



**FSD:TSX**

**First Trust Short Duration  
High Yield Bond ETF (CAD-Hedged)**

The effortless path  
to income investing

 **First Trust**  
Portfolios Canada®

1.877.622.5562  
[www.firsttrust.ca](http://www.firsttrust.ca)



  
**FSD:TSX**

**First Trust Short Duration  
High Yield Bond ETF (CAD-Hedged)**

## Keep it simple

Income investors have enjoyed years of investment income and steady gains. However, many investors are now asking: With increasing volatility in the market, how do I sustain my need for income?

The **First Trust Short Duration High Yield Bond ETF (CAD-Hedged)** (“The Fund”) is the answer. The Fund offers an efficient investment solution to an essential need — income, while seeking to mitigate interest rate risk. (The symbol for the Fund on the Toronto Stock Exchange (“TSX”) is **FSD**.)

## Two ways to use FSD in your portfolio

### 1. **MITIGATE RISING INTEREST RATE RISK**

Rising interest rates may be negatively affecting other fixed-income assets in your portfolio.

FSD may help mitigate the impact.

### 2. **DIVERSIFY YOUR FIXED-INCOME ASSET MIX**

Manage investment risk and potentially enhance investment returns by diversifying fixed-income assets in your portfolio.

## The benefits of investing in FSD

- **Increased income potential** – High yield bonds, such as those held by FSD, are attractive from a yield perspective during periods of low interest rates. They can offer investors increased income compared to other securities and government bonds.
- **Lower interest rate sensitivity** – FSD may provide a hedge to an investor's interest rate risk in their portfolio because high yield bonds are less sensitive to interest rates compared to other fixed-income securities in the market.
- **Reduced currency risk** – U. S. dollar currency exposure is hedged back to Canadian dollars helping to minimize volatility associated with currency risk.
- **Portfolio diversification** – High yield bonds generally have a low correlation to other types of securities in the fixed-income market. As a result, FSD's allocation to high yield bonds provides diversification.
- **Credit risk mitigated through diversification** – Traditionally, high yield bonds are highly sensitive to credit or default risk and below investment grade bonds come with increased credit risk. FSD diversifies its holdings of bonds to mitigate credit risk (below investment grade debt securities as rated by Moody's Investor Services, Inc., Standard & Poor Ba1/BB+ or below or a similar rating by a designated rating organization).
- **Management team** – FSD's portfolio is actively managed by experienced portfolio managers that implement strategies to mitigate the impact of rising interest rates.



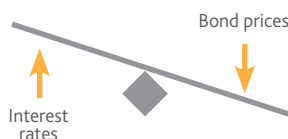
## The advantages of using FSD in your portfolio

|                 | Issue  | Solution   |
|-----------------|--|--|
| Income          | Trying to generate income in various market conditions   | High yield bonds can help supplement income needs in a low interest rate environment                     |
| Interest rates  | Rising interest rates impact the price of bonds and subsequently the fixed income aspects of a portfolio | High yield bonds are less sensitive to interest rate increases compared to other fixed-income securities |
| Diversification | Portfolio too heavily weighted in non-dividend paying stocks   | FSD provides income from fixed-income securities   |

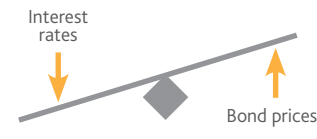
### Bond Basics: The inverse relationship between bond prices and interest rates

A bond's total return comes from its interest payments, plus changes in prices. The price of bonds generally move in the opposite direction of interest rates. The extent of price changes depends on many factors, including the bond issuer's credit quality, duration as well as the size and speed of interest rate movements.

➤ When interest rates rise, bond prices typically fall because new bonds are issued at the new, higher rates. This makes current lower-yielding bonds less valuable



➤ When interest rates fall, new bonds are issued at lower rates, which increases the price of existing higher-yielding bonds

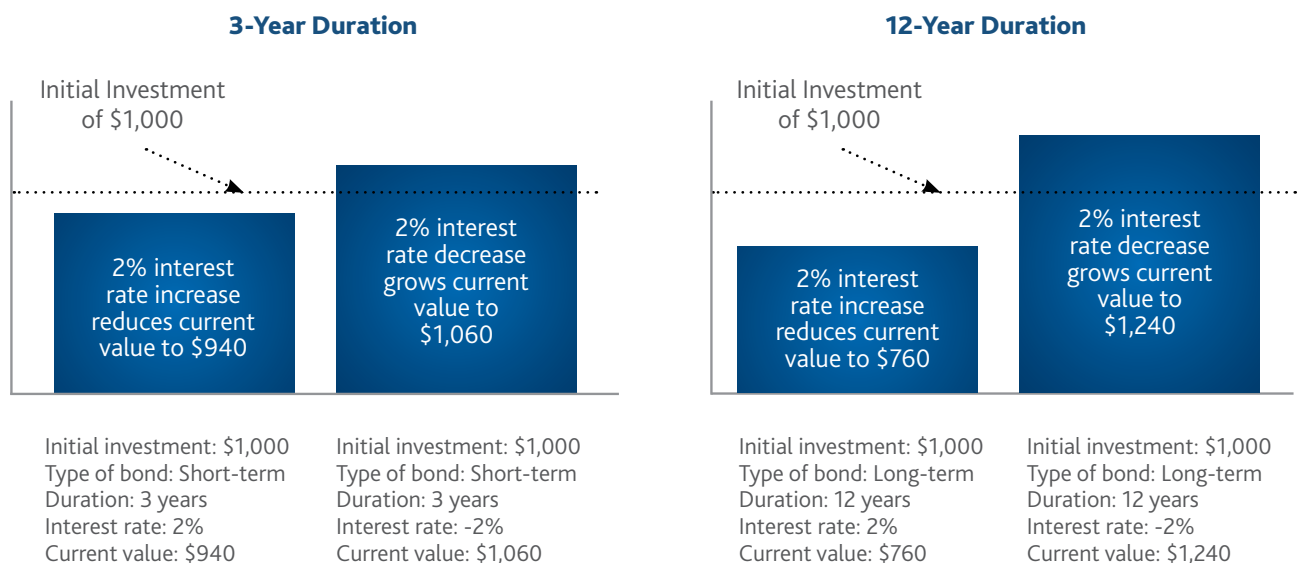


# Low duration and why it matters

## First Trust Short Duration High Yield Bond ETF (CAD-Hedged) is actively managed, not index-based, with a low duration.

Duration in the bond universe can be a complicated matter. It takes into consideration the present value of its future interest payments and principal repayment. It's a useful measure when considering a bond fund's sensitivity to changes in interest rates. Below is an example of a hypothetical bond fund and the effect of duration. Remember: The longer the duration, the more a bond fund's price will fluctuate when interest rates change.

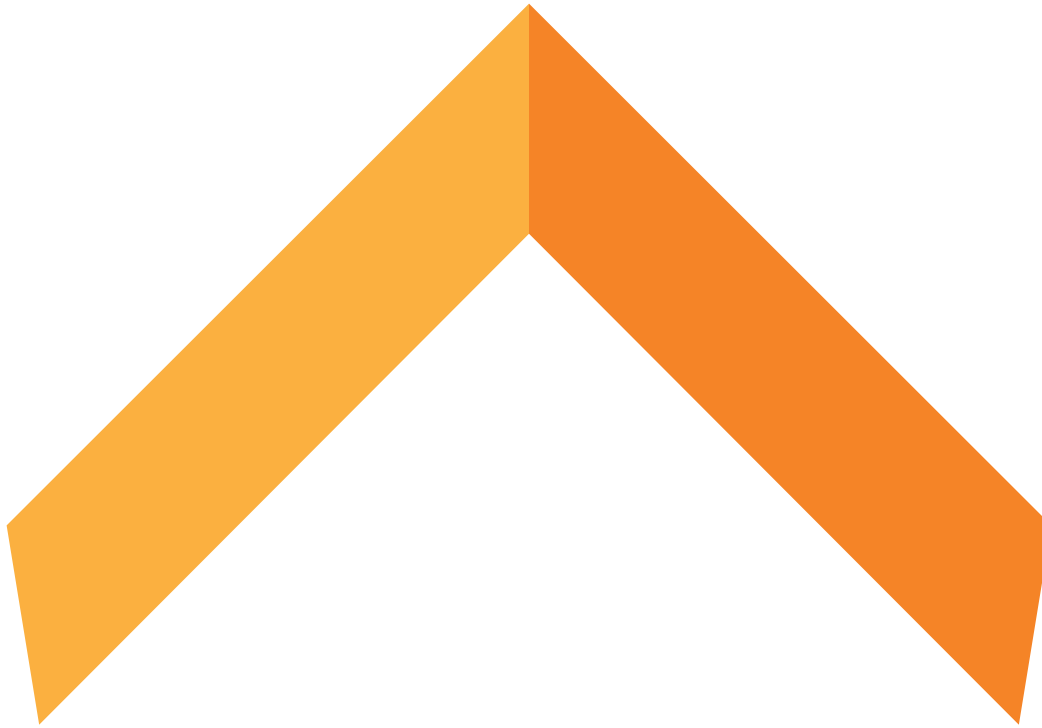
In this example, a movement of 2% in interest rates will cause a 3 yr duration bond with an initial \$1,000 principal amount to move \$60 (difference between initial investment and current value) in the opposite direction of the rate change. A similar interest rate change in a 12 yr duration bond results in a move of \$240 (difference between initial investment and current value) in the opposite direction of the rate change.



## Why consider the First Trust Short Duration High Yield Bond ETF (CAD-Hedged)?

FSD has the potential to provide high current income and capital appreciation and potentially limit interest rate risk.

| Objective   | Investment Strategy   | Process  |
|---|---|--|
| Seeks to provide investors with a high level of current income and capital appreciation | Invested primarily in a diversified portfolio of below investment grade debt securities. Also, investing in senior floating rate loans, investment grade debt securities and convertible bonds. The fund's aggregate exposure to senior floating rate loans will be limited to 40% of its NAV | Eligible securities will be selected and weighted by a rigorous fundamental credit selection process along with risk management techniques and a disciplined relative value analysis |



## About First Trust

The First Trust companies are a well-respected global enterprise with a history in the U.S. market since 1991 and in Canada since 1996. As at December 31, 2015, First Trust Advisors L.P., the portfolio advisor for the First Trust Short Duration High Yield Bond ETF (CAD-Hedged), had more than U.S. \$104.22 billion total assets under supervision or management, including approximately U.S. \$28 billion in ETF assets under management. First Trust is the enterprise name used for the various businesses conducted in Europe, Mexico, Canada and the U.S.

*Fund units are only offered by prospectus. You should consider the fund's investment objectives, risks, and charges and expenses carefully before investing. Contact FT Portfolios Canada Co. at 1-877-622-5552 or visit [www.firsttrust.ca](http://www.firsttrust.ca) to obtain a prospectus which contains this and other important information about the fund and the securities being offered. The prospectus should be read carefully before investing.*

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

Investors should undertake their own due diligence and carefully evaluate companies before investing. **ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.**