Investor's Guide to Exchange Traded Funds.

- Investment Strategies
- Risk Management

First Trust
Portfolios Canada®

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ETFs

Exchange-Traded Funds (ETFs) provide an efficient and simple way to invest in worldwide markets. ETFs offer investors the opportunity to buy and sell an entire basket of securities with a single transaction throughout the trading day. ETFs are built like an index fund, but trade like a stock. They are generally designed to track a specific index and offer investors the advantages of lower costs over traditional, actively-managed mutual funds.

Indexing has moved beyond the S&P 500 — tracking a wide variety of sector-specific, country-specific and broad-market indexes. Since the first ETF was introduced in 1993, the industry has grown significantly. ETFs invest in a variety of assets, including large company stocks, small company stocks, international stocks, real estate investment trusts, and many more asset classes. ETFs offer a simple way for investors to allocate long-term investments in the market performance of industry leaders.

ETFs can be an effective tool for implementing many investment strategies for all types of investors. They allow individual investors to obtain the economies of scale that large fund managers enjoy, which the average person would not be able to produce with a small amount of capital. They are easy to obtain, easy to track and inexpensive.

How do ETFs Compare?	ETFs	Stocks	Index Funds
Low Expenses	☐	☐	☐
Low Investment Minimums	☐	☐	☐
Intraday Liquidity	☐	☐	
Diversification	☐		☐
Fully Invested	☐	☐	Possible
Portfolio Transparency	☐	☐	Possible
Ease of Ownership	☐		☐
Able to Sell Short	☐	☐	
Able to Buy on Margin	☐	☐	
Able to Use Limit and Stop Orders	☐	☐	
Listed Options Available	☐	☐	
Ease of Dollar Cost Averaging			☐

You should consider a fund's investment objectives, risks, and charges and expenses carefully before investing. Contact your financial advisor or call FT Portfolios Canada Co. at 1-877-622-5552 to request a prospectus, which contains this and other information about a fund. Read it carefully before you invest.

See the back of this brochure for important disclosures.

ETFs offer similar advantages of indexing such as low operating costs, performance designed to track an index and consistent investment strategies.

The ETF structure provides many benefits:

- Diversification – Owning an ETF allows investors to hold a basket of securities and have exposure across an entire index. An ETF offers the day-to-day trading opportunities of a stock with the diversification of a mutual fund. Diversification primarily helps reduce volatility and also has the potential to enhance your returns.
- Low Expenses – ETFs are index-based and not actively managed. Because of this, they are less likely to carry high management fees and usually have lower annual expense ratios than other investment vehicles.
- Flexible – Any ETF can be bought and/or sold with the same flexibility as an individual stock. This allows investors to place stop-limit orders, buy on margin, or sell short. Any of these transactions would make them subject to the same terms that would apply to individual common stocks.
- Transparency – Investors will know exactly what they purchase. The holdings of ETFs are listed on a daily basis, whereas mutual funds generally release their holdings quarterly. The transparency of the ETF's portfolio allows investors to easily obtain or hedge exposure to a specific group of securities.
- Dividend Reinvestment – Dividends from the underlying securities may be reinvested in the ETF. Any dividends paid to shareholders from the ETF may be reinvested directly, rather than receiving cash, providing your brokerage firm offers this reinvestment option.
- Tradability – ETFs can be purchased or sold during any part of the trading day. They are listed on an exchange, so it's easy for investors to buy or sell shares throughout the day. Because ETFs are listed, investors can obtain up-to-the-minute share prices from their broker or financial advisor and trade the relevant index as though it were one single stock.

Investment Strategies Using ETFs

In today's financial marketplace, a well-maintained portfolio is vital to any investor's success. Investors are focusing on the fundamentals of sound investing and are realizing that "time in the market" is not the only factor that determines long-term success. Sound portfolio construction begins with aligning investment goals to appropriate investment strategies such as asset allocation, diversification, cost control and risk management and applying periodic portfolio rebalancing.

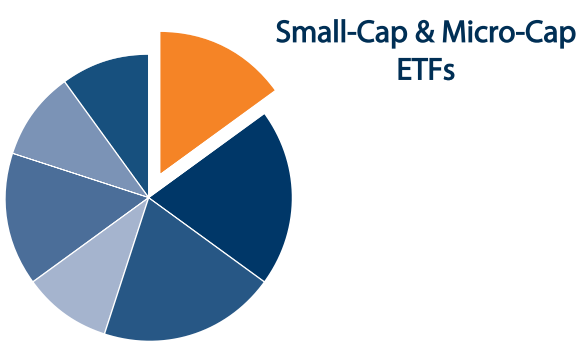
Exchange Traded Funds (ETFs) combine many of the features found in index mutual funds with the trading flexibility of individual stocks. The flexibility provided by ETFs makes these instruments one of the most useful investment tools available for both individual and institutional investors. ETFs are well-known as a tool to invest in broad-market indexes. They offer a simple way for investors to assemble a low-cost, broadly diversified portfolio of industry leaders from major global market segments. ETFs offer diversification and low expense ratios in a flexible investment that can be adapted to suit a multitude of objectives. The benefits of investing in ETFs can be enhanced when using them strategically.

Asset Allocation

There are many significant considerations when constructing an investment portfolio – your current financial situation, future needs for capital and your risk tolerance to name just a few. Investors have long recognized the importance of balancing risk and creating diversification by dividing assets among major asset classes such as cash, bonds, stocks, and real estate. ETFs provide a sophisticated means to efficiently gain exposure to market segments encompassing a wide range of asset classes, market capitalizations, styles and sectors. ETFs have made it possible for all investors to build tailored investment portfolios consistent with their financial needs, risk tolerance and investment horizon. Selecting an appropriate asset allocation strategy and conducting periodic reviews may help to achieve your long-term investment goals and provide the potential for above average returns while reducing risk.

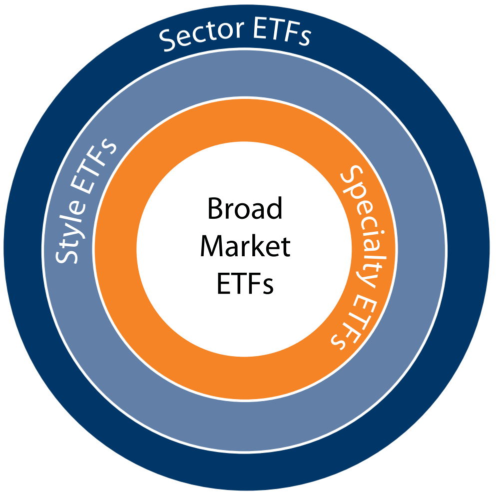
Portfolio Completion

An investor can use ETFs to fill a missing asset class in their allocation. Many portfolios might not have adequate exposure to certain sectors or market capitalization ranges. If, for example, your portfolio was underweighted in small-cap companies, you could purchase an ETF to gain the proper degree of exposure which is dictated by your asset allocation plan.



Core & Satellite Portfolio Structure

The strategy of investing in broad based assets that provide market matching returns as a core component in a portfolio, enhanced by satellite positions that are concentrated in specific market segments, has been part of investor's asset allocation plans for decades. This strategy considers your tolerance for risk and allows you to actively tailor the investments based on your specific asset allocation plan. With the wide variety of ETFs available today, investors can use ETFs effectively as both core and satellite components. Broad based ETFs can be used as the core of a portfolio and are complemented by sector, style or other specialty ETFs that are used for the satellite assets. And because of the ETF structure, investors are able to make changes easily which has a direct impact on risk management.



Risk Management

Diversification

For some ETFs diversification is a risk-management practice that combines a variety of investments within a portfolio in an effort to reduce the overall volatility of the portfolio. Because certain ETFs provide broad exposure to an entire asset class, they can be used to efficiently mitigate the risk of being over exposed to any one company or area of the market.

Hedging

ETFs have opened up risk management strategies for individual investors that were once available only to large institutions. They can be purchased on margin and sold short, even on a downtick, providing maximum trading flexibility. Listed options are available on some ETFs and offer opportunities for additional hedging or to increase income. It is important to note that substantial risks and higher costs may result from borrowing and short-selling ETFs. These strategies may not be suitable for all investors.

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Disclaimer

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund/ETF investments. Please read the prospectus before investing. Mutual funds/ETFs are not guaranteed, their values change frequently and past performance may not be repeated.

A fund's shares will change in value, and you could lose money by investing in a fund. An investment in a fund involves risks similar to those of investing in any fund of equity securities traded on exchanges. One of the principal risks of investing in a fund is market risk. Market risk is the risk that a particular stock owned by a fund, fund shares or stocks in general may fall in value.

You should anticipate that the value of the shares will decline, more or less, in correlation with any decline in the value of the index. A fund's return may not match the return of the index. A fund may not be fully invested at times. Securities held by a fund will generally not be bought or sold in response to market fluctuations and the securities may be issued by companies concentrated in a particular industry. A fund may invest in small capitalization and mid capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

Investors buying or selling fund shares on the secondary market may incur brokerage commissions. Investors who sell fund shares may receive less than the share's net asset value. Unlike shares of open-end mutual funds, investors are generally not able to purchase ETF shares directly from the fund. However, specified large blocks of shares called "creation units" can be purchased from, or redeemed to, the fund.

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