Inflation Hedge Opportunity Fund, R3

When it comes to investing — whether for income or for growth — investors can't afford to ignore the eroding effect inflation can have on the value of their assets. (Inflation is essentially a measure of the increase in the price of goods and services; the most commonly referenced measure of inflation is the Consumer Price Index (CPI).

In today's economic environment, inflation has largely been held in check, which is why it might be easy to overlook inflation when building an investment portfolio. However, there is growing concern that government spending (which was designed to ease the recession and revive the U.S. economy) could spark inflation going forward. According to Bloomberg, the U.S. will have committed over $12 trillion to solving the financial crisis. The U.S. Treasury likely borrowed a record $2.5 trillion in 2009, according to Goldman Sachs Group Inc.

Fund Objective

The Inflation Hedge Opportunity Fund seeks to provide an above-average total return and pursues a long-term investment strategy by investing in exchange-traded funds and other equity securities which typically react favorably in an inflationary environment. However, there can be no assurance that the Fund will achieve its objective or provide a positive return during an inflationary period.

This Collective Investment Fund is available for investment by eligible qualified retirement plan trusts only and has been created specifically for 401(k) and other employer-sponsored retirement plan investors.

Investing to Counteract Inflation

Like stock returns, economic growth, and interest rates, inflation is one of those variables an investor can't control. However, you can control how your investment dollars are allocated. For many investors, investing in natural resources, precious metals and bonds that typically react favorably to inflation are ways to hedge against inflation in a properly diversified portfolio.

Under normal market conditions, the Fund pursues a long-term investment strategy by investing (i) approximately 40-60% of its assets in exchange-traded funds ("ETFs") which are designed to track gold, silver or other precious metals or government bonds; and (ii) approximately 40-60% of its assets in equity securities of energy, materials and precious metals companies, including, but not limited to, the equity securities of companies engaged in various activities related to the use of energy, materials or precious metals. Many factors will affect the value of securities in the Fund's portfolio and there can be no assurance that it will achieve a positive return during an inflationary period.

Gold and Precious Metals

Typically, gold moves in the opposite direction of the dollar. The U.S. dollar depreciated during 2009 against the Euro while the price of gold increased, according to Bloomberg. Additionally, the Federal Reserve aggressively lowered the federal funds target rate in an attempt to boost the economy, but lowering the rate also tends to depress the dollar. This has the potential to encourage investors to continue to shift assets into commodities such as gold, which is historically known for holding value during times of rising inflation. Investing in the commodities themselves is not the only way to hedge against rising inflation. Mining companies also have the potential to benefit as their earnings should improve if the price of gold and other precious metals rise. Such hedging may also be accomplished by investment in ETFs which themselves invest in commodities such as gold and silver.

Energy

When economic activity accelerates, whether in the U.S. or abroad, the global demand for natural resources generally grows. The resulting increase in the underlying commodity prices historically generates higher profits for companies in the energy sector and translates into higher returns for investors.

Bonds

The negative effects of inflation on bonds may be offset through ETFs which invest in inflation-linked bonds.

Inflation-linked government bonds, commonly known in the U.S. as Treasury Inflation-Protected Securities (TIPS), are securities issued by governments that are designed to provide inflation protection to investors. The coupon payments and principal value on these securities are adjusted according to inflation over the life of the bonds.

Materials

Basic materials companies operate in a wide array of commodity-related businesses. Some examples include chemicals, construction materials, glass, paper, forest and related packaging products, metals, minerals and mining companies.

This sector is cyclical in nature, which is to say that the demand for raw materials and related products is largely driven by economic activity, particularly in the manufacturing sector. When economic activity accelerates, the demand for raw materials often rises – as do prices.

Risk Considerations:

As with any similar investment, there can be no assurance the objective of the Fund will be achieved.

Equity securities are subject to certain risks, such as an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities or the general condition of the stock market.

ETFs are subject to various risks, including management's ability to meet the fund's investment objective, and to manage the fund's portfolio when the underlying securities are redeemed or sold, during periods of market turmoil and as investors' perceptions regarding ETFs or their underlying investments change. Unlike open-end funds, which trade at prices based on a current determination of the fund's net asset value, ETFs frequently trade at a discount from their net asset value in the secondary market.

Because the Fund may invest in closed-end funds and REITs, it may be subject to additional risks. An investment in REITs is subject to the risks associated with investing in real estate, including property value fluctuations; tenant defaults; market saturation; decreased rent rates; increases in competition, property taxes, capital expenditures or operating expenses; and other general or local economic, political or regulatory occurrences affecting the real estate industry. Closed-end funds frequently trade at a discount to their net asset value in the secondary market. Certain closed-end funds may employ the use of leverage which increases the volatility of such funds.

The value of the securities held by the Fund may be subject to declines or increased volatility due to changes in performance or perception of the issuers.

Please see the reverse side for Additional Risk Considerations.

Plan sponsors and participants should consider the Fund's investment objective, risks, charges and expenses carefully before investing. Contact your financial advisor or call First Trust Portfolios L.P. at the number listed below to request an information statement, which contains this and other information about the Fund. Read it carefully before you invest.

First Trust

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Member SIPC • Member FINRA
1-877-937-4015
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Fund Summary

Inception Date:	2/22/2010
CUSIP:	41023X120
Share Class:	R3
Est. Expense Ratio:	1.67%
Benchmark:	Blended Index*
Fund Advisor:	First Trust Advisors L.P.

*Blended Index is comprised of the following:
25% S&P 500 Energy, 25% S&P 500 Materials, 12.5% Barclays TIPS, 12.5% Deutsche Bank Global Gov't ex-US Inflation-Linked Bond Index†, 16% Gold Spot (Bloomberg), 9% Silver Spot (Bloomberg).

†Prior to the inception of the Deutsche Bank Global Gov't ex-US Inflation-Linked Bond Index on 3/1/07, the Barclays ex-US Inflation-Linked Bond Index is used.

Fund Holdings *(as of 6/30/10)*

Ticker	Name	Percent
ETFs		
Inflation Protected Bonds: 28.12%		
TIP	iShares Barclays US TIP Securities Bond Fund	14.72%
WIP	SPDR DB International Government Inflation-Protected Bond ETF	13.40%
Precious Metals: 31.44%		
IAU	iShares COMEX Gold Trust	10.65%
SLV	iShares Silver Trust	10.14%
GLD	SPDR Gold Trust	10.65%
Stocks		
Energy: 22.22%		
APA	Apache Corp	2.38%
CVX	Chevron Corporation	2.56%
CEO	CNOOC Limited	2.95%
E	Eni SpA	2.23%
XOM	Exxon Mobil Corporation	2.44%
MRO	Marathon Oil Corporation	2.81%
PBR	Petroleo Brasileiro S.A.	2.21%
SSL	Sasol	2.44%
TOT	Total S.A.	2.20%
Materials: 23.01%		
AAUKY	Anglo American Plc	2.28%
MT	ArcelorMittal	1.74%
BHP	BHP Billiton Limited	2.21%
FCX	Freeport-McMoRan Copper & Gold, Inc.	2.03%
NEM	Newmont Mining Corporation	3.47%
POT	Potash Corporation of Saskatchewan Inc.	2.07%
RTP	Rio Tinto Plc	2.11%
TCK	Teck Resources Limited	1.94%
VALE	Vale S.A.	2.17%
AUY	Yamana Gold Inc.	2.99%
Other		
Cash†		-4.79%

† Under normal market conditions, the Fund may invest 1-5% of its holdings in cash or cash equivalents.

Quarter End Performance *(as of 6/30/10)*

	Quarter	YTD	1 Yr.	3 Yr.	5 Yr.	Since Inception**
Fund Performance						
NAV	-6.66%	N/A	N/A	N/A	N/A	-7.50%
Blended Index Performance						
Benchmark	-4.94%	-3.34%	14.66%	3.79%	10.48%	10.07%

** Inception of Fund is 2/22/10; Inception of Blended Index is 12/20/04.
Periods for less than one year are not annualized.

Past performance is no guarantee of future results and the actual performance of the Fund may be lower or higher than the Composite Index. Investment return and principal value of the portfolio will fluctuate causing shares of the Fund, when redeemed, to be worth more or less than their original cost.

In certain circumstances, the Advisor to the Fund may not invest in individual equity securities in accordance with the Fund's investment methodology, but instead may select ETFs that are representative of the non-ETF asset classes within the Fund's investment methodology. These circumstances would likely include the initial invest-up period of the Fund and at times when the Fund must invest inflows of cash. Accordingly, in such instances, the Fund's investment performance may not match the performance of its investment philosophy. Additionally, the Advisor may select other exchange-traded investment products, such as closed-end funds and REITs, that invest in different asset classes when the Advisor determines that such investment would be beneficial to the Fund in pursuing its investment strategy. Under normal market conditions, the Fund may invest up to approximately 20% of its assets in closed-end funds and REITs.

Additional Risk Considerations:

The Fund is not a mutual fund and its shares are not deposits of Hand Benefits & Trust Company or First Trust Advisors L.P. and are not insured by the Federal Deposit Insurance Corporation or any other agency. The shares are securities which have not been registered under the Securities Act of 1933, as amended, and the Fund is exempted from investment company registration under the Investment Company Act of 1940, as amended. Therefore, Participating Plans and their Participants will not be entitled to the protections under these Acts. Management of the Trust, however, is generally subject to the fiduciary duty and prohibited transaction rules under the Employee Retirement Income Securities Act of 1974 ("ERISA"). First Trust Advisors L.P. is the Fund's Advisor and provides investment management services. Hand Benefits & Trust Company is the Fund's Trustee.

As defined in the Declaration of Trust and Participation Agreement documents, the Inflation Hedge Opportunity Fund is available for investment by eligible qualified retirement plan trusts only. The share value will fluctuate and investors may lose money. Various asset classes such as small-cap stocks and international stocks may carry additional risks.

A fund which is invested in equity securities of foreign issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting foreign issuers. Risks associated with investing in foreign securities may be more pronounced in emerging markets where the securities markets are substantially smaller, less liquid, less regulated and more volatile than the U.S. and developed foreign markets.

The companies engaged in the materials sector are subject to price and supply fluctuations, excess capacity, economic recession, domestic and international politics, government regulations, volatile interest rates, consumer spending trends and overall capital spending levels.

Companies in the precious metals industry are subject to risks associated with the exploration, development, and production of precious metals including competition for land, difficulties in obtaining required governmental approval to mine land, inability to raise capital, increases in production costs and political unrest. In addition, the price of gold and other precious metals is subject to wide fluctuations.

Companies in the energy sector are subject to risks due to volatile fluctuations in price and supply of energy fuels, international politics, terrorist attacks, reduced demand as a result of increases in energy efficiency and energy conservation, the success of exploration projects, clean-up and litigation costs relating to oil spills and environmental damage, and tax and other regulatory policies of various governments.

This Collective Investment Fund is not an absolute return investment vehicle.