



## FUND OBJECTIVES AND CHARACTERISTICS

The objective of the First Trust Counter Inflation Portfolio is to provide:

- Exposure to a blend of inflation hedges, each of which is expected to perform differently under a range of inflation scenarios
- An above-average total return by investing in Exchange-Traded Funds (ETFs) and other equity securities which typically react favorably in an inflationary environment
- A portfolio of ETFs which invests in commodities, REITs and inflation-protected bonds issued by a number of countries (including the United States) and common stocks of agriculture companies, energy companies and materials companies (including metals and mining companies)

## WHY IS INFLATION A CONCERN?

- Inflation can erode the value of assets over time
- According to the U.S. Bureau of Labor Statistics, inflation has reduced Americans' purchasing power in every year but two dating back to 1945
- There is growing concern that government spending, which is designed to stimulate the U.S. economy, could spark inflation
- The U.S. government is having to borrow unprecedented amounts to cover record budget deficits. In budget year 2009, the deficit hit an all-time high of \$1.42 trillion
- In 2010, the deficit reached \$1.29 trillion. For fiscal year 2011, which ended September 30, the deficit reached \$1.30 trillion.<sup>1</sup>

## ABOUT THE FUND

The First Trust Counter Inflation Portfolio, R3, is a collective investment fund that invests according to a strategy determined by First Trust Advisors L.P., which serves as the Fund's sub-advisor.

This fund was created by Hand Composite Employee Benefit Trust and is sponsored by Hand Benefits & Trust Company.

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.

**Plan sponsors and participants should consider the Fund's investment objective, risks, charges and expenses carefully before investing. Contact your financial advisor, visit [www.ftportfolios.com](http://www.ftportfolios.com), or call First Trust Portfolios L.P. at 877-937-4015 to request an Information Statement, which contains this and other information about the Fund. Read it carefully before you invest.**

<sup>1</sup>ABC News

# First Trust Counter Inflation Portfolio, R3 Formerly Inflation Hedge Opportunity Fund, R3

MODERATE ALLOCATION

AS OF 3/31/12

## AVERAGE ANNUAL TOTAL RETURNS (%)

Share Class	CUSIP	Inception Date	Quarter	Year to Date	1 Year	3 Year	5 Year	Since Inception	Total Expense Ratio*
R3	41023X120	2/22/10	7.83%	7.83%	-7.36%	n/a	n/a	7.79%	1.59%
<b>Benchmark Performance</b>									
Blended Index**		2/22/10	7.23%	7.23%	2.32%	21.36%	10.74%	17.09%	n/a
Morningstar Moderate Allocation <sup>††</sup>		2/22/10	8.08%	8.08%	3.67%	16.60%	2.25%	9.36%	n/a

Periods for less than one year are not annualized.

\*Total Expense Ratio: Included in the Expense Ratio is 75 bps of service fees payable to the plan's service providers. The effect of this Total Expense Ratio per \$1,000 investment is \$15.90.

\*\*Blended Index is comprised of the following Indexes: 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<sup>†</sup>, 16% Gold Spot (Bloomberg), 9% Silver Spot (Bloomberg).

<sup>†</sup>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.

<sup>††</sup>According to Morningstar, a "moderate allocation" portfolio seeks to provide both capital appreciation and income by investing in stocks, bonds and cash. This type of portfolio tends to hold larger positions in stocks than "conservative allocation" portfolios. A moderate allocation portfolio typically holds 50-70% of its assets in equities, with the remainder in fixed-income and cash.

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.

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

## GOLD AND PRECIOUS METALS

Typically, gold moves in the opposite direction of the dollar. The Federal Reserve has 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 may 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 tend to benefit as their earnings should improve if the price of gold and other precious metals rises. Such hedging may also be accomplished by an 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 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.

## REITs

Real estate has traditionally been a good hedge against higher inflation. Historically REITs have performed well in times when the economy improves and inflation and interest rates trend higher. In addition, an improving economy tends to lead to better occupancy rates in commercial buildings and malls, which often results in dividend increases among REITs.

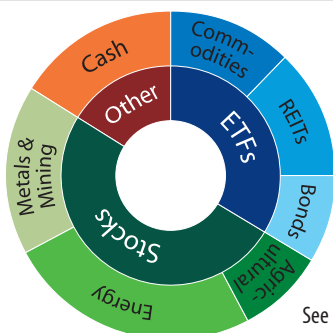
## BONDS

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.

*There can be no assurance that the Fund will achieve its objective or provide a positive return during an inflationary period. An investment in this Fund should be made with an understanding of the risks involved with an investment in a portfolio of common stocks and exchange-traded funds.*

PORTFOLIO INFORMATION

RISK FACTORS



See below for percentages.

FUND HOLDINGS (As of 3/31/12)

Ticker	Name	Percent
<b>ETFs (33.73%):</b>		
<b>Commodities (12.39%):</b>		
IAU	iShares Gold Trust	7.50%
SLV	iShares Silver Trust	4.89%
<b>REITs (8.71%):</b>		
ICF	iShares Cohen & Steers Realty Majors Index Fund	2.61%
IYR	iShares Dow Jones US Real Estate Index Fund	2.61%
VNQ	Vanguard REIT ETF	3.49%
<b>Bonds—Inflation Protection &amp; Bank Loan (12.63%):</b>		
TIP	iShares Barclays TIPS Bond Fund	4.18%
BKLN	PowerShares Senior Loan Portfolio	4.22%
WIP	SPDR DB International Government Inflation Protected Bond ETF	4.23%
<b>Stocks (50.35%):</b>		
<b>Agricultural (8.70%):</b>		
BG	Bunge Limited	1.75%
CF	CF Industries Holdings	1.74%
CPO	Corn Products International, Inc.	1.72%
MOS	Mosaic Co	1.70%
POT	Potash Corporation of Saskatchewan Inc.	1.79%
<b>Energy (24.83%):</b>		
APA	Apache Corporation	1.60%
BASFY	BASF AG	1.78%
CVX	Chevron Corporation	1.65%
CEO	CNOOC Limited	1.61%
COP	ConocoPhillips	1.66%
EC	Ecopetrol S.A.	1.76%
E	Eni S.p.A.	1.74%
XOM	Exxon Mobil Corporation	1.70%
MRO	Marathon Oil Corporation	1.62%
NOV	National Oilwell Vargo Inc.	1.67%
OXY	Occidental Petroleum Corporation	1.60%
RDS/B	Royal Dutch Shell Plc	1.66%
SSL	Sasol	1.58%
SU	Suncor Energy, Inc.	1.63%
TOT	Total S.A.	1.57%
<b>Metals &amp; Mining (Materials) (16.82%):</b>		
ABX	Barrick Gold Corporation	1.60%
BHP	BHP Billiton Limited	1.67%
CLF	Cliffs Natural Resources Inc.	1.94%
BVN	Compania de Minas Buenaventura SA	1.73%
FCX	Freeport-McMoRan Copper & Gold, Inc.	1.64%
NEM	Newmont Mining Corporation	1.52%
RIO	Rio Tinto Plc	1.76%
SLW	Silver Wheaton Corp.	1.58%
TCK	Teck Resources Limited	1.68%
VALE	Vale S.A.	1.70%
<b>Other (15.92%):</b>		
<b>Cash</b>		15.92%

<sup>†</sup> Under normal market conditions, the Fund may invest 0-5% of its holdings in cash or cash equivalents.

Annual Portfolio Turnover Rate 145%

SUB-ADVISOR

First Trust Advisors L.P. is the Sub-Advisor to the Fund and has been serving broker/dealers, individuals, and institutional investors from its Chicago-area headquarters since 1991.



The Fund is not a mutual fund and its shares are not deposits of the Trust or the Adviser, and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other agency. The shares are securities which have not been registered under the 1933 Act and the Fund is exempted from investment company registration under the 1940 Act. Therefore, participating plans and their participants will not be entitled to the protections under these Acts. As defined in the Declaration of Trust establishing the Fund, the Fund is available for investment by eligible qualified retirement plans only. Management of the Trust, however, is generally subject to the fiduciary duty and prohibited transaction rules under ERISA. As with any investment, you can lose money by investing in the Fund. Before investing you should consider carefully the following risks that you assume when you invest in the fund.

**Market Risk.** Market risk is the risk that a particular stock owned by the Fund, shares of the Fund or stocks in general may fall in value. Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could underperform other investments.

**Smaller Company Risk.** The Fund invests in small and/or mid capitalization companies. Such companies may be more vulnerable to adverse general market or economic developments, and their securities may be less liquid and may experience greater price volatility than larger, more established companies as a result of transaction costs, including limited trading volumes, products or financial resources, management inexperience and less publicly available information. Accordingly, such companies are generally subject to greater market risk than larger, more established companies.

**ETF Risk.** 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. The Fund and the underlying ETFs have management and operating expenses. You will bear not only your share of the Fund's expenses, but also the expenses of the underlying ETFs. By investing in other funds, the Fund incurs greater expenses than you would incur if you invested directly in the Funds. Shares of ETFs may trade at a discount from their net asset value in the secondary market. This risk is separate and distinct from the risk that the net asset value of the ETF shares may decrease. The amount of such discount from net asset value is subject to change from time to time in response to various factors.

**Index Correlation Risk.** Index correlation risk is the risk that the performance of an ETF will vary from the actual performance of the fund's target index, known as "tracking error." This can happen due to transaction costs, market impact, corporate actions (such as mergers and spin-offs) and timing variances. Some ETFs use a technique called "representative sampling," which means that the ETF invests in a representative sample of securities in its target index rather than all of the index securities. This could increase the risk of a tracking error.

**Concentration Risk.** When at least 25% of the Fund's portfolio is invested in securities issued by companies within a single sector, the Fund is considered to be concentrated in that particular sector. A portfolio concentrated in a single sector may present more risks than a portfolio broadly diversified over several sectors. The Fund may be concentrated in precious metals, energy and materials sectors.

**Energy Company Risk.** General problems of the petroleum and gas products sector include 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. Oil production and refining companies are subject to extensive federal, state and local environmental laws and regulations regarding air emissions and the disposal of hazardous materials. In addition, declines in U.S. and Russian crude oil production will likely lead to a greater world dependence on oil from OPEC nations which may result in more volatile oil prices.

**Materials Company Risk.** 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. As such, general risks of the basic materials sector include the general state of the economy, consolidation, domestic and international politics and excess capacity. In addition, basic materials companies may also be significantly affected by volatility of commodity prices, import controls, worldwide competition, liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control devices.

**Precious Metals Company Risk.** The Fund also invests in precious metals companies which include companies involved in the materials sector. Precious metals companies 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 adequate capital, increases in production costs and political unrest in nations where sources of precious metals are located. In addition, the price of gold and other precious metals is subject to wide fluctuations and may be influenced by limited markets, fabricator demand, expected inflation, return on assets, central bank demand and availability of substitutes.

**Commodities Risk.** The Fund may invest in ETFs that invest in commodities. Commodities include building materials, aluminum, forest products, non-ferrous metals, paper products, precious metals such as gold and silver, petroleum and natural gas. Several factors may affect the prices of commodities, including but not limited to: global supply and demand, excess capacity, production costs, economic recession, domestic and international politics, currency exchange rates, government regulations, volatile interest rates, consumer spending trends and overall capital spending levels. In addition, commodity prices may be affected by import controls, worldwide competition, investors' expectations with respect to inflation, investment and trading activities of hedge funds and commodity funds, commodity producers' liability for environmental damage, and depletion of natural resources. The price of certain commodities has fluctuated widely over the past several years and there can be no assurance that the commodities held by the ETFs in which the Fund invests will maintain their long-term value.

**Inflation Protection Securities Risk.** The Fund may invest in ETFs that invest in Treasury Inflation-Protected Securities ("TIPS") issued by the U.S. Department of Treasury or similar securities issued by foreign governments. TIPS are inflation-indexed fixed-income securities that utilize an inflation mechanism tied to the Consumer Price Index ("CPI"). TIPS are backed by the full faith and credit of the United States. TIPS are offered with coupon interest rates lower than those of nominal rate Treasury securities. The coupon interest rate remains fixed throughout the term of the securities. However, each day the principal value of the TIPS is adjusted based upon a pro-rata portion of the CPI as reported three months earlier. Future interest payments are made based upon the coupon interest rate and the adjusted principal value. Inflation-protected securities issued by foreign governments offer similar features as TIPS. In a falling inflationary environment, both interest payments and the value of the TIPS and other inflation-protected securities will decline.

**Non-U.S. Securities Risk.** The Fund invests, through direct investment or through investing in ETFs, in securities of non-U.S. issuers. Investing in securities of non-U.S. issuers, which are generally denominated in non-U.S. currencies, may involve certain risks not typically associated with investing in securities of U.S. issuers. Some of these risks may include, but are not limited to, the following: (i) there may be less publicly available information about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices; (ii) non-U.S. markets may be smaller, less liquid and more volatile than the U.S. market; (iii) potential adverse effects of fluctuations in currency exchange rates or controls on the value of the Fund's investments; (iv) the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; (v) the impact of economic, political, social or diplomatic events; (vi) certain non-U.S. countries may impose restrictions on the ability of non-U.S. issuers to make distribution payments to investors located in the United States due to blockage of non-U.S. currency exchanges or otherwise; and (vii) withholding and other non-U.S. taxes may decrease the Fund's return. These risks may be more pronounced to the extent that the Fund invests a significant amount of its assets in companies located in one country.

**Emerging Markets Risk.** The Fund may invest in securities of issuers headquartered or incorporated in countries considered to be emerging markets. Risks of investing in developing or emerging countries are even greater than the risks associated with foreign investments in general. These increased risks include, among other risks, the possibility of investment and trading limitations, greater liquidity concerns, higher price volatility, greater delays and disruptions in settlement transactions, greater political uncertainties and greater dependence on international trade or development assistance. In addition, emerging market countries may be subject to overburdened infra-structures, obsolete financial systems and environmental problems. For these reasons, investments in emerging markets are often considered speculative.

**Closed-End Funds and REITs Risk.** Because the Fund may invest in closed-end funds and REITs, it may be subject to additional risks. Unlike open-end funds, which trade at prices based on a current determination of the fund's net asset value, 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. Investments in REITs are subject to the risks associated with investing in real estate, which may include, but are not limited to, fluctuations in the value of underlying properties; defaults by borrowers or tenants; market saturation; changes in general and local economic conditions; decreases in market rates for rents; increases in competition, property taxes, capital expenditures or operating expenses; and other economic, political or regulatory occurrences affecting companies in the real estate industry.

**Interest Rate Risk.** Interest rate risk is the risk that the value of the bonds held by the ETFs in which the Fund invests will fall if interest rates increase. Bonds typically fall in value when interest rates rise and rise in value when interest rates fall. Bonds with longer periods before maturity are often more sensitive to interest rate changes.

**Credit Risk.** Credit risk is the risk that a bond's issuer is unable to meet its obligation to pay principal or interest on the bonds held by ETFs in which the Fund invests.

**Legislation/Litigation.** From time to time, various legislative initiatives are proposed in the United States and abroad which may have a negative impact on certain of the companies or ETFs represented in the Trust or certain of the securities held by the ETFs. In addition, litigation regarding any of the Securities, or certain of the securities held by the ETFs, or any of the industries represented by these issuers, may negatively impact the value of these securities. We cannot predict what impact any pending or proposed legislation or pending or threatened litigation will have on the value of the Securities.