

# First Trust Target VIQ Fund, R2

(All data as of 6/30/10)

## Investment Objective

The First Trust Target VIQ Fund seeks to provide above-average total return by adhering to five specialized investment strategies. It invests in a portfolio of stocks which are selected by applying pre-determined screens and factors and is automatically rebalanced annually. In addition to this annual rebalancing of the individual component strategies back to their original weighting, new stocks are also selected by reapplying the underlying strategies.

## Portfolio Composition

The First Trust Target VIQ Fund invests equally in the following Target Strategies:

- The NYSE® International Target 25 Strategy
- The S&P Target SMid 60 Strategy
- The Target Diversified Dividend Strategy
- The Target Growth Strategy
- The Value Line® Diversified Target 40 Strategy

## Advantages of Strategy Investing

- Complete transparency of the stock selection process, portfolio holdings and individual stock weightings;
- Automated buy and sell decisions helping to eliminate unwanted emotions from the investment process;
- No style drift from manager-driven trading;
- Diversification, discipline, and a rebalancing opportunity helping to decrease volatility and potentially increase returns.

## Fund Facts

Inception Date: August, 2007  
 CUSIP: 41023R651  
 Share Class: R2  
 Est. Expense Ratio: 1.19%  
 Benchmark: S&P 500 Index  
 Automatic Rebalancing: Annually on or about Dec. 31  
 Fund Management: First Trust Advisors L.P.

## VIQ Hypothetical Portfolio Data

12/31/95 - 6/30/10

Alpha: 7.08%  
 Beta: 0.99  
 Standard Deviation: 17.70%  
 Sharpe Ratio: 0.53

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

	Quarter	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
<b>Fund Performance</b>							
NAV	-10.44%	-4.85%	19.36%	N/A	N/A	N/A	-28.13%*
<b>Strategy/Index Performance<sup>†</sup></b>							<b>Since 12/31/95</b>
VIQ Strategy	-10.33%	-4.72%	18.66%	-9.52%	1.11%	7.41%	12.53%
S&P 500	-11.41%	-6.64%	14.43%	-9.80%	-0.79%	-1.59%	5.47%

\*Inception of Fund is 8/1/07.

The performance of the R1 share class has been adjusted to reflect the expenses of the R2 share class for periods prior to the existence of the R2 share class.

Past performance is no guarantee of future results.

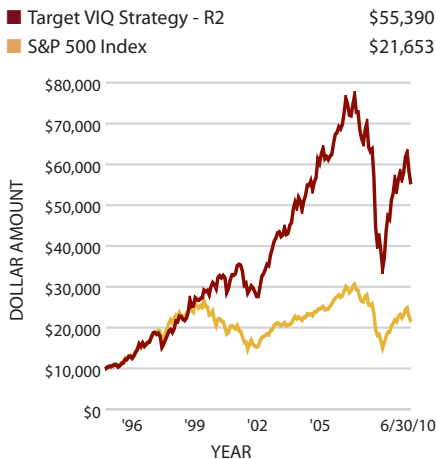
<sup>†</sup>**Performance information for the VIQ Strategy is for illustrative purposes only and does not represent actual fund performance.** All performance information presented for the Strategy prior to 8/1/07 is based on hypothetical, back-tested data. Prior to 8/1/07, the Strategy was not calculated in real time by an independent calculation agent. Hypothetical, back-tested performance has inherent limitations and is not indicative of future results. No representation is being made that any investment will achieve performance similar to that shown. The strategy does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. The strategy returns assume that dividends are reinvested monthly.

## Hypothetical Performance Figures for Target VIQ Strategy

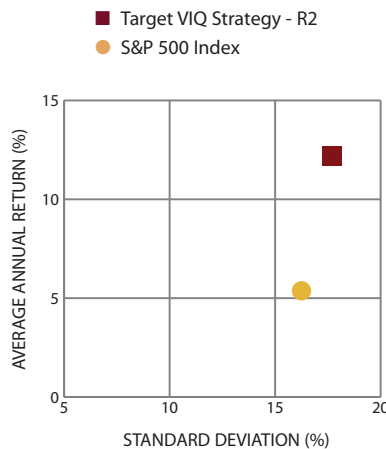
(12/31/95 - 6/30/10)

Performance shown assumes 5 equally-weighted Target Strategies and a 5% cash balance with annual rebalancing of the portfolio.

### Growth of \$10,000



### Risk/Return Comparison



Past performance is no guarantee of future results and the actual performance of the Fund may be lower or higher than the hypothetical performance of the Strategy. 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. Strategy performance is hypothetical and not representative of the Fund or any other portfolio since none existed during most of the period shown. Returns are net of all estimated expenses and assume that all dividends received during a year are reinvested monthly. Actual portfolio performance will vary from that of investing in the Strategy stocks because the Fund may not be invested equally in these stocks and may not be fully invested at all times. It is important to note that the Strategy may underperform the S&P 500 Index in certain years and may produce negative results. See the next page for additional information about the hypothetical returns shown here.

## Hypothetical Returns

for Target VIQ Strategy vs. the S&P 500 Index (SPX)

	Annual Total Returns	
	VIQ Strategy-R2	SPX
1996	21.79%	22.94%
1997	34.31%	33.35%
1998	17.13%	28.58%
1999	40.50%	21.04%
2000	11.46%	-9.10%
2001	9.67%	-11.88%
2002	-9.75%	-22.09%
2003	38.27%	28.67%
2004	23.43%	10.87%
2005	11.98%	4.91%
2006	19.50%	15.78%
2007	7.34%	5.49%
2008	-42.12%	-36.99%
2009	37.89%	26.47%
6/30/10	-4.72%	-6.64%
	Average Annual Total Returns*	
	VIQ-R2	SPX
Since 1996	12.53%	5.47%
10 Years	7.41%	-1.59%
5 Years	1.11%	-0.79%
3 Years	-9.52%	-9.80%
1 Year	18.66%	14.43%

\*Calculated through 6/30/10

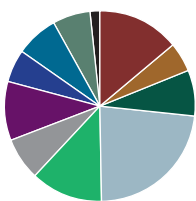
During the periods shown in charts on this page, First Trust did not manage or supervise accounts which employed the Strategy.



# First Trust Target VIQ Fund, R2

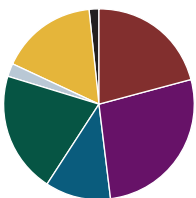
## Portfolio Allocations (as of 6/30/10)

### Sector Allocation



Consumer Discretionary	14.02%
Consumer Staples	4.87%
Energy	7.75%
Financials	21.41%
Health Care	13.12%
Industrials	6.24%
Information Technology	11.06%
Materials	6.08%
Telecommunication Services	7.24%
Utilities	6.61%
Cash	1.60%

### Style Allocation



Large-Cap Growth	21.09%
Large-Cap Value	27.03%
Mid-Cap Growth	11.30%
Mid-Cap Value	20.33%
Small-Cap Growth	2.32%
Small-Cap Value	16.33%
Cash	1.60%

## Portfolio Holdings (as of 6/30/10)

### Composition

U.S. Stocks	75.88%
Non-U.S. Stocks	22.52%
Cash	1.60%

### Top 10 Holdings

ABC	Amerisourcebergen Corp	1.49%
TJX	TJX Companies Inc.	1.41%
DTV	DirectTV	1.25%
AFG	American Financial Group	1.08%
RBS	Royal Bank of Scotland Group	1.08%
WR	Westar Energy Inc.	0.97%
NEM	Newmont Mining Corp.	0.92%
EGO	Eldorado Gold Corp.	0.91%
DCM	NTT Docomo Inc.	0.90%
TD	Toronto-Dominion Bank	0.89%

### Portfolio Data

Number of Stocks	186
Maximum Market Cap.	\$229B
Median Market Cap.	\$3.7B
Minimum Market Cap.	\$183M
Price/Earnings	17.2
Price/Book	3.6
Price/Cash Flow	9.8
Price/Sales	1.5

Source: Bloomberg

## Target Strategy Descriptions

The First Trust Target VIQ Fund invests in the common stocks of companies which are selected by applying five separate specialized strategies which have been developed by First Trust Advisors L.P. through its disciplined and quantitative valuation models.

- **The NYSE® International Target 25 Strategy** — an equally-weighted portfolio of 25 non-U.S. stocks trading on the NYSE based on various factors such as price to book and price to cash flow.
- **The S&P Target SMid 60 Strategy** — a portfolio of 30 stocks from each the S&P MidCap 400 Index and the S&P SmallCap 600 Index based on factors including liquidity, price to book, price to cash flow; return on assets; and price appreciation.
- **The Target Diversified Dividend Strategy** — an equally-weighted portfolio consisting of four stocks from each of the ten major market sectors with the highest combined ranking based on various factors including liquidity, dividend growth, dividend yield, price to book and payout ratio.
- **The Target Growth Strategy** — an equally-weighted portfolio of 30 stocks based on various factors including liquidity, sales growth, sustainable growth, return on assets and price appreciation.
- **The Value Line® Diversified Target 40 Strategy** — an equally-weighted portfolio of 40 domestic stocks chosen from the stocks that Value Line® gives a #1 or #2 ranking for Timeliness™ based on various factors including sustainable growth rate, price to sales and price to cash flow.

**Hypothetical return information.** The Strategies were designed with the benefit of hindsight and their returns do not represent the results of actual trading. First Trust applies a quantitative methodology in employing the Strategies and accordingly, the returns are not necessarily indicative of First Trust's ability to select individual securities. The performance figures may not reflect the impact that material economic and market factors might have had on First Trust's decision-making if First Trust had actually managed clients' money during the time periods shown.

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 and the Fund is exempted from investment company registration under the Investment Company Act of 1940. 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 and Trust Company is the Fund's Trustee.

As defined in the Declaration of Trust and Participation Agreement documents, the First Trust Target VIQ 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.

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**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

1-800-621-1675  
www.ftportfolios.com