First Trust
Investment Solutions

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 and a buffer if the stock price decreases. 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.

High Income Potential

Limited Downside Protection

Growth Potential

Diversification Potential

Diversification does not guarantee a profit or protect against loss.

POTENTIAL RETURN SCENARIOS OF THE COVERED CALL TRANSITION STRATEGY

Stock Price Moves Higher

If the price of the underlying stock increases, the strategy will participate in gains up to the strike price. The profit potential is equal to the strike price plus call option premium and dividends paid on the underlying stock.

Stock Price Remains Stable

If the underlying stock remains stable, the profit potential is equal to the option premium received plus any stock dividends.

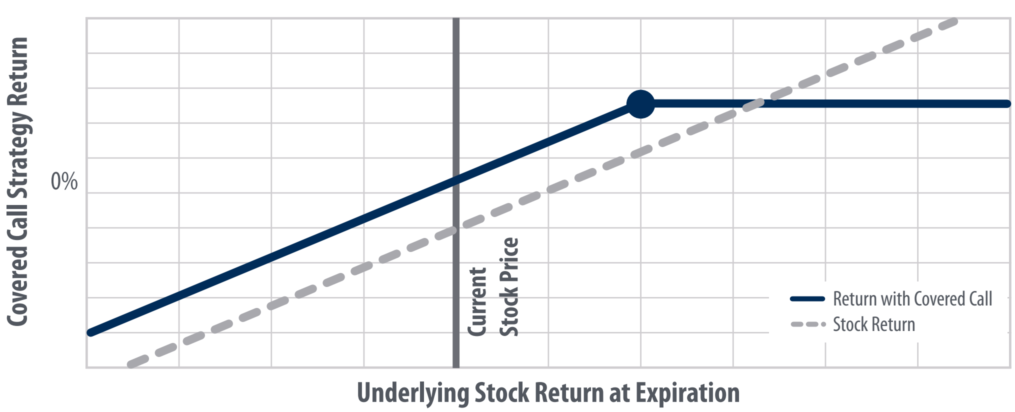
Stock Price Declines

If the stock price declines, loss potential is equal to the stock price(s). However, the call option premiums received from the written call(s) and any dividends received may offset some of the losses.

HOW COVERED CALLS WORK

For investors interested in enhancing income, the strategy sells a call on the underlying stock. The investor will receive a premium for the call option sold and participate in potential price gains up to the call strike price.

COVERED CALL ILLUSTRATION



The chart is for illustrative purposes only and not indicative of any actual investment. You could lose money by investing in the strategy. Options trading is not appropriate for all investors. There can be no assurance that the strategy will achieve its investment objectives.

WHY CHOOSE FIRST TRUST INVESTMENT SOLUTIONS?

- We work with financial professionals and their clients to help manage their concentrated stock positions and potentially improve outcomes.
- Our suite of custom solutions offer the potential for yield enhancement, hedging, diversification and tax-mitigating strategies.
- We utilize best-in-class option analytics tools taking into account an option's delta, skew, and moneyness.
- Based on volatility surface, expected premiums and relative volatility, we provide an optimized strategy.
- We draft and adhere to a tailored Investment Policy Statement for each client based on their needs, goals, tax budget, risk tolerance and timeline.

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.

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.