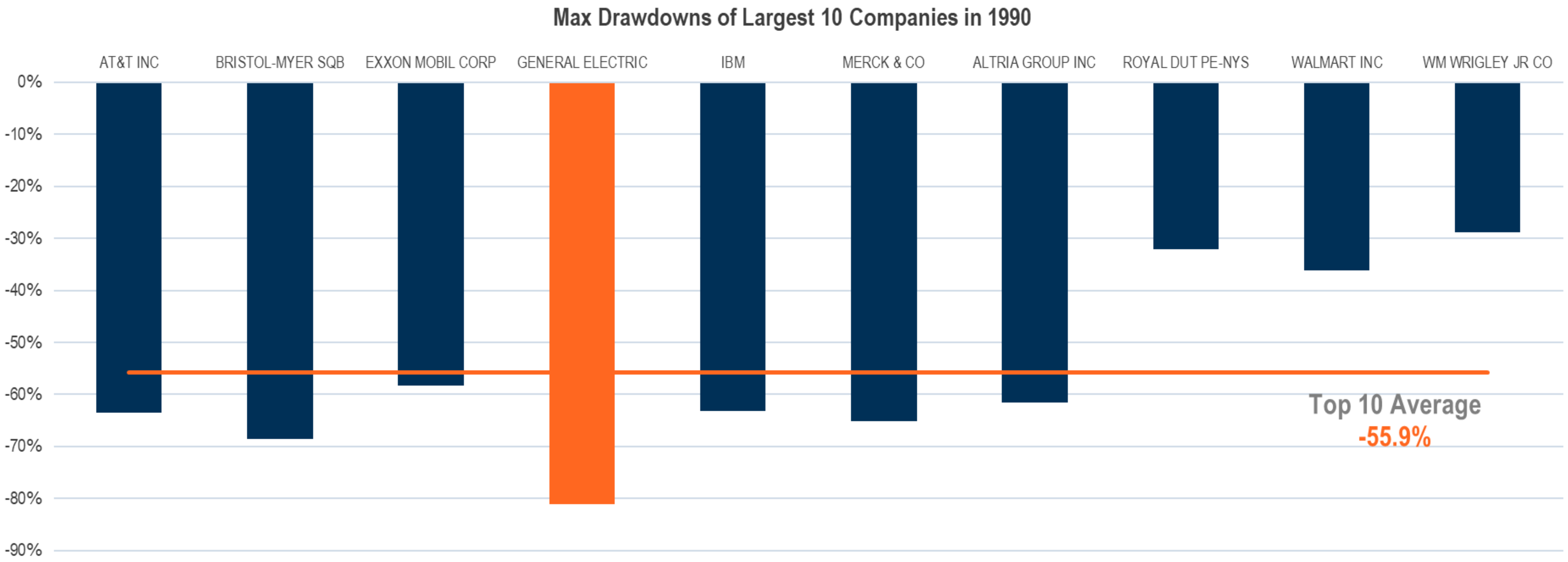
RUSSELL 3000® INDEX SECTOR DRAWDOWNS



Source: Capital IQ. Data is shown monthly from 3/31/2015 – 3/31/2025. For illustrative purposes only and not indicative of any investment. Drawdowns are calculated by peak to current or last price. The Russell 3000® Index is comprised of the 3000 largest and most liquid stocks based and traded in the U.S. **Past performance is not a guarantee of future results**. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indices are unmanaged and investors cannot invest directly in an index.

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.

S&P 500® INDEX MAX DRAWDOWNS SINCE 1990

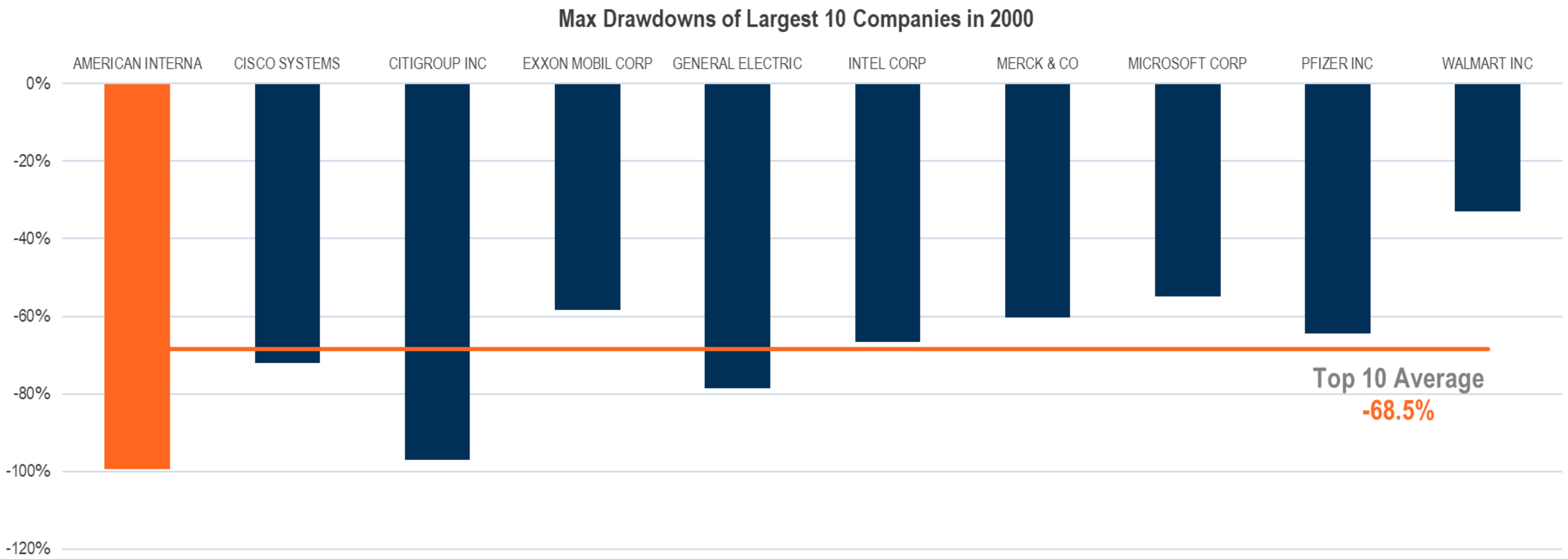


Source: Bloomberg, Capital IQ. Top 10 Companies by market cap are as of December 31, 1990. Drawdowns calculated from 12/31/1990-3/31/2025. Drawdowns are calculated by peak to current or last price. For illustrative purposes only and not indicative of any investment. The S&P 500® Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. **Past performance is not a guarantee of future results**. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

References to specific companies or securities should not be construed as a recommendation to buy or sell any such security, nor should they be assumed profitable.

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.

S&P 500® INDEX MAX DRAWDOWNS SINCE 2000

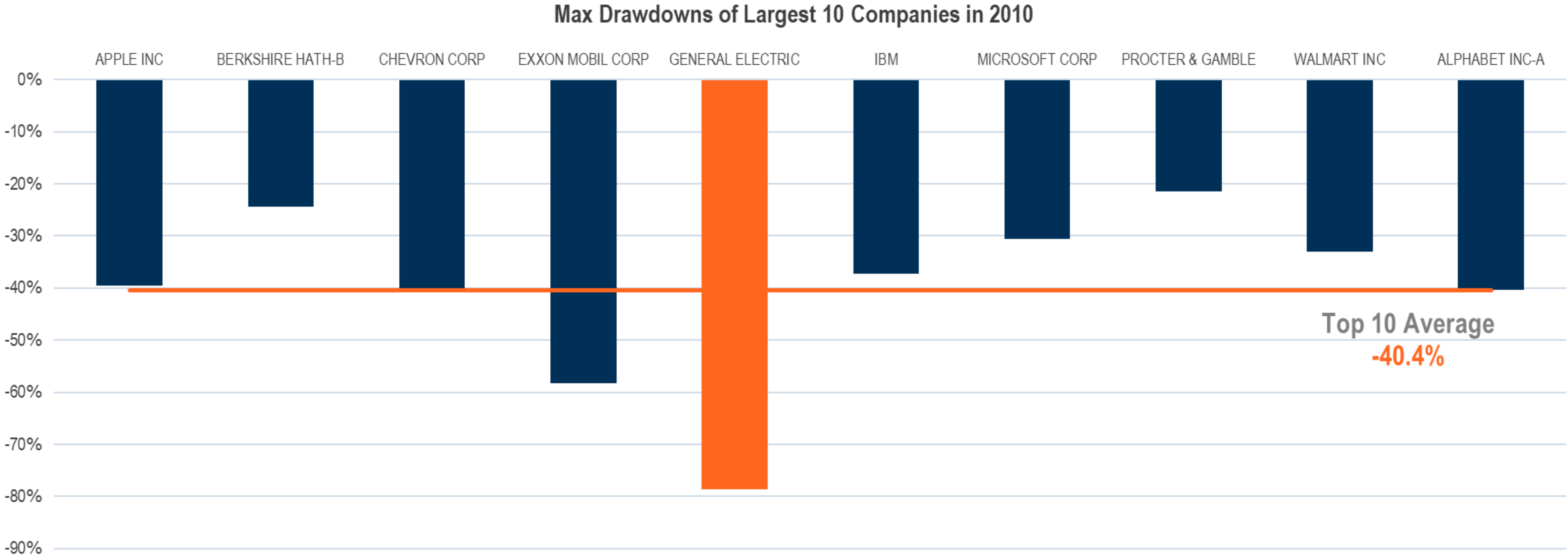


Source: Bloomberg, Capital IQ. Top 10 Companies by market cap are as of December 31, 2000. Drawdowns calculated 12/31/2000-3/31/2025. Drawdowns are calculated by peak to current or last price. For illustrative purposes only and not indicative of any investment. The S&P 500® Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. **Past performance is not a guarantee of future results**. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

References to specific companies or securities should not be construed as a recommendation to buy or sell any such security, nor should they be assumed profitable.

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.

S&P 500® INDEX MAX DRAWDOWNS SINCE 2010

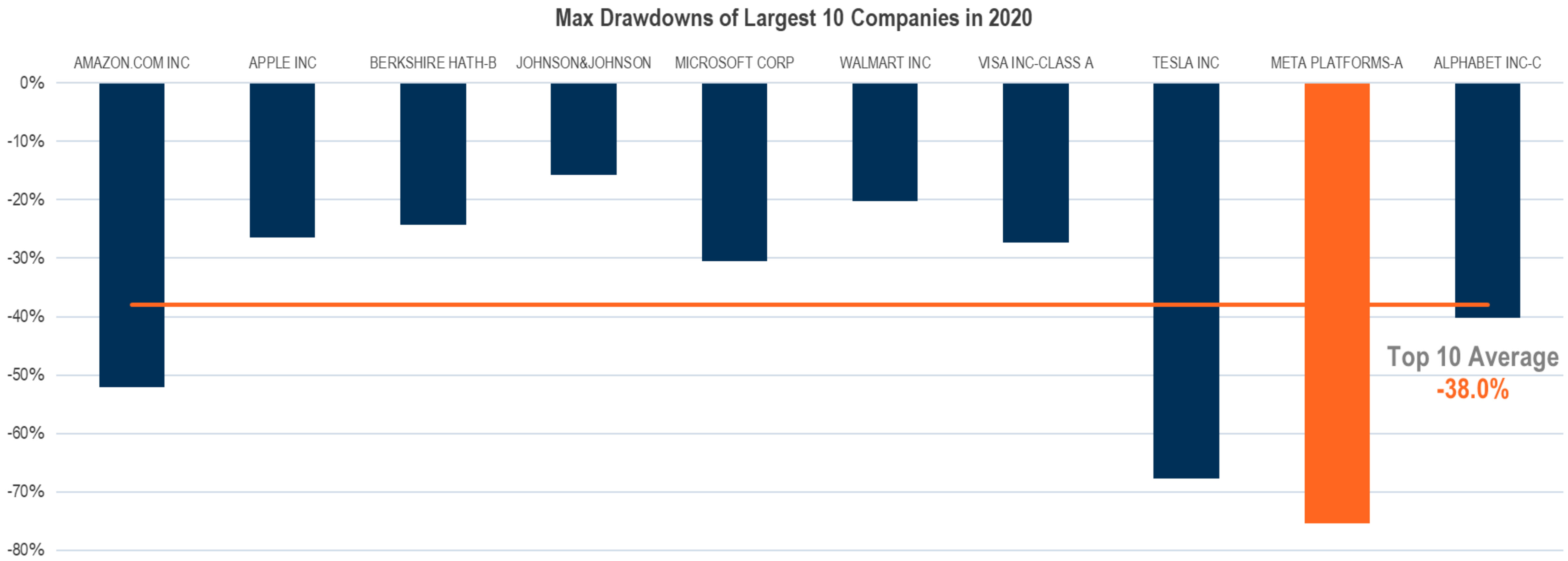


Source: Bloomberg, Capital IQ. Top 10 Companies by market cap are as of December 31, 2010. Drawdowns calculated from 12/31/2010-3/31/2025. Drawdowns are calculated by peak to current or last price. For illustrative purposes only and not indicative of any investment. The S&P 500® Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. **Past performance is not a guarantee of future results**. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

References to specific companies or securities should not be construed as a recommendation to buy or sell any such security, nor should they be assumed profitable.

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.

S&P 500® INDEX MAX DRAWDOWNS SINCE 2020



Source: Bloomberg, Capital IQ. Top 10 Companies by market cap are as of December 31, 2020. Drawdowns calculated from 12/31/2020-3/31/2025. Drawdowns are calculated by peak to current or last price. For illustrative purposes only and not indicative of any investment. The S&P 500® Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. **Past performance is not a guarantee of future results**. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

References to specific companies or securities should not be construed as a recommendation to buy or sell any such security, nor should they be assumed profitable.

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.

INTRO TO CONCENTRATED STOCK SOLUTIONS

Reasons for Concentrated Stock Positions

- Sale of a business in a stock-for-stock merger
- Price appreciation over time
- Appreciation of employer-issued stock & stock options
- Inheritance or gifts

Factors that may complicate Risk Mitigation of Concentrated Positions

- Tax implications
- Legal restrictions
- Insider status
- Bullish sentiment
- Emotional attachment

First Trust's custom option strategies seek to mitigate risk and may help achieve a client's goals in several ways:

- ✓ Preserve Capital
- ✓ Generate Income
- ✓ Diversify Exposure
- ✓ Offset Capital Gains Tax
- ✓ Generate Liquidity
- ✓ Increase Borrowing Capacity

CLIENT CONCERNS

EXECUTIVE EXPOSURE TO COMPANY STOCK

Indirect Exposure

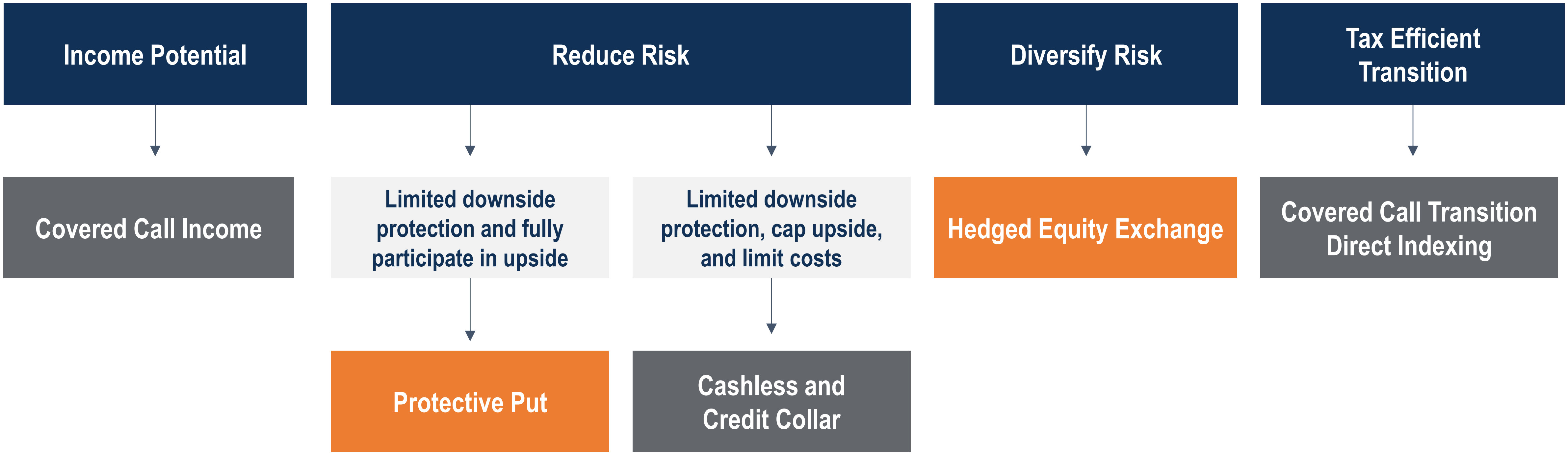
- Deferred Compensation
- Employee Stock Purchase Plans
- Stock Appreciation Rights
- Employer Issued Stock Options
- 401(k) Plan

Direct Exposure

- Restricted Stock
- Common Stock in an IRA
- Common Stock

CUSTOM OPTION SOLUTIONS DECISION TREE

Common Investment Strategies:



COVERED CALL INCOME

Options trading is not appropriate for all investors.
There can be no assurance that the strategies will achieve their investment objectives.

First Trust

COVERED CALL INCOME STRATEGY

- For investors with an existing equity portfolio who are interested in enhancing income.
- The strategy sells a call on the underlying stock(s).
- The investor receives a premium for the call option(s) sold and participates in potential price gains up to the call strike price and continues to receive dividends (if any).
- The call premium acts as a source of income and also as a buffer if the stock price decreases.
- Investors can customize their desired income levels and risk of call exercise.

INVESTMENT PROCESS

Growth Potential
Underlying Stock

Option Strategy
Sell out-of-the-money call options on the underlying stock.

Two Sources of Income Potential
Stock dividends
+
Option premiums

Monitoring
Evaluate call options for assignment risk prior to and at expiration.
Take possible action based on client Investment Policy Statement.

Manage Between Expirations for Assignment Risk and Writing New Contracts

CASHLESS & CREDIT COLLARS

Options trading is not appropriate for all investors.
There can be no assurance that the strategies will achieve their investment objectives.

COLLAR STRATEGY

- A collar is a risk management strategy whereby an investor sells a covered call option and uses the premium received to purchase a put option, providing the investor with a predetermined level of downside protection and upside potential.

- The maturity of a collar can range from several months to several years.

- By negotiating the call strike price, the investor's out-of-pocket cost may potentially be reduced to zero (cashless) and, in some situations, may also generate income (credit) to offset advisory fees.

- Collars can be tailored to an investor's desired outcomes.

Concentrated Stock

Collar Strategy

Protective Put

Purchase out-of-the-money put options on the underlying stock.

Sets the downside floor (limit on possible loss).

+

Covered Call

Sell out-of-the-money call options on the underlying stock.

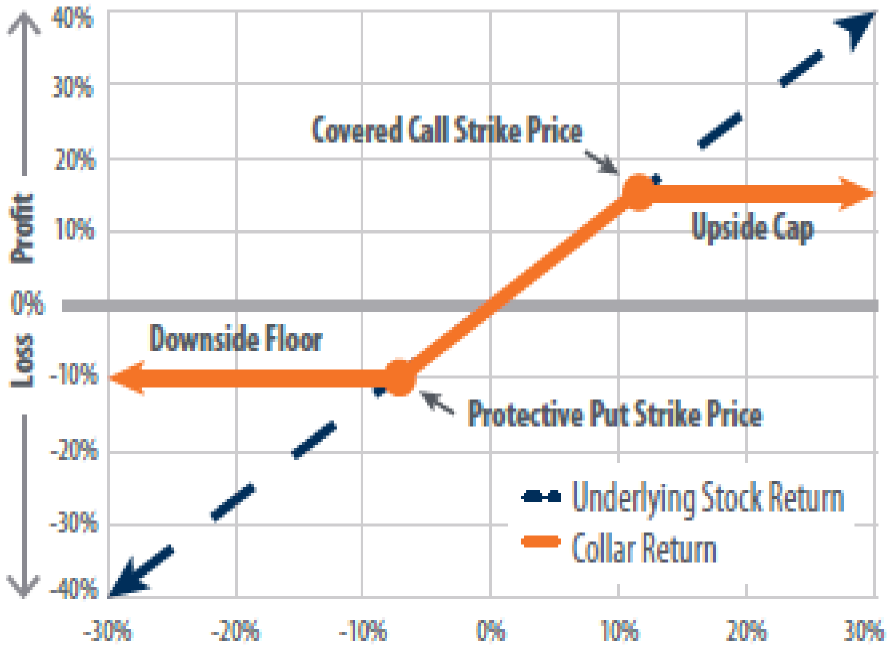
Premium received is used to partially offset the cost of the put purchase.

Sets the upside cap.

POTENTIAL RETURN SCENARIOS OF THE COLLAR STRATEGY

Stock Price Moves Higher But Below Call Strike	The investor will participate in gains up to the upside cap.
Stock Price Moves Higher Above Call Strike	The investor will participate in gains to the upside cap, but not above the upside cap.
Stock Price Moves Lower But Above Put Strike	The investor will participate in losses to the downside floor.
Stock Price Moves Lower Below Put Strike	The investor will participate in losses to the downside floor and will be protected against further losses.

Protective Put + Covered Call = Collar Strategy



This example is for illustrative purposes only and is not based on an actual portfolio. The above scenarios assume the options are exercised or assigned if the underlying securities price exceeds the options strike price. Outcomes from the collar strategy will vary depending on actual portfolio positions, option premium received, individual stock price volatility, and general stock market volatility. Positions covered by call options may be called away, creating realized capital gains or losses. There can be no guarantee that the owner of the call option will not exercise the call prior to FTA's attempt to repurchase a sold option. Cash flow is not guaranteed over any period. More information may be found on FTA's Form ADV. Commissions and fees will adversely affect the strategy.

COVERED CALL TRANSITION

Options trading is not appropriate for all investors.
There can be no assurance that the strategies will achieve their investment objectives.

First Trust

COVERED CALL TRANSITION STRATEGY

- For investors seeking a systematic way to sell equity holdings in a legacy portfolio that does not match their current investment objectives.
- The legacy portfolio may be the result of an inheritance, a change in investment advice or price appreciation over time.
- The Covered Call Transition strategy provides a disciplined approach to selling existing equity holdings at a price above the current market price while enhancing income and allowing investors to participate in potential stock gains up to an established price.
- The call premium acts as a source of income.
- Investors may customize their desired income levels, call-strike prices, and timeline for transition.

INVESTMENT PROCESS

Growth Potential
Underlying Stocks

Covered Call Transition

Establish Upside Participation and/or timeline for transition.
Sell out-of-the-money call options on the underlying stocks.

Destination Portfolio

Call option premium, dividends (if any), and called-away stock proceeds are invested in a destination portfolio.

Repeat Process | Until transition is complete.

COVERED CALL TRANSITION DIRECT INDEXING

Options trading is not appropriate for all investors.
There can be no assurance that the strategies will achieve their investment objectives.

First Trust

COVERED CALL TRANSITION DIRECT INDEXING STRATEGY

The Covered Call Transition Direct Indexing strategy may be attractive for investors seeking a systematic way to diversify their holdings while setting time and price limits for the disposition of their stock. The strategy provides a disciplined approach to selling concentrated stock positions in a tax-efficient manner while allowing investors to participate in potential stock gains and accrue cash premiums from the sale of call options. The cash premiums are paired with direct indexing, via a separately managed account ("SMA"), for potential tax benefits and diversification.

Enhanced Income Potential

Growth Potential

Diversification Potential

Diversification does not guarantee a profit or protect against loss.

Growth Potential | Concentrated Stock and Equity Holdings in the Direct Indexing SMA

Covered Call Transition

Sell call options on underlying stock while setting time and price limits for the disposition of the stock.

Call option premium, dividends (if any), and called-away stock proceeds are invested in a diversified basket of securities through a Direct Indexing SMA.

Direct Indexing

Track a diversified equity index.

Employ tax-loss harvesting strategies that utilize losses to offset capital gains.

Allows for individual account customization based on personal values or client specific needs.

Potential to offset gains in underlying stock with realized losses from Direct Indexing.

IMPORTANT INFORMATION

First Trust Portfolios L.P. ("First Trust") is a distributor of unit investment trusts, exchange-traded funds, third-party issued structured investments and other investment products. We market these products to other broker-dealers and investment advisers for potential investment by their clients. First Trust is not your broker or investment advisor and is not made privy to your individual financial situation under First Trust, federal and state privacy laws and your broker's or investment advisor's privacy policies and, accordingly, has not reviewed or considered your particular needs or individual circumstances when marketing investment products to your broker-dealer or investment adviser. As such, First Trust is not making any recommendation based upon the particular needs or individual circumstances of any particular person and, therefore, is not acting in a fiduciary or any other capacity on your behalf within the meaning of ERISA, the internal revenue code or any other regulatory framework. Any information provided in this presentation is not intended to be, and should not be construed as, a recommendation to invest in an investment strategy or buy, sell or hold a specific security.

IMPORTANT DISCLOSURES

For additional information, please refer to First Trust Advisor L.P.'s Form ADV Part 2A.

This is not an offer to buy or sell any security and does not include a complete list of all securities purchased or sold in the period or for all clients. Actual holdings will vary and there is no guarantee that any client will hold any mentioned positions. No security or discipline is profitable all the time and there is always the possibility of loss.

There is no assurance that a separately managed account ("SMA") will achieve its investment objective. Accordingly, you can lose money investing in an SMA. SMAs are subject to market risk, which is the possibility that the market values of the securities in an account will decline and that the value of the securities may therefore be less than what you paid for them. The value of investments held by the strategy may increase or decrease in response to economic, financial, and political events (whether real, expected, or perceived) in the U.S. and global markets. It is difficult to predict the timing, duration, and potential adverse effects (e.g., portfolio liquidity) of events.

An SMA strategy 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 strategy.

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

While SMAs can be customized, accounts with smaller balances may struggle to achieve optimal diversification across multiple asset classes due to the higher cost of individual securities.

Fees associated with SMAs can be higher than mutual funds and ETFs that include manager, service, and advisory fees. Being able to withdraw cash from an SMA may be delayed due to the amount and type of positions to be sold. Withdrawals may negatively impact the SMA's performance.

This summary is not intended to be tax or legal advice. This summary cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This summary is being used to support the promotion or marketing of the transactions herein. The taxpayer should consult an independent tax advisor.

Investors or financial professionals should consult with a tax professional regarding the potential application of loss deferral regimes, such as wash sales and straddles, to these securities and potential transactions along with other securities and transactions in the broader portfolio.

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.

Key Options Risks: Writing and buying options are speculative activities and entail investment exposures that are greater than their cost would suggest, meaning that a small investment in an option could have a substantial impact on performance. The use of call and put options can lead to losses because of adverse movements in the price or value of the underlying stock, index, or other asset, which may be magnified by certain features of the options. These risks are heightened when options are used to enhance a client's return or as a substitute for a position or security. When selling a call or put option, a client will receive a premium; however, this premium may not be enough to offset a loss incurred by the client if the price of the underlying asset is above or below, the strike price, respectively, by an amount equal to or greater than the premium. The value of an option may be adversely affected if the market for the option becomes less liquid or smaller and will be affected by changes in the value or yield of the option's underlying asset, an increase in interest rates, a change in the actual or perceived volatility of the stock market or the underlying asset and the remaining time to expiration.

Writing a call or put option can lead to an assignment upon an exercise of a call or put option. In the case of a short call, an assignment can lead to a forced sale of the underlying security being held as collateral. Being short a put can lead to a forced purchase of the underlying security for which additional capital may have to be contributed by the account holder (i.e., "margin call"). Such involuntary sale and purchase transaction may occur at inopportune market times, which could result in losses to an account.

In the case of an option purchase (long call or long put), a client's entire initial investment of premium can be lost. In the case of a covered option short sale (short call or short put), upside gains can be limited by the sale of a short call against an underlying stock position and a forced purchase of stock can occur in the case of a short cash covered put sale. In the case of a naked call or put sale (a call with no underlying stock position and a put with no cash to cover the possibility of a forced stock purchase) there is the risk of unlimited loss in the call position and substantial loss in the put position.

Options trading is not appropriate for all investors. Please refer to Characteristics and Risks of Standardized Options, also known as the options disclosure document (ODD), which discusses potential risks of options issued by the Options Clearing Corporation (OCC), which are typically listed on an exchange. Visit https://www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document.

Kevin Erndl is the portfolio manager for the first Trust Advisors L.P. custom options investment strategies. Mr. Erndl is also registered with an unaffiliated investment advisor, CWA Asset Management Group, LLC ("CWA"). Mr. Erndl is allowed to remain an investment adviser representative with CWA in order to service his current CWA client accounts ("CWA clients") during a transition period of up to 20 months beginning August 31, 2023 ("transition period"). Mr. Erndl receives compensation from CWA in exchange for providing his CWA clients advisory services through CWA during the transition period. Mr. Erndl will not seek any new CWA clients. In addition, during this transition period, Mr. Erndl's activities, as they relate to his CWA clients, will be limited to providing financial planning and guidance on asset allocation. He will not make any investment decisions on behalf of his CWA clients. The assets of Mr. Erndl's CWA clients invested in a custom options investment strategy managed by Mr. Erndl will be deducted from strategy assets under management when calculating advisory fees so that CWA clients will not be charged twice for advisory services.

The strategies were previously managed by First Trust Investment Solutions (FTIS). Effective October 31, 2024, FTIS merged into First Trust Advisors L.P. ("FTA"). All business activities, including portfolio management and business records are now performed under FTA.

Scan to view ODD

IMPORTANT INFORMATION

Definitions

An **option** is a contractual obligation between a buyer and a seller. There are two types of options known as “calls” and “puts.” The buyer of a **call option** has the right, but not the obligation, to purchase an agreed upon quantity of an underlying asset from the writer (seller) of the option at a predetermined price (the strike price) within a certain window of time (until the option’s expiration), creating a long position.

A **put option** gives the holder the right to sell the underlying asset at the strike price within a specified time period.

An option is **out-of-the-money** when the current price of the underlying asset (for a call option) is below the strike price or (for a put option) is above the strike price.

A **covered call** refers to a financial transaction in which the investor selling call options owns an equivalent amount of the underlying security.

A **protective put** is an option strategy that investors employ to potentially guard against a loss in a stock or other asset.

An option is **out-of-the-money** when the current price of the underlying asset (for a call option) is below the strike price or (for a put option) is above the strike price.

An option is **at-the-money** when the current price of the underlying asset is equal to the strike price.

Downside floor is a limit on a possible loss during the collar implementation.

The **S&P 500® Index** is an unmanaged index of 500 companies used to measure large-cap U.S.
stock market performance.

A **collar strategy** is a risk management strategy whereby an investor sells an out-of-the-money covered call option and uses the premium received to partially offset the cost of purchasing an at-the-money put option, providing the investor with a predetermined level of downside protection and upside potential to a cap.

An **Index Exposure Strategy** is a synthetic long strategy whereby an investor buys an out-of-the-money call option to gain exposure to price performance of an index while selling an at-the-money put option to finance the cost of buying the call option (which will expose the client to downside risk in the index).

Delta measures an option’s price movement for every $1 change in the price of the underlying security or index.

An **option skew** refers to the level of implied volatility for options with different strike prices.

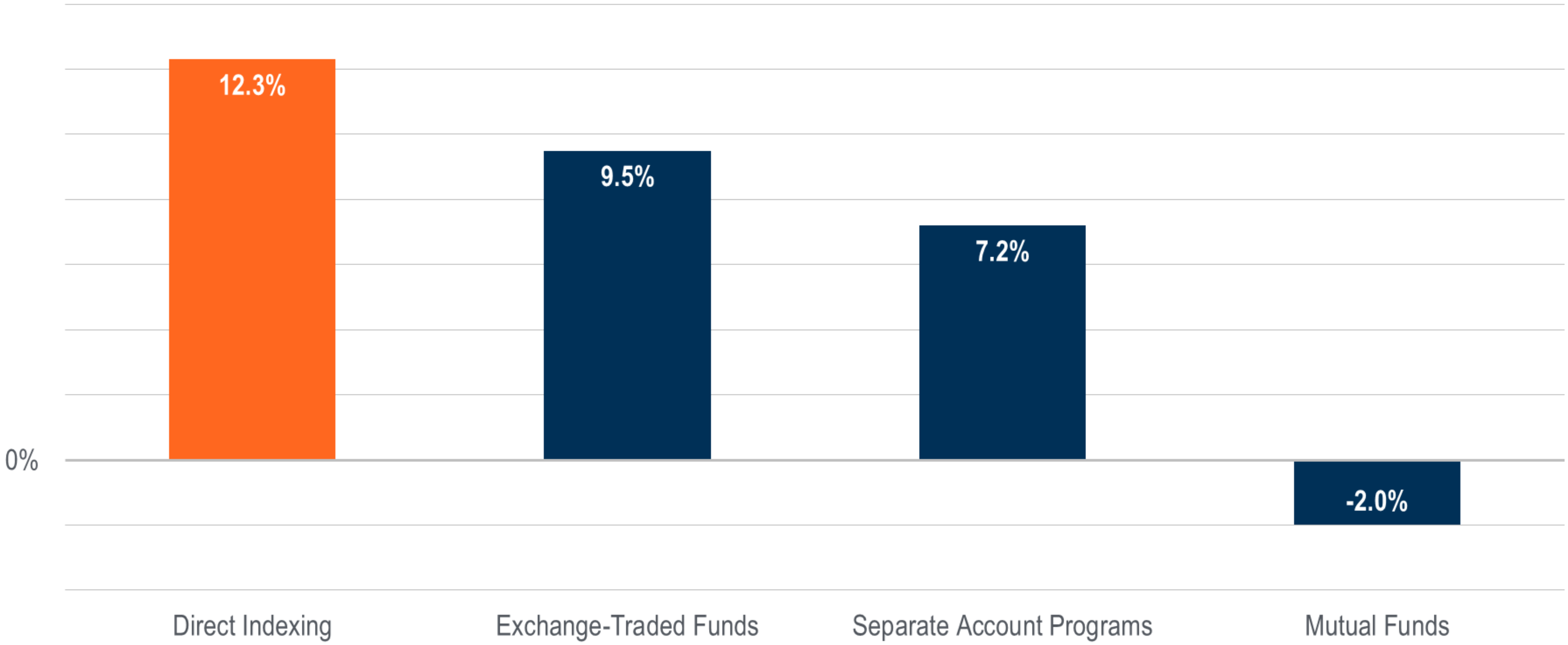
Moneyness refers to the relationship between the current price of the underlying asset and the strike price of the option.

A **premium** is the income received by an investor who sells the option contract to another party.

Tax alpha (after-tax portfolio return – after-tax benchmark return) – (pre-tax portfolio return – pre-tax benchmark return).

Direct Indexing

PROJECTED 5-YEAR GROWTH RATE BY PRODUCT



Source: Business Wire December 2022. Data from Cerulli Associates as of August 2021. Compound Annual Growth Rate (CAGR) data from 2021-2026. There is no guarantee that past trends will continue, or projections will be realized.

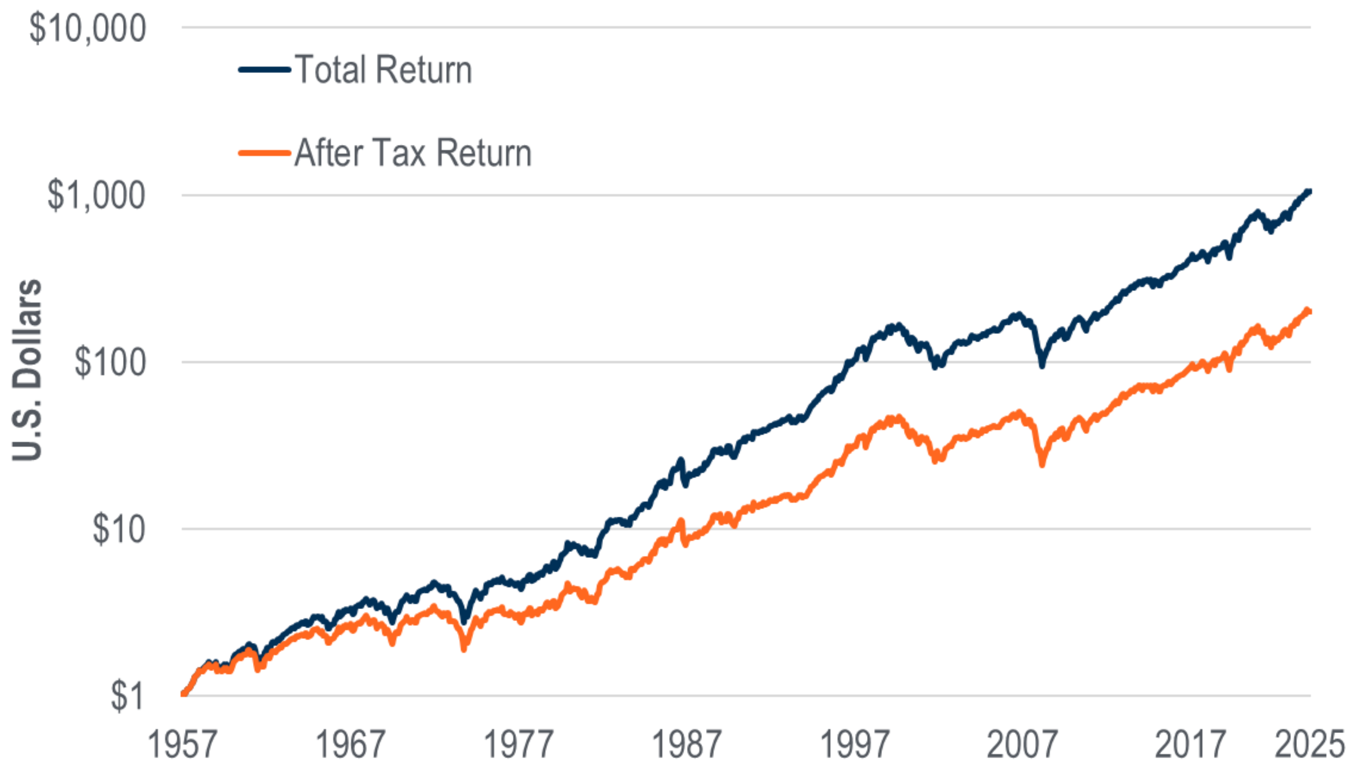
TAX DRAG

Compound Annual Returns (1957-2025)

No Tax Environment: 10.8%

After-Tax Environment: 8.1%

S&P 500® Index Pre-Tax and After-Tax Returns



Past performance is not a guarantee of future results.

Data from 12/1957-1/2025.

Source: S&P and Bloomberg. The S&P 500® Index monthly dataset uses data beginning in 1957 and represents yearly total returns and yields of large-cap stocks, small-cap stocks, corporate bonds, government bonds of several maturities, and inflation. Hypothetical value of $1 invested since 1957, with taxes paid monthly. Annual income tax and capital gains tax rates assume a Consumer Price Index (CPI) equivalent income increase every year to the max social security tax income ($160,200 in 2023). Historical tax rates calculated using historical income tax, capital gains tax rates and qualified dividend income tax rate since 2003. For illustrative purposes only and not indicative of any direct index account. An investment cannot be made directly in an index. This should not be construed as a representation that any account will, or is likely to, achieve profits, losses or tax savings similar to those reflected in this example.

WHAT IS DIRECT INDEXING?

SMA Chassis
Investors own individual securities in a portfolio via a separately managed account

Fintech
Our platform streamlines the entire process

Index Replication
Optimized exposure to chosen benchmarks

Continuous Tax-Loss Harvesting
Ability to employ tax-loss harvesting to individual securities at any time. Maximizing the potential for tax-alpha

Tax-Efficient Transitions
Transfer selected securities in-kind and specify capital gains limits to minimize, delay, or avoid net taxes

Customizable
Create personalized portfolios to reflect a client's investment goals

INVESTMENT PROCESS

Select Index

Portfolio holdings are selected from a universe of index constituents in the chosen benchmark.

Customize

Exposure to the index can be customized to align with account-specific needs as well as personal values. First Trust's direct indexing platform provides a menu of 70 levels of customization.

Sample & Optimize

The portfolio optimization process divides the index into a series of factor exposures then builds a sample subset of securities that still closely represents the exposures of the full index.

Portfolio

The portfolio closely mimics the index with minimal tracking error.

Tax Alpha

Our continual portfolio review with intra-day tax-loss harvesting seeks to maximize after-tax returns.

For illustrative purposes only and not indicative of any direct index account.

Select Index

Customize

Sample & Optimize

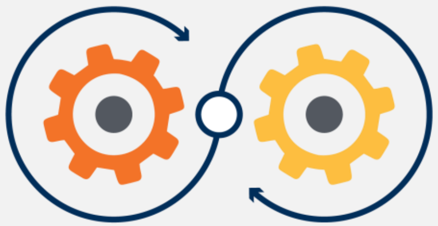
Portfolio

Tax Alpha

Portfolio holdings are selected from a universe of index constituents in the chosen benchmark.

Choose a Benchmark

- [x] U.S.
- [ ] Global
- [ ] All Cap



For illustrative purposes only and not indicative of any direct index account.

INVESTMENT PROCESS

Select Index

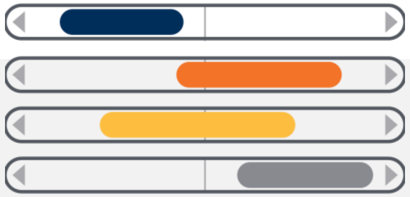
Customize

Sample & Optimize

Portfolio

Tax Alpha

Exposure to the index can be customized to align with account-specific needs as well as personal values. First Trust's direct indexing platform provides a menu of 70 levels of customization.



Personalize

Align personal values

Account-specific needs

ESG

For illustrative purposes only and not indicative of any direct index account.

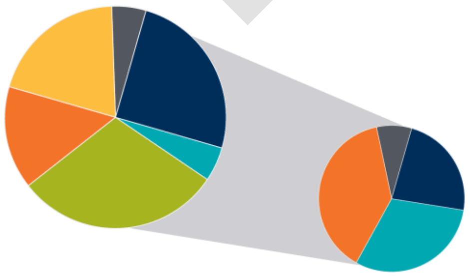
- Select Index
- Customize
- **Sample & Optimize**
- Portfolio
- Tax Alpha

The portfolio optimization process divides the index into a series of factor exposures then builds a sample subset of securities that still closely represents the exposures of the full index.

Example

S&P 500® Index — Full Index

HCA Exxon BP Pepsi Coke J&J



Direct Indexing — "Sample" of Full Index

HCA BP Pepsi

This example is for illustrative purposes only and not indicative of any direct index account.
References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable.

INVESTMENT PROCESS

Select Index

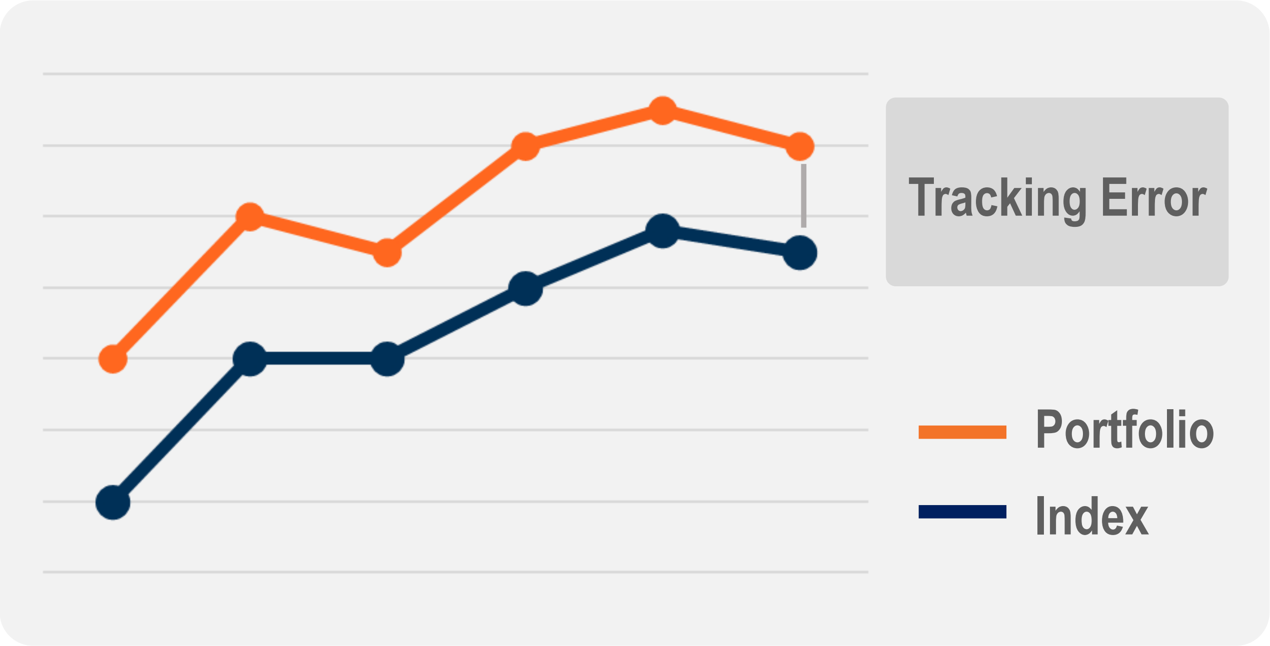
Customize

Sample & Optimize

Portfolio

Tax Alpha

The portfolio closely mimics the index with minimal tracking error.



For illustrative purposes only and not indicative of any direct index account.

INVESTMENT PROCESS

Select Index

Customize

Sample & Optimize

Portfolio

Tax Alpha

Our continual portfolio review with intra-day tax-loss harvesting seeks to maximize after-tax returns.

Example Starting Portfolio

HCA BP Pepsi

Sell Pepsi → Buy Coke

Example Rebalanced Portfolio

HCA BP Coke

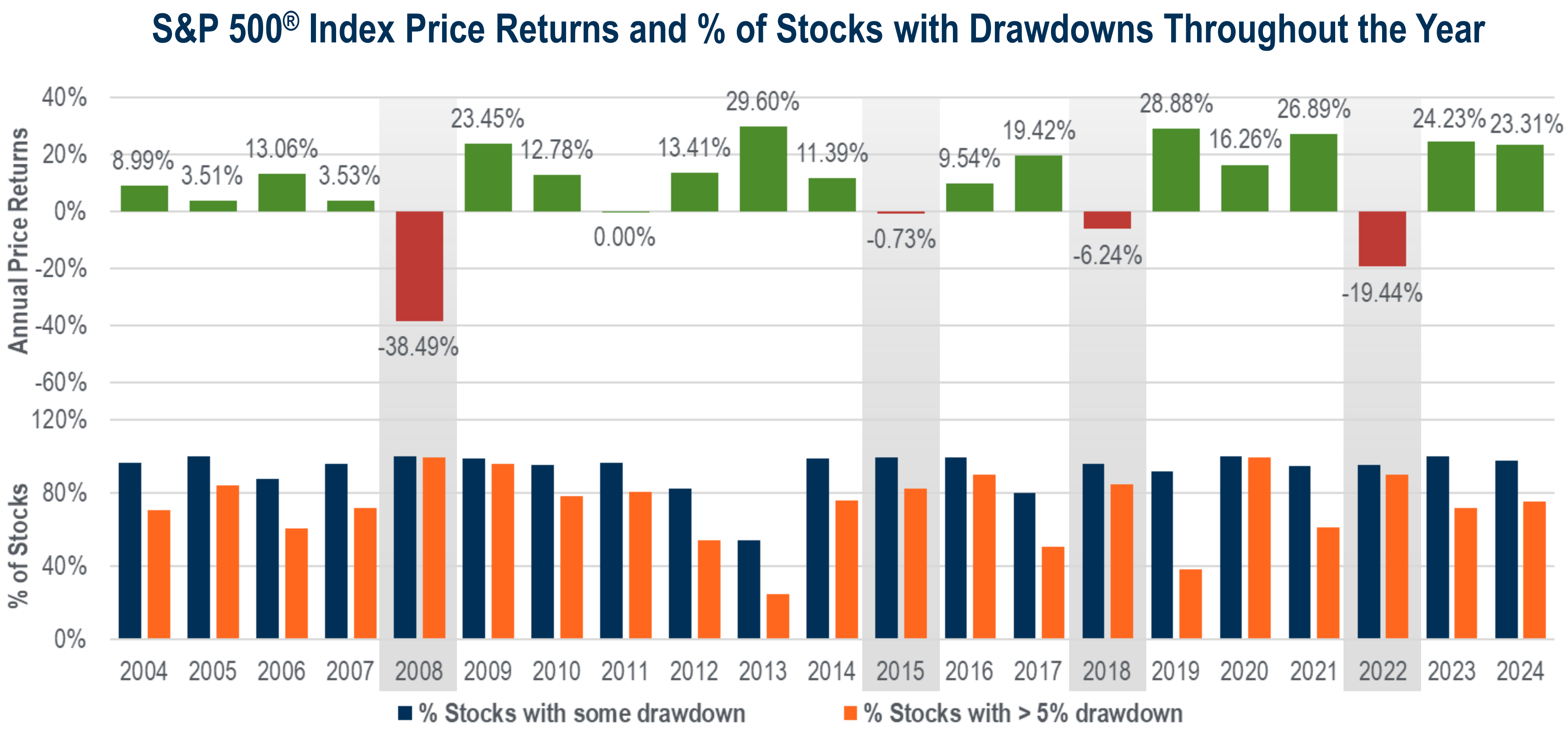
Creates Realized Tax Loss to Offset Gains

This example is for illustrative purposes only and not indicative of any direct index account.
References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable.

TAX LOSS HARVESTING OPPORTUNITIES EXIST IN ALL MARKETS

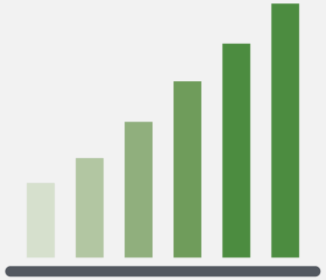
Over 20 Years (annualized):

- On average, 93% of stocks in the S&P 500® Index experienced a drawdown at some point during the year.
- 74% of stocks were down 5% or more from their annual starting price.
- In years with large drawdowns almost all stocks experienced some negative returns.



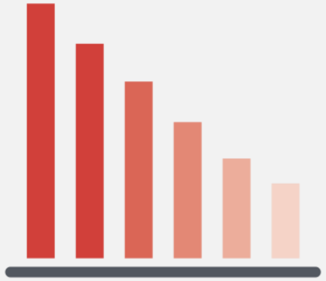
Source: S&P, Capital IQ. ***Past performance is not a guarantee of future results.*** Index data is for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges.

How It Works



Capital Gains

—



Capital Losses

=

Reduce or Eliminate Tax Bill

- Offset investment gains
- Offset up to $3,000 of ordinary income on a joint tax return in one year
- Unused losses can be carried forward to future tax years

Source: *IRS.gov*

Direct indexing seeks to provide an enhanced ability to generate tax alpha, which has the potential to optimize after-tax returns.

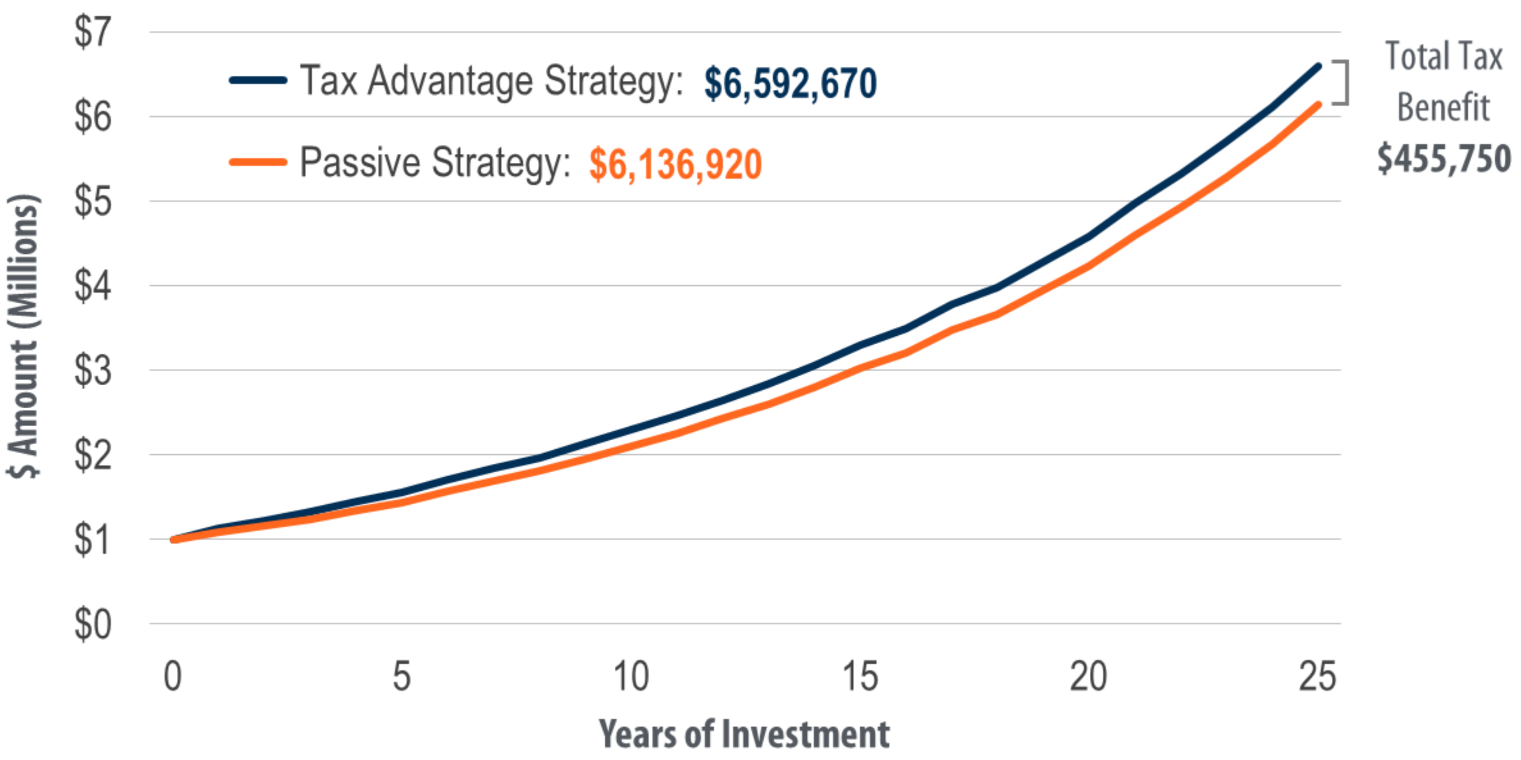
Tax Alpha

Excess After-Tax Return – Excess Pre-Tax Return

Direct indexing utilizes tax-loss harvesting to generate tax alpha, which increases after-tax returns. While alpha is a measure used to evaluate portfolio returns in excess of a benchmark index, tax alpha is a measure of after-tax account return that exceeds pre-tax return in excess of a benchmark.

TAX ALPHA BENEFIT OVER TIME

The example below illustrates the tax alpha that may be achieved by the growth of an initial investment over a 25-year period.



Assumptions

Initial Investment Amount: $1 Million

Annualized Equity Market Return: 8%

Dividend Tax Rate: 23.80%

Long-Term Capital Gains Tax Rate: 23.80%

Short-Term Capital Gains Tax Rate: 40.80%

Scan to use the

First Trust Tax Advantaged Simulator

For illustrative purposes only and not indicative of any direct index account.

Methodology: This sample provided does not reflect the investment results of actual securities and is not a guarantee of future results. Changes to the assumptions will drastically change the results. The sample provided assumes a starting basket of 300 equally-weighted hypothetical securities. Returns are randomly simulated monthly with the annualized mean chosen above and annualized standard deviation of 30%. It is assumed that the portfolio's 2% annualized dividend yield is subject to income tax and is reinvested monthly into a new tax lot. The "Passive" strategy simulates a buy-and-hold strategy over the investment horizon. The "Tax-Advantaged" strategy simulates a tax-loss harvesting strategy. In any period that a tax lot's cumulative loss exceeds 5%, the tax lot is sold, and the proceeds are immediately reinvested, plus any tax benefit, into a new tax lot. Tax benefit calculations assume that the capital gains offset by the harvested loss are 50% short-term and 50% long-term. The Monte Carlo simulation takes an average across 2000 iterations for each set of return, risk, and tax assumptions. The sample presented does not represent actual trading of securities and is not indicative of actual investment strategy performance. The impact of market factors is not included in this simulation which may cause the results to be over-or-under stated. This should not be construed as a representation that any account will, or is likely to, achieve profits, losses or tax savings similar to those reflected in this example.

Transition Alpha

Transition Tax Savings vs. Liquidation

TRANSITION ALPHA

Transitioning their current portfolios to more tax-efficient strategies or ones that align better with their investment needs, such as a direct index SMA, allows investors to harvest gains and losses at the individual security level while staying in-line with risk and tracking error preferences.

Transition Analysis Report

Prepared for **[Client Name]**

Account	Portfolio 1 vs S&P 500 Index	Initial	Short Term	Long Term	Total
Market Value	$1,301,625	**Unrealized Gain**	$1,606	$269,541	$271,147
Number of Holdings	22	**Unrealized Loss**	-$3,740	-$38,772	-$42,512
Current Predicted TE	13.88%	**Total**	**-$2,134**	**$230,769**	**$228,635**
Current Cash	$120,320				

Scenario	Predicted TE	Turnover (one-way)	Realized ST Gain/Loss	Realized LT Gain/Loss	Tax Cost	Transition Tax Savings
#1	2.63%	8.17%	-$3,370	-$33,718	-$9,411	$63,463
#2	2.04%	16.40%	-$3,566	$3,548	-$607	$54,659
#3	1.76%	20.98%	-$3,839	$20,136	$3,226	$50,826
#4	0.85%	34.96%	-$3,790	$95,803	$21,247	$32,805
#5	0.51%	41.09%	-$3,790	$129,424	$29,269	$24,783

For illustrative purposes only and not indicative of any direct index account.

PERSONALIZATION

Whether prioritizing traditional factors, risk management strategies, thematic positioning, or values-based investing, advisors can completely customize their clients' exposure to selected benchmarks based on their investment goals and personal values.

Choose a Benchmark

- U.S.
- Global
- International

Personalize

- Align personal values
- Account-specific needs
- ESG

Customize

- Portfolio Tilts
- Factor / Sector

Your Portfolio

The personalization and customization screens shown above are examples. The direct indexing platform provides a menu of 70 levels of customization from which to choose.

WHY CHOOSE DIRECT INDEXING?

- ✓ Continual portfolio review with intra-day tax-loss harvesting
- ✓ Select from integrated major branded indexes
- ✓ Index blending and custom benchmark development
- ✓ Portfolio customization with over 70 preset options
- ✓ Capital gains budgeting
- ✓ CONSOLE Access to intuitive advisor user interface
- ✓ On-demand quarterly performance reports
- ✓ Real-time portfolio transition analysis and reporting
- ✓ Implementation specialists to support client onboarding
- ✓ Solutions for Institutional and tax-exempt organizations
- ✓ Fund with cash or in-kind securities

THE POWER OF COMPOUNDING TAX SAVINGS

Average First Year Tax Alpha
By Account Inception Year

Inception Year	Average First Year Tax Alpha
2019	5.01%
2020	2.92%
2021	4.46%
2022	4.00%
2023	2.06%
2024	**1.95%**

Accounts are funded exclusively with cash. Performance is net of fees.

Past performance is not a guarantee of future results.

First Year Tax Alpha is calculated as the forward twelve-month period from the point of account inception. **Funded with Cash** refers to accounts funded exclusively with cash and no mix of other securities. The returns shown are an aggregate of the returns on Direct Indexing accounts funded with cash, which includes 88 accounts.

Tax Alpha = (after-tax portfolio return – after-tax benchmark return) – (pre-tax portfolio return – pre-tax benchmark return).

DIRECT INDEXING SCENARIOS

Scenario 1 | Index Fund Investor Seeking To Increase After-Tax Returns

Scenario 2 | Exiting Appreciated Positions

Scenario 3 | Complementary Tax Loss Engine

Scenario 4 | Future Taxable Liquidation Event

Scenario 5 | Offset Taxable Payouts of Illiquid Alternatives

Scenario 6 | Values Based Client

DIRECT INDEXING SCENARIOS

Scenario 1 | Index Fund Investor Seeking To Increase After-Tax Returns

Scenario: Client is invested in and adding to beta indexed funds in a taxable account.

Goal: Maintain return profile of a beta index while adding tax alpha.

- The direct index SMA can be funded with a mixture of cash, stocks, and ETFs and new money is diverted from beta positions.
- The client maintains beta index exposure with the tax loss harvesting engine of Direct Indexing running underneath, providing the potential for tax loss alpha and after-tax outperformance.

Scenario 2 | Exiting Appreciated Positions

Scenario: Client has a concentrated position in securities that have appreciated in value and client is averse to selling given the tax costs.

Goal: Track a risk appropriate benchmark and minimize the securities overweight while minimizing taxes.

- The client can use an in-kind transfer of stock positions to fund the direct index SMA. Also funding with cash may be helpful but is not required.
- The direct index algorithm uses any cash and higher basis securities to reposition around the concentrated securities and more closely track the benchmark.
- Tax losses can be generated through intraday tax loss harvesting while staying fully invested. Offset losses with the sale of appreciated securities and reinvest proceeds to improve tracking of the benchmark.

Hypothetical scenarios are presented for educational and illustrative purposes only. They are not representative of any actual client experience.

DIRECT INDEXING SCENARIOS

Scenario 3 | Complementary Tax Loss Engine

Scenario: Advisor has models or active strategies that generate consistent taxable gains while seeking investment alpha.

Goal: Offset gains from active strategy with losses generated by Direct Indexing.

- Run a separate direct index SMA account with the goal of index returns and generation of tax losses to offset the active strategies.

Scenario 4 | Future Taxable Liquidation Event

Scenario: Client is anticipating a sizeable taxable gain in future years – for example, from the sale of property or a business.

Goal: Accumulate losses while benchmark indexing to mitigate a future concentrated cap gain event.

- The direct index SMA can be funded with a mixture of cash, stocks, and ETFs that would otherwise have been invested for equity exposure.
- The client maintains the desired equity index exposure while harvesting losses and building a bank of capital losses that can be carried forward to future tax years.
- Upon the sale of the appreciated asset, the client can offset a capital gain with any capital losses carried forward.

Hypothetical scenarios are presented for educational and illustrative purposes only. They are not representative of any actual client experience.

DIRECT INDEXING SCENARIOS

Scenario 5 | Offset Taxable Payouts of Illiquid Alternatives

Scenario: Client has exposure to illiquid alternatives that produce taxable payouts prior to full liquidation.

Goal: Offset periodic tax liabilities with losses generated by a direct index SMA and build up reservoir for full liquidation event.

- Run a direct index SMA in parallel with private investments to generate capital losses that can be used to offset future capital gains.

Scenario 6 | Values Based Client

Scenario: Client wants to invest with their specific personal values and not the general values of an ETF or fund.

Goal: Precisely reflect the client's values while tracking the client's chosen benchmark as closely as possible.

- The client along with the advisor chooses an index to seek to track its performance. The client also chooses their personal values screens and tilts. The direct indexing algorithm optimizes stock selection to seek returns as close as possible to the index while reflecting the client's personal values.

Hypothetical scenarios are presented for educational and illustrative purposes only. They are not representative of any actual client experience.

MUTUAL FUNDS, ETFs AND DIRECT INDEXING

Potential Benefits	Mutual Funds	ETFs	Direct Indexing
Seeks to match (or exceed) the returns of a benchmark	✓	✓	✓
Tax efficiency*	X	✓	✓
Potential to create tax alpha	X	X	✓
Potential to create transition alpha	X	X	✓
Portfolio customization	X	X	✓
Ability to fund in-kind	X	X	✓

* A mutual fund's tax inefficiencies come from the frequent payout of embedded gains. ETFs lower the frequency due to their in-kind exchange mechanism. With SMAs, client's own securities directly and can tax loss harvest/pass-through losses.

IMPORTANT INFORMATION

First Trust Portfolios L.P. ("First Trust") is a distributor of unit investment trusts, exchange-traded funds, third-party issued structured investments and other investment products. We market these products to other broker-dealers and investment advisers for potential investment by their clients. First Trust is not your broker or investment advisor and is not made privy to your individual financial situation under First Trust, federal and state privacy laws and your broker's or investment advisor's privacy policies and, accordingly, has not reviewed or considered your particular needs or individual circumstances when marketing investment products to your broker-dealer or investment adviser. As such, First Trust is not making any recommendation based upon the particular needs or individual circumstances of any particular person and, therefore, is not acting in a fiduciary or any other capacity on your behalf within the meaning of ERISA, the internal revenue code or any other regulatory framework. Any information provided in this presentation is not intended to be, and should not be construed as, a recommendation to invest in an investment strategy or buy, sell or hold a specific security.

IMPORTANT DISCLOSURES

For additional information, please refer to First Trust Advisor L.P.'s Form ADV Part 2A.

This is not an offer to buy or sell any security and does not include a complete list of all securities purchased or sold in the period or for all clients. Actual holdings will vary and there is no guarantee that any client will hold any mentioned positions. No security or discipline is profitable all the time and there is always the possibility of loss.

There is no assurance that a separately managed account ("SMA") will achieve its investment objective. Accordingly, you can lose money investing in an SMA. SMAs are subject to market risk, which is the possibility that the market values of the securities in an account will decline and that the value of the securities may therefore be less than what you paid for them. The value of investments held by the strategy may increase or decrease in response to economic, financial, and political events (whether real, expected, or perceived) in the U.S. and global markets. It is difficult to predict the timing, duration, and potential adverse effects (e.g., portfolio liquidity) of events.

An SMA strategy 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 strategy.

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

While SMAs can be customized, accounts with smaller balances may struggle to achieve optimal diversification across multiple asset classes due to the higher cost of individual securities.

Fees associated with SMAs can be higher than mutual funds and ETFs that include manager, service, and advisory fees. Being able to withdraw cash from an SMA may be delayed due to the amount and type of positions to be sold. Withdrawals may negatively impact the SMA's performance.

Investment Strategies that seek to enhance after-tax performance may be unable to fully realize strategic gains or harvest losses due to various factors. Market conditions may limit the ability to generate tax losses. Tax-loss harvesting involves the risks that the new investment could perform worse than the original investment and that transaction costs could offset the tax benefit. Also, a tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses.

This summary is not intended to be tax or legal advice. This summary cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This summary is being used to support the promotion or marketing of the transactions herein. The taxpayer should consult an independent tax advisor.

Investors or financial professionals should consult with a tax professional regarding the potential application of loss deferral regimes, such as wash sales and straddles, to these securities and potential transactions along with other securities and transactions in the broader portfolio.

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.

The strategy was previously managed by First Trust Direct Indexing ("FTDI"). Effective October 31, 2024, FTDI merged into First Trust Advisors L.P. ("FTA"). All business activities, including portfolio management and business records are now performed under FTA.