

### About First Trust

First Trust Advisors L.P. and its affiliate, First Trust Portfolios L.P., were established in 1991. The firms are headquartered in Wheaton, a suburb of Chicago, and operate nationwide and in Canada and Europe. The First Trust Advisors and First Trust Portfolios organizations provide multiple investment services, including:

- Asset Management
- Separate Managed Accounts
- Financial Advisory Services
- Closed-End Funds
- Exchange-Traded Funds
- Unit Investment Trust Sponsorship
- Collective Trusts

Disclosures here



## First Trust Target Date Fund

### Utilizing First Trust Target Strategies

#### Are Target Date Funds right for you?

- Do I have the **desire** to select my own mix of individual funds?
- Am I **comfortable** deciding how much to invest in each fund?
- Do I have the **time** to keep an eye on my investments and make changes as I get closer to retirement?

If you answered "No" to one or more of these questions, a Target Date Fund may be the simplest way for you to invest.

A disciplined approach to investing

 First Trust

 First Trust

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Plan for the future because that's where you are going to spend the rest of your life. - Mark Twain



### What are Target Date Funds?

Target date funds, also called lifecycle funds, are designed to offer a convenient investment for a person expecting to retire around a specific date. A target date fund pursues a long-term investment strategy by investing in a mix of asset classes (or asset allocation) according to an investment model that becomes more conservative over time. Research shows that asset allocation has been one of the most important factors in long-term portfolio performance.

Target date funds are designed to help investors avoid some of the most common investment mistakes. Their features include:

- **Diversification across asset classes.** Target date funds invest in a mix of asset classes, including stocks (equity), bonds (fixed-income), real estate investment trusts (REITs) and commodity trusts. **The First Trust Target Date Funds use a mix of 8 equity, 2 commodity and 9 fixed-income asset classes.**
- **Avoidance of extreme asset allocations.** A common mistake some young investors make is to invest very conservatively by allocating too much to fixed-income investments. Conversely, some participants nearing retirement invest very aggressively, allocating too much of their accounts to equity investments. Target date funds follow professionally designed asset allocation models to eliminate such extremes. **The specific allocation for each of the First Trust Target Date Funds is illustrated in a table on the facing page.**
- **Automatic rebalancing.** Target date funds are automatically rebalanced periodically to maintain their target asset allocation, so that swings in the markets do not throw a participant's allocation off course. Although past performance does not guarantee future results, research shows that systematic rebalancing has tended to improve a portfolio's long-term performance. **The First Trust Target Date funds are rebalanced quarterly.**

- **Automatic adjustment for changing risk profile:** The asset allocation of a target date fund is adjusted to become more conservative over time to account for factors that affect an investor's risk profile: a shorter time horizon, fewer chances to make contributions to savings, and greater sensitivity to capital market swings. **The First Trust Target Date funds are adjusted on an annual basis.**

### What is a Target Date Fund's "glide path"?

The glide path is the asset allocation model that a target date fund follows to become more conservative over time. Since discussions of asset allocation usually focus on the percentage of the portfolio invested in equities, the glide path reflects the declining percentage of equities in the portfolio as it approaches and passes the target date. While glide paths differ based on the assumptions and calculations providers use in designing their funds, all target date fund glide paths provide for more exposure to equities for younger investors and more exposure to fixed-income and cash for investors near retirement. Many target date funds' glide paths continue to adjust the funds' equity exposure after the target date is reached. Some target date funds also actively manage asset allocations along the glide path within preset limits to respond to prevailing market conditions. **The First Trust Target Date funds move along the glide path with adjustments being made annually (see chart below).**

### What does the date in a Target Date Fund name mean?

The date in a target date fund name generally means the date at which the "typical" investor for whom that fund is designed would reach retirement age and stop making new investments in a fund.

"Target date" **does not** mean the date at which an investor should cash out the entire target date fund investment. Generally, target date funds

are designed to be held *beyond* the presumed retirement date, to offer a continuing investment option for the investor in retirement or employees working past retirement. Target date also does not typically mean the date at which the fund arrives at its most conservative asset allocation. Many target date funds do not reach their most conservative asset allocation until after the target date. The First Trust Target Date funds reach their most conservative asset allocation 10 years after the target date (see chart below).

Investors may choose to purchase target date funds with dates other than their presumed retirement date. An investor who expects to retire in 2035, for example, might select a 2030 fund (to be more conservative) or a 2040 fund (to be more aggressive).

### Who should use these funds?

Investors who would like to hold a mix of asset classes and who would like their portfolios to be adjusted to become more conservative over time may prefer investing in a target date fund over managing their own portfolio of funds. The target date fund provider will rebalance and adjust the fund to offset market fluctuations and an investor's evolving risk profile. To achieve the same benefits with a self-managed portfolio, an investor would have to monitor the individual funds in his or her portfolio and regularly transfer money between them. Sponsors of defined contribution plans may choose to include target date funds in their plans as an option for participant-directed investment or as a qualified default investment alternative, or "QDIA."

*As with any investment, you can lose money by investing in a target date fund. The mix of asset classes is intended to diminish the risk of loss, but sometimes stocks, bonds, and other assets in a target date fund may lose value simultaneously. An investment in a target date fund is exposed to market risk and other certain risks.*

### Portfolio selection process

The First Trust stock selection process is unique and represents a critical point of differentiation from indexing and other management styles. When selecting stocks, First Trust applies a model which analyzes large-cap, mid-cap, small-cap, and international stocks to assess valuations based on multiple risk, value, and growth factors. The goal is to identify stocks which exhibit the fundamental characteristics that enable them to provide the greatest potential for capital appreciation. In selecting equity securities for an investment, First Trust follows a three-step process:

1. First Trust establishes a universe of stocks from which the portfolio will be selected. The universe is divided into seven distinct styles consisting of six domestic equity asset classes and one international equity asset class.

The domestic universe is established by identifying the 3000 largest U.S. stocks and then separating them into large-cap (largest 10%), mid-cap (next 20%), and small-cap (remaining 70%). The stocks in each group are then divided evenly between growth and value by their price-to-book ratios to establish the universe of stocks eligible for selection from within each asset class. In the case of the small-cap universe, only the 250 largest stocks with a minimum average daily trading volume of \$1,000,000 are included to ensure sufficient liquidity. The international universe consists of the 100 largest companies from developed nations which are either ADRs or directly listed in the U.S.

### Number of Eligible Stocks in Each Selection Universe

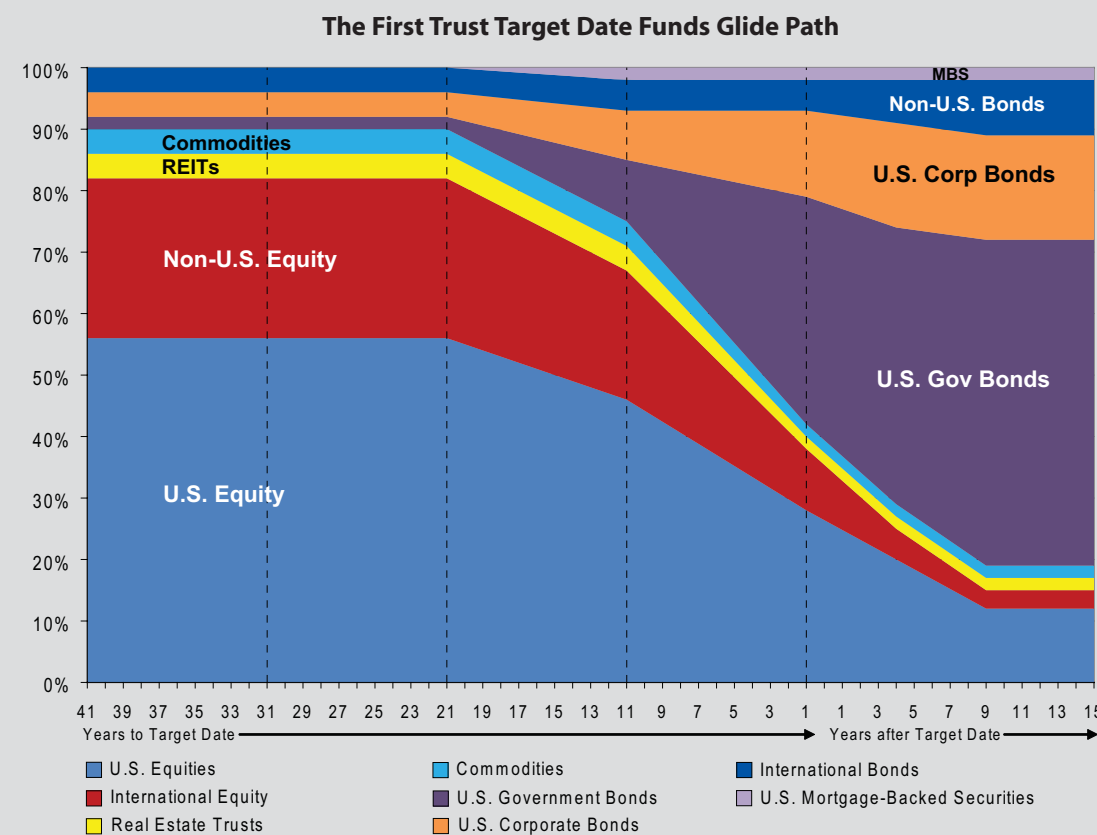
	Domestic Large-Cap	Domestic Mid-Cap	Domestic Small-Cap	International
Growth	150	300	250	100
Value	150	300	250	

2. Stocks are then ranked within each of the seven universes based on a multi-factor model. Half of a stock's ranking is based on a risk model and the remaining half is based on a model which is determined by style designation. Value and international stocks are ranked on one model while growth stocks are ranked using a separate model. Stock selection factors:

Risk Model	Value & International Model	Growth Model
■ Debt to equity	■ Price to book	■ Price to sales
■ Beta	■ Price to cash flow	■ Price to cash flow
■ Earnings variability	■ Return on assets	■ Change in return on assets
	■ Price appreciation	■ Price appreciation

3. The 30 stocks with the best overall ranking from each of the seven style classes are selected for the portfolio, subject to a maximum of six stocks from any one of the ten major market sectors. The seven style classes are weighted based on the allocation shown in the adjacent chart. Stocks are equally-weighted within their style.

For the fixed-income, emerging markets equity, commodities and REITs portions of the First Trust Target Date Fund Family, we include exchange-traded funds (ETFs) and other pooled investment vehicles (PIVs) which invest in appropriate securities for each asset class. Incorporating ETFs and PIVs which invest in a broad range of non-correlating securities results in distinct portfolios with varying risk/reward profiles. ETFs provide investors with several benefits, including diversification, transparency, and discipline, all of which align with the principles upon which our portfolios are based.



Glidepath Anchor Points:	Investment				
	2010	2020	2030	2040	
U.S. Large Value	8%	12%	14%	12%	First Trust Large-Cap Value Target Strategy
U.S. Large Growth	8%	12%	14%	12%	First Trust Large-Cap Growth Target Strategy
U.S. Mid Value	4%	7%	9%	10%	First Trust Mid-Cap Value Target Strategy
U.S. Mid Growth	4%	7%	9%	10%	First Trust Mid-Cap Growth Target Strategy
U.S. Small Value	2%	4%	5%	6%	First Trust Small-Cap Value Target Strategy
U.S. Small Growth	2%	4%	5%	6%	First Trust Small-Cap Growth Target Strategy
<b>US Equity</b>	<b>28%</b>	<b>46%</b>	<b>56%</b>	<b>56%</b>	
Developed-ex US Equity	8%	15%	18%	16%	First Trust International Target Strategy
Emerging Markets Equity	2%	6%	8%	10%	iShares MSCI Emerging Markets (EEM)
<b>Non-US Equity</b>	<b>10%</b>	<b>21%</b>	<b>26%</b>	<b>26%</b>	
<b>Total Equity</b>	<b>38%</b>	<b>67%</b>	<b>82%</b>	<b>82%</b>	
Real Estate Trusts	2%	4%	4%	4%	iShares Cohen & Steers Realty Majors (ICF)
Commodities	2%	4%	4%	4%	iShares S&P GSCI Commodity Index Trust (GSG)
<b>Other</b>	<b>4%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	
Short-Term Treasuries	15%	2%	0%	0%	iShares Barclays 1-3 yr Treasury (SHY)
Intermediate Treasuries	7%	2%	0%	0%	iShares Barclays 7-10 yr Treasury (IEF)
Long-Term Treasuries	7%	4%	0%	0%	iShares Barclays 20+ Treasury (TLT)
Inflation Protected Treasuries (TIPS)	8%	2%	2%	2%	iShares Barclays TIPS (TIP)
Investment Grade Corporate Bonds	12%	6%	2%	2%	iShares Barclays Intermediate Credit Bond (CIU)
High Yield Corporate Bonds	2%	2%	2%	2%	SPDR Barclays Capital High Yield Bond (JNK)
International Treasuries	3%	3%	2%	2%	SPDR Barclays Capital International Treasury Bond (BWX)
Emerging Market Debt	2%	2%	2%	2%	iShares JPMorgan USD Emerging Markets Bond (EMB)
Mortgage Backed Securities	2%	2%	0%	0%	iShares Barclays MBS Fixed-Rate Bond (MBS)
<b>Fixed Income</b>	<b>58%</b>	<b>25%</b>	<b>10%</b>	<b>10%</b>	