First Trust

Premium Direct Indexing™

Direct Indexing + *Option Overlay*

First Trust Premium Direct Indexing strategies are designed for investors looking for a personalized investment approach that seeks to maximize tax efficiency while using options to enhance income or hedge equity positions. The strategies may offer transparent, easy to follow, outcome-based investments for:

Risk Management • Income Potential • Growth Potential

Direct Indexing

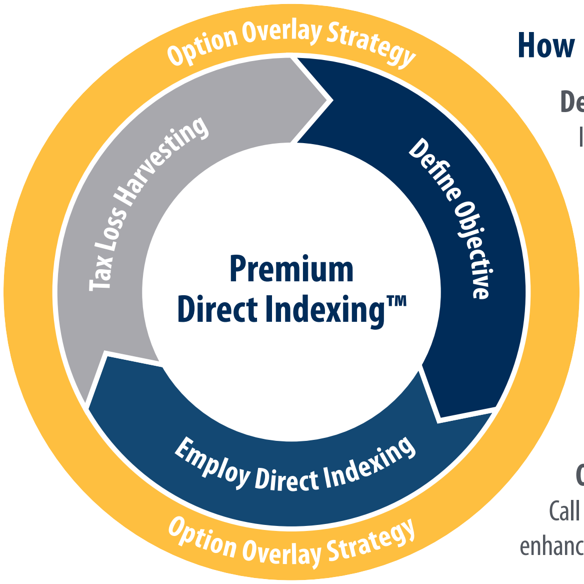
Direct indexing seeks to closely track the performance of a market index while creating tax savings to increase after-tax returns. Investors own individual securities in a portfolio via a separately managed account ("SMA"). Holding individual securities rather than a single fund provides for portfolio customization while allowing for greater tax efficiency. Throughout the year, tax-loss harvesting is employed to realize losses to offset potential gains.

Potential Benefits of Premium Direct Indexing™

- Tax-Advantaged Investing
- Flexible Funding of an Account With Cash, In-Kind, or Both
- Structured Outcome Investing
- Enhanced Returns
- Financial Planning Integration

Premium Direct Indexing™

The "premium" aspect of Premium Direct Indexing represents the integration of an option overlay strategy which adds an additional layer of sophistication. This combination of direct indexing and options capabilities allows for a high degree of customization, making it possible to engineer portfolios that target individual risk tolerance, time horizons, income enhancement and tax objectives. First Trust Premium Direct Indexing strategies are professionally managed by our experienced portfolio management team using a disciplined investment process that actively monitors each portfolio for tax-loss harvesting opportunities, risk management, and income potential. Leveraging advanced technology and deep industry expertise, we stay attuned to market trends while maintaining a long-term focus on tax-efficient investing. Working closely with financial professionals, we simplify the complexities of options and direct indexing, enabling seamless integration of these customized solutions into their practice.



How It Works

Define Objective

Investors select a strategy, objective, and risk profile tailored to their investment needs.

Employ Direct Indexing

Portfolio holdings are optimized from a chosen benchmark that seek to closely mimic its returns with minimal tracking error.

Tax Loss Harvesting

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

Option Overlay Strategy

Call options, put options, or a combination of the two are used to seek investment objectives such as enhancing income or hedging equity exposure.

Options strategies are complex and not suitable for all investors.

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Premium Direct Indexing™ Strategies

Enhanced Income

Enhanced Income strategies combine the benefits of direct indexing and options to generate attractive levels of income that are generally higher than traditional equity or fixed income strategies.

Hedged Equity

Hedged Equity strategies combine the benefits of direct indexing and options to manage the downside risk or volatility of a portfolio over time.

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.

Securities of small- and mid-capitalization companies may experience greater price volatility and be less liquid than larger, more established companies whereas large capitalization companies may grow at a slower rate than the overall market.

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.

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.

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 buyers of options have the right, but not the obligation to buy (call option) or sell (put option) an underlying asset at a specified strike price within a certain time frame. Sellers of options may be obligated to sell (call option) or buy (put option) the underlying asset if the buyer exercises the option.

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

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