First Trust

Tax-Aware Long/Short

The strategy seeks to provide investors with capital appreciation while also engaging in tax-loss harvesting opportunities.

Portfolio Information

Account Minimum	$1,000,000
Benchmark	S&P 500® Index
Account Type	Premium Direct Indexing™

The **Tax-Aware Long/Short** strategy is designed for investors seeking quality multi-factor long exposure and enhanced tax efficiency. Built on First Trust's Premium Direct Indexing™ platform, the strategy combines direct indexing with a long/short overlay.

How it Works: The Long/Short Structure

The strategy consists of three components: a core equity portfolio, a long extension, and a short extension. The following example assumes a 130/30 long/short construction. However, the strategy may be customized with the long/short extension ranging from 30% to 200%, at the investor's discretion.

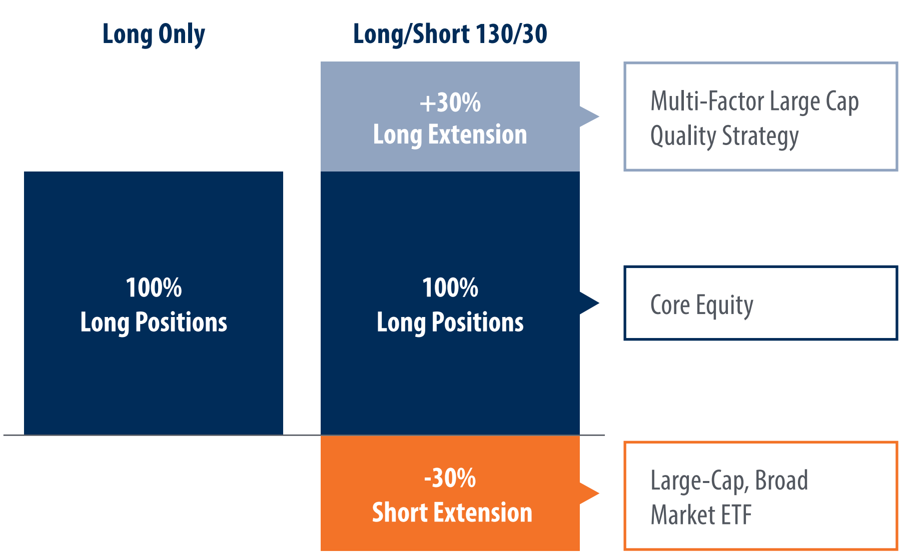
» Core Positions (100%)
Consisting solely of individual equity positions, the core is typically implemented as an S&P 500 direct indexing strategy. Alternatively, the core may be funded with an existing direct indexing account or concentrated stock position.

» Short Extension (-30%)
Shares of a highly liquid, large-cap, exchange-traded fund (ETF) (e.g., IWV) are borrowed and sold short to generate proceeds that fund the long extension and to provide a potential downside hedge. The ETF is selected from a broad universe of ETFs that track indexes that are differentiated from the benchmark of the core position.

» Long Extension (+30%)
The long extension uses a multi-factor approach to identify well-capitalized companies and seeks to generate a positive spread over the short extension. When combined with the core positions, the long portfolio is designed to avoid substantial overlap with the short extension.[1]

Expanded Opportunity to Capture a Broader Range of Market Movements

Large-Cap Broad Market Exposure + Two Sources of Tax-Loss Harvesting + Potential for Pre-Tax Alpha



Key Features

» Full Market Exposure
Seeks to retain 100% net long exposure.

» Quality-Tilted Long Extension
The long extension uses a multi-factor approach, tilting exposure toward quality companies.

» Potential for Pre-Tax Alpha
Seeks to generate a positive spread between the quality-tilted long extension and the short ETF.

» Transparency
Provides complete visibility into all holdings within your account.

» Two Sources of Tax-Loss Harvesting
Individual stocks in the long portfolio and the ETF in the short portfolio each may provide independent opportunities for tax-loss harvesting.

A Quality Approach

The long extension strategy invests in well-capitalized companies and seeks to provide exposure to the quality factor. The strategy selects companies based on three key financial factors:

Cash | Companies with stronger cash positions may be better positioned to weather market volatility and pursue future growth opportunities.

Long-Term Debt to Market Cap | Lower leverage relative to market value may signal greater financial discipline and potentially reduced downside risk.

Return on Equity | Return on equity is used as an indicator of how efficiently a company utilizes shareholder capital.

[1]Differences in the performance profiles and overlap restrictions between the long and short positions will lead to increased tracking error when compared to traditional direct indexing strategies.

There is no guarantee that tax-loss harvesting will achieve value creation. The Long/Short strategy requires investors to open a margin account. Margin costs will vary by account custodian and will negatively impact the performance an investor within the Long/Short strategy will achieve. Investment strategies that involve borrowing securities to sell typically include two separate costs: the cost of borrowing shares and margin interest. The shorting of stock and the use of margin may amplify losses. Shorting stock and using margin as part of an investment strategy can be very risky and is not appropriate for everyone. Some of these strategies may expose you to losses that exceed your initial investment amount (i.e., you will owe money to your broker in addition to the investment loss).

Flexible Funding

The account may be funded with cash or an in-kind transfer of existing positions, helping investors maintain market exposure while supporting a tax-aware transition into the strategy.

Cash Funded Account

Build a fully customized portfolio from day one, maximizing benchmark alignment and tax-loss harvesting opportunities.

Concentrated Stock Position

Gradually unwind concentrated holdings through a tax-aware transition to a more diversified portfolio.

Traditional Direct Indexing Account

Offers the potential to enhance returns while increasing opportunities for tax-loss harvesting.

Enhanced Tax-Loss Harvesting

The long/short structure acts as an engine for tax-loss harvesting, introducing two sources to increase the likelihood of finding harvestable losses in any market environment.

» **Down Markets:** With the long extension, the portfolio naturally holds more exposure to the market than a 100% long portfolio. When the market declines, this magnified exposure has the potential to provide greater realized losses (tax assets) to offset gains elsewhere.

» **Up Markets:** Even in rising markets, stock returns diverge, some advance strongly, others lag, and some still decline. The long extension increases the impact of holding positions that underperform or experience short-term pullbacks during a rally, creating more tax-loss harvesting value than a 100% long portfolio.

» **Short Portfolio:** Rising prices in a shorted security can generate realized losses when positions are closed, adding a second source of tax assets.

Preventing Portfolio Ossification

"Portfolio ossification" occurs when successful long-term tax-loss harvesting drives the cost basis of portfolio holdings so low that new harvesting opportunities become scarce. At that point, the portfolio "ossifies" and its tax advantages gradually diminish. The Tax-Aware Long/Short strategy is designed to combat this issue by harvesting losses from both the long and short sides, which may create a persistent source of tax-loss harvesting and help prevent the portfolio from becoming locked up with unrealized gains.

Risk Considerations and Other Important Information

For additional information, please refer to First Trust Advisors 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.

Before investing in a strategy that uses margin account, you should fully understand that: You can lose more money than you have invested; You will be responsible for the full amount borrowed plus any commissions, fees, interest or other charges that you incur by trading or being on margin; You may have to deposit additional cash or securities in your account on short notice to cover market losses; You may be forced to sell some or all of your securities when falling stock prices reduce the value of your securities; Your account custodian may sell some or all of your securities without consulting you to pay off your margin loan; You are not entitled to choose which securities your account custodian sells in your accounts to cover your margin loan; Your account custodian can increase its margin requirements at any time and is not required to provide you with advance notice; and You are not entitled to an extension of time on a margin call.

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.

Kevin Erndl is the portfolio manager for the First Trust Advisors L.P. ("FTA") custom options investment strategies which are offered in the form of a First Trust private fund ("Private Fund") for which Mr. Erndl also sits on the Advisory Board and separately-managed accounts ("SMAs"). Mr. Erndl receives compensation from CWA Asset Management Group, LLC ("CWA") for providing guidance and support to CWA clients who were previously clients of Mr. Erndl before he transitioned to FTA. He does not make any investment decisions on behalf of CWA clients and does not receive an advisory fee or other payment from his former CWA clients. If one of Mr. Erndl's former CWA clients invests in the Private Fund or an SMA investing in a custom options strategy, those client assets are excluded from the FTA assets under management used to calculate Mr. Erndl's compensation.

Definitions

The **S&P 500® Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance.

iShares Russell 3000 ETF ("IWV") is an exchange-traded fund based on the Russell 3000 Index which is composed of broad-based U.S. equities.

Beta is a measure of a portfolio's sensitivity to market movements. A beta of 1.0 means the security is expected to move in line with the market.

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 the securities and potential transactions in this strategy, along with all the other securities and transactions in the investor's broader portfolio.