

## First Trust Digital Return

The First Trust Digital Return strategy seeks defined upside and risk-adjusted returns with low to moderate volatility relative to the broader equity markets by investing in index-linked and/or ETF-linked structured investments.

### Portfolio Information

|                            |                           |
|----------------------------|---------------------------|
| Strategy Minimum           | \$1,000,000               |
| Individual Account Minimum | \$50,000                  |
| Inception Date             | 4/1/25                    |
| Account Type               | Structured Investment SMA |

### Defined Return Potential with a Risk Aware Design

In an environment characterized by market volatility and elevated interest rates, the First Trust Digital Return strategy employs a disciplined approach through a separately managed account structure that provides professional oversight and operational efficiency. The strategy seeks to optimize returns while adhering to a disciplined policy to mitigate downside risk.

### Key Features of the Strategy

**Laddered Approach:** The strategy creates a laddered portfolio of In-the-Money (ITM) digital notes maturing at defined intervals starting after one year. Upon a note's maturity, principal and any applicable upside payments will be systematically reinvested in a new note to maintain the ladder structure.

**Downside Risk Mitigation:** Barrier feature may help limit losses unless breached at maturity. Offers the potential to generate positive returns in various up and down market scenarios.

**Diversification:** The strategy allocates across multiple issuers, maturities, and underlying reference exposures which may reduce volatility and promote more consistent return patterns over time.

**Active Management:** An actively managed approach that seeks to maximize upside return potential and manage risk.

### ITM Digital Return Notes

ITM digital notes are linked to the performance of one or more underlying reference assets, such as an equity market index or an exchange-traded fund (ETF) that tracks an index (e.g. S&P 500® Index). Digital notes pay a single, pre-defined return or "digital payment" so long as the level of the reference asset at maturity is at or above the digital barrier. The "in-the-money" designation refers to how the note is structured at inception: ITM notes are structured with the digital barrier threshold set below the initial level of the reference asset. This creates an immediate cushion, providing a conservative starting point that may benefit investors seeking greater certainty of receiving the contingent digital payment at maturity. ITM Digital Return Notes have two main features that determine an investor's return:

**In-the-Money Digital Barrier:** The digital payment is not guaranteed. It is paid at maturity only if the underlying reference asset's value is at or above the set digital barrier level.

### Strategy Focus

**Reference Assets:** Notes can be linked to a variety of indexes, such as:

- S&P 500® Index (SPX), Russell 2000® Index (RTY), Nasdaq-100® Index (NDX), Dow Jones Industrial Average® (DJIA)
- No more than "worst of" 3 indexes per CUSIP

**Maturities:** At least 12 months

**Principal and Digital Barrier Threshold:** at least 35% (65% of initial level)

**Issuer Limit:** Maximum 50% of strategy to a single issuing bank

Maturity Date



Is the Reference Asset's value at or above the **digital barrier level**?



Yes → Digital Return Paid  
No → Digital Return Not Paid

**Principal Barrier:** Principal is considered "at risk" because repayment is not guaranteed and is contingent on the reference asset staying at or above the "principal barrier level" at maturity. If the reference asset is at or above the barrier, principal is fully returned along with the digital payment. If the reference asset declines below the barrier, investors lose out on the digital payment and are exposed to losses from the initial level to the final level of the reference asset.

Maturity Date



Is the Reference Asset's value at or above the **principal barrier level** at maturity?



Yes → Full return of principal  
No → 1:1 principal loss

Diversification does not guarantee a profit or protect against loss.

*The Strategy includes complex features that make it difficult for investors to fully understand its characteristics and underlying risks. You should consider fully the Strategy's investment objectives, risks, and charges and expenses carefully before investing or recommending to your clients.*

Please see definitions and additional risk considerations on page 4.

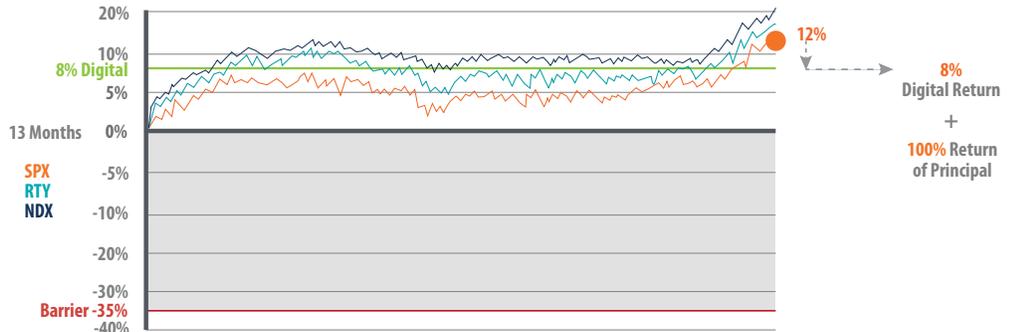
## How It Works | Potential Return Scenarios of a Digital Return Note at Maturity

The charts below illustrate four potential outcomes for a contingent digital return note. Each scenario reflects a different market condition and demonstrates how the note may respond based on the performance of the underlying reference asset or combination of reference assets (“worst of”). These examples are intended to help investors understand how digital payments, early calls, and principal outcomes may vary depending on market performance.

### SCENARIO 1

#### Underlier is Positive and Above Digital

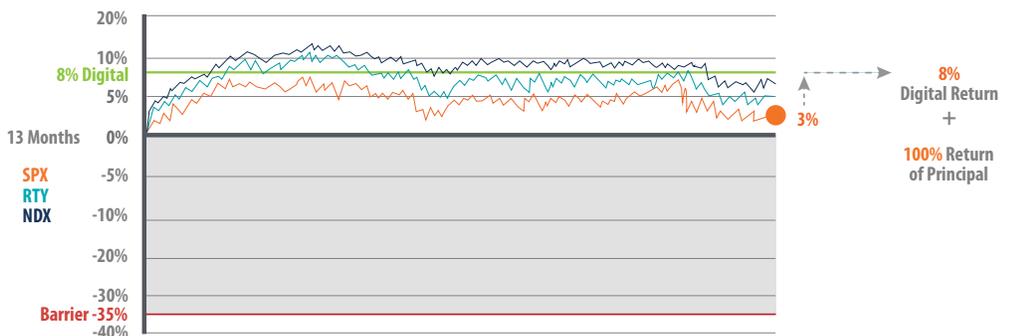
In this scenario, the underlying equity index is up 12% at maturity. Because the return of the underlying index is above the digital barrier, the investor receives the digital payment of 8% and 100% return of principal.



### SCENARIO 2

#### Underlier is Flat to Positive

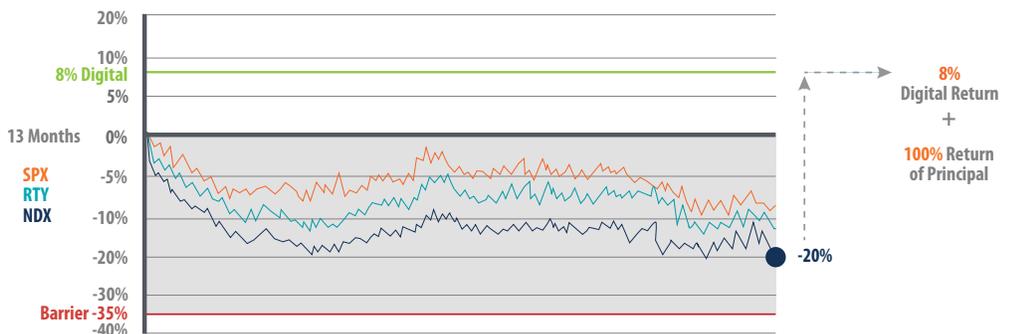
In this scenario, the underlier is up 3% at maturity, the investor receives the digital payment of 8% and 100% return of principal.



### SCENARIO 3

#### Underlier is Negative and Above Barrier

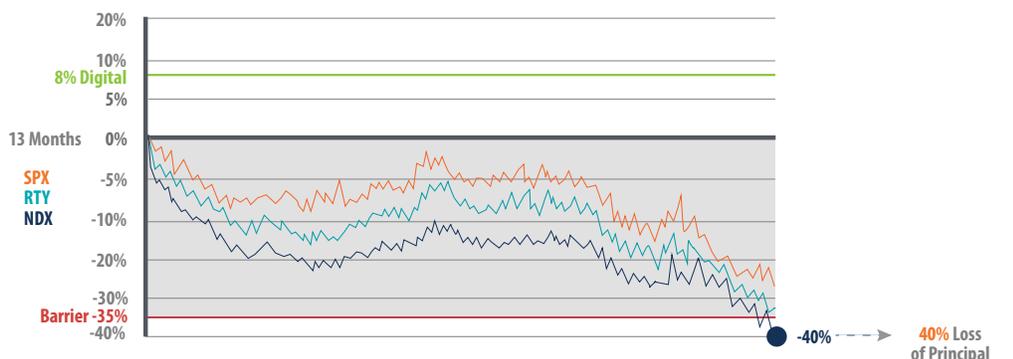
In this scenario, the underlier has a return of -20% at maturity. Because the return of the underlier is above the 35% barrier, the investor receives the digital payment of 8% and 100% return of principal.



### SCENARIO 4

#### Underlier is Negative and Below Barrier

In this scenario, the underlier has a return of -40% at maturity. Because the return of the underlier is below the stated barrier, the investor loses out on the 8% digital payment and experiences a 40% loss of principal.



The examples illustrate the intended investment characteristics of a Digital Return Note in various market conditions and are not indicative of any actual investment or holding in the Strategy. These examples should not be relied upon to gauge the performance of the Strategy. The Strategy performance will be materially different than the examples above. The examples are based on a hypothetical reference asset returns at maturity and do not account for payment of fees and expenses so the actual returns would be lower. A strategy may not be able to achieve the hypothetical returns shown here. **The Strategy includes complex features that make it difficult for investors to fully understand its characteristics and underlying risks. You should consider the Strategy’s investment objectives, risks, charges and expenses carefully before investing or recommending this strategy to your clients.** Please see definitions and additional risk considerations on page 4.

## A Comprehensive Investment Framework

Our investment approach seeks to maximize the potential benefits of digital return notes while carefully managing the associated risks. We combine disciplined credit analysis, active portfolio management, and thoughtful structuring which enables us to remain agile and responsive throughout the lifecycle of the notes, with a clear focus on optimizing returns and protecting investor capital.

### FUNDAMENTAL CREDIT REVIEW

Fixed-Income Sub-Committee  
 Credit Risk Management  
 Continuous Monitoring



### PORTFOLIO CONSTRUCTION & MONITORING

Investment Team  
 Active Management  
 Competitive Auction & Ongoing Market Insight

## Continuous Portfolio Oversight

### Credit Review: Safeguarding Credit Quality

The fixed income sub-committee of the First Trust Investment Committee conducts a fundamental credit review each month, evaluating the creditworthiness of the issuers. This ensures high credit quality and allows us to swiftly adapt to any changes in market or issuer conditions. Structured investment issuers are continuously monitored for their credit health.

### Portfolio Management

Our investment team is responsible for portfolio construction and monitoring, carefully selecting and managing the notes to balance optimal portfolio positioning with risk diversification. They continuously assess performance and risk factors, including protection levels and investment limits, to ensure that the portfolio remains aligned with the strategic objectives. Key elements of this process include:

- Portfolio positioning and diversification aligned with strategy objectives and constraints.
- Setting return targets and strategy exposures with attention to valuations and risk factors impacting each structured note.
- Daily oversight of performance and risk factors, relative to structure protection levels, investment limits, and alignment with strategic objectives.

### Structuring and Execution

Our structuring desk works seamlessly within the investment process, structuring notes through competitive auctions and leveraging ongoing market insights to secure favorable terms. This enables us to customize notes by issuer, maturity, and underlying equity exposure, aligning them with our strategy and risk tolerance.

### Lifecycle Management: Active Monitoring Throughout

We remain engaged across the entire lifecycle of each investment:

- Continuous monitoring of life cycle events such as calls, maturities, and coupon payments.
- Agile response to market shifts and issuer developments.
- Ongoing assessment to maintain portfolio resilience and identify opportunities.



## Risk Considerations

**There can be no assurance that a strategy will achieve its investment objectives. 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 of 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.

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.

Structured investment strategies are considered complex, risky and are not appropriate for all investors.

Structured notes offer a wide variety of features, with attributes which affect their risks and potential rewards. Before making any investment decision, an investor should refer to a structured note's offering documents for additional information and obtain advice from their financial, legal and tax professionals for information about and analysis of the investment, its risks and its appropriateness in their particular circumstances.

Structured notes lack liquidity. Structured notes are not listed on any securities exchange and an investor may not be able to sell a structured note prior to maturity. An issuer may offer to purchase a structured note in the secondary market, but it is not required to do so. The price, if any, at which an issuer may be willing to purchase a structured note in the secondary market, if at all, may result in significant loss of principal. An investor should be able and willing to hold a structured note to maturity.

Structured notes are classified as senior unsecured debt. Payment on a structured note is subject to the credit risk of the issuer. Credit risk means that if the issuer were to default on its payment obligations, the structured note investor may not receive any amount owed under the structured note and could lose their entire principal investment.

The potential return on a structured note is subject to market volatility and the risks associated with the reference asset. The return of a structured note may be zero or less than what could have been earned on a traditional fixed income security.

Structured notes are not deposit liabilities or other obligations of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency or program of the United States or any other jurisdiction.

**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 regarding the U.S. federal income tax consequences of an investment in the notes in the Strategy.**

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

## Definitions

**Principal** is the investor's initial amount of money invested.

**Digital Return Notes** are linked to the performance of one or more underlying reference assets, such as an equity market index or an exchange-traded fund (ETF) that tracks an index (e.g. S&P 500® Index). Digital Return Notes pay one coupon payment at the maturity instead of at fixed intervals during the duration of the note. The Digital Note will pay the coupon amount if the underlying reference asset is above a stated downside barrier at maturity. If the underlying reference asset is below the barrier the investor will not receive the coupon payment and will be subject to the full amount of principal losses.

**Dow Jones Industrial Average®** is a price weighted average of 30 U.S. blue-chip companies.

**Nasdaq-100 Index®** includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization.

**Russell 2000® Index** is an unmanaged market-cap weighted index that includes the smallest 2,500 companies from the Russell 3000 Index.

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