FIRST TRUST TARGET DATE FUND

Market Overview

Equity investors increased their tolerance for risk in Q3'16. It is referred to by some as "risk on." While the S&P 500 Index posted a solid total return of 3.85% for the quarter, investors executed some sector rotation. In the first half of 2016, the top-performing sectors in the S&P 500 Index were Telecommunication Services and Utilities, up 24.85% and 23.41%, respectively, on a total return basis, according to Bloomberg. Both of these sectors are considered defensive in nature, and both tend to carry relatively high dividend yields. The S&P 500 Index posted a total return of 3.84% in the first half of 2016. In Q3'16, the top-performing sectors were Information Technology and Financials, up 12.86% and 4.59%, respectively, on a total return basis, according to Bloomberg. These two sectors are more cyclical in nature. Investors have extended their appetite for risk to emerging market equities. Investors funneled an estimated net $11.98 billion into Diversified Emerging Markets mutual funds and exchange-traded funds ("ETFs") in the first two months of Q3'16, according to Morningstar. That figure was $18.37 billion through the first eight months of 2016.

In Q2'16, we opened our overview by noting that one of the biggest fears that many Americans have today is outliving their savings. This issue has grown in importance in recent years because interest rates have remained at extremely low levels since 2008. In March 2015, Swiss Re released a report that stated that the Federal Reserve's low interest-rate policy cost savers an estimated $470 billion in interest income between 2008 and 2013. Based on Swiss Re's math, by the close of 2016, savers will have been shortchanged by an estimated $752 billion, according to Money Morning. Swiss Re noted that the segments of the population suffering the most are people nearing retirement and retirees. A recent Wells Fargo *Retirement Study* found that nearly six out of ten (59%) people it surveyed said they are more focused on avoiding loss than maximizing the growth of their investments for retirement, according to *Business Wire*. Equities have demonstrated the ability to help investors build wealth over time. From 1926 through 2015, the S&P 500 Index posted an average annual total return of 10.02%, according to Ibbotson Associates/Morningstar.

While the U.S. economy continues to grow at a modest pace despite the low interest-rate climate, the combination of low interest rates and job growth has helped consumers get their fiscal houses in order, in our opinion. The S&P/Experian Consumer Credit Default Composite Index stood at 0.85% in August 2016, according to Bloomberg. The 0.85% default rate sits just above the post-recession low of 0.81% reached in May 2016. The high reached in the recession was 5.51% (May 2009).

With respect to the default rate on corporate debt, we believe one of the best gauges for investors is the global speculative-grade default rate. Moody's reported that its global speculative-grade default rate stood at 4.5% at the end of Q3'16, according to its own release. It sees the rate falling to 4.4% by December 2016, and then falling to 3.3% by September 2017. Moody's puts the historical average default rate at 4.2% since 1983. Its 3.3% estimate for September 2017 implies that the level of risk for high-yield corporate debt is expected to fall from current levels and stand below the historical average. If this proves accurate, it would likely be construed as a positive for the equities markets, in our opinion.

The S&P 500 Index closed 1.00% below its all-time closing high (2,190.15 on 8/15/16) on 9/30/16, according to Bloomberg. The consensus estimated earnings growth rates for 2016 for the S&P 500 Index, S&P MidCap 400 Index and S&P SmallCap 600 Index were 11.13%, 11.78% and 17.47%, respectively, as of 10/11/16, according to Bloomberg. The consensus estimated earnings growth rates for 2017 for the S&P 500 Index, S&P MidCap 400 Index and S&P SmallCap 600 Index were 13.35%, 11.29% and 17.44%, respectively.

Review of the Four Main Asset Classes:

Domestic Equity:

The domestic equity portion of the portfolio underperformed the U.S. market, as the six do Q3'16. At the individual strategy level, two of the six domestic style strategies outperformed their respective style benchmarks. The U.S. Large-Cap Value strategy outperformed the S&P 500 Value Index during the quarter primarily due to superior stock selection, especially within the Information Technology and Industrials sectors. Sector allocation overall negatively affected relative performance, but an overweight position in the Information Technology sector positively impacted relative performance. The U.S. Large-Cap Growth strategy underperformed the S&P 500 Growth Index mainly due to poor stock selection, especially within the Consumer Discretionary and Financials sectors. Sector allocation also hurt relative performance, particularly due to an underweight position in the Information technology sector and an overweight position in the Consumer Staples sector. The U.S. Mid-Cap Value strategy slightly outperformed the S&P Midcap 400 Value Index during 3Q16 primarily due to superior stock selection within the Industrials and Consumer Discretionary sectors. However, poor stock selection within the Information Technology sector negatively affected relative performance. Sector allocation also negatively affected relative performance, mostly due to an overweight position in the Utilities sector. The U.S. Mid-Cap Growth strategy significantly underperformed the S&P Midcap 400 Growth Index during Q3'16 due to poor stock selection, particularly within the Information Technology and Consumer Staples sectors. Sector allocation had little effect on relative performance during the quarter. The U.S. Small-Cap Value strategy underperformed the S&P 600 Value Index due to poor stock selection, especially within the Energy and Information Technology sectors. Sector allocation also contributed to the underperformance, as an overweight position in Consumer Staples and an underweight position in Materials hurt relative performance. The U.S. Small-Cap Growth strategy significantly underperformed the S&P 600 Growth Index primarily due to both stock selection and sector allocation. Poor stock selection within the Consumer Staples and Industrials sectors, in particular, contributed to the underperformance. Sector allocation also contributed to the underperformance mainly due to an overweight position in Consumer Staples.

International Equity:

The International Developed Markets strategy underperformed the MSCI EAFE Index during Q3'16 primarily due to poor stock selection within the Financials and Information Technology sectors. Sector allocation mitigated the underperformance, as an overweight position in the Information Technology sector and an underweight position in the Energy sector positively impacted relative performance.

Fixed Income:

The iShares Barclays 20+ Year Treasury Bond ETF and the iShares Barclays 7-10 Year Treasury Bond ETF underperformed shorter-term treasuries due to rising long-term interest rates during the third quarter. The PowerShares Senior Loan ETF and the iShares IBOXX Investment Grade Corporate Bond ETF outperformed the Bloomberg Barclays U.S. Aggregate Bond Index as the U.S. economy continues to steadily improve. Moreover, demand for U.S. investment-grade corporate bonds was spurred by foreign investors seeking higher yields relative to similar bonds in Europe, in our opinion. Internationally, the SPDR Barclays International Treasury Bond ETF and the PowerShares Emerging Markets Sovereign Debt ETF both outperformed the Bloomberg Barclays U.S. Aggregate Bond Index. The iShares 1-3 Year Corporate Bond ETF underperformed the same index.

REITs/Commodities/Other:

The Cohen and Steers Realty ETF underperformed the Russell 3000 Index due to rising long-term interest rates during Q3'16, making the yield on Real Estate Investment Trusts relatively less attractive. The Wisdomtree Bloomberg U.S. Dollar Bullish ETF underperformed the Russell 3000 Index during the Q3'16.

SEE DISCLOSURES ON FOLLOWING PAGE

RISK FACTORS

Plan sponsors and participants should consider the Fund's investment objective, time horizon, risks, charges and expenses carefully before investing. Contact your financial advisor, visit 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.

The First Trust Collective Investment Funds ("CIFs") are not mutual funds and their units are not deposits of the Trustee, Hand Benefits & Trust Company, a BPAS company, or First Trust Advisors L.P. ("the Sub-Advisor"), and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other agency. The units are securities which have not been registered under the Securities Act of 1933 ("1933 Act") and the CIFs are exempt from investment company registration under the Investment Company Act of 1940 ("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 CIFs, the CIFs are 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 the Employee Retirement Income Security Act of 1974 ("ERISA").

The performance quoted does not guarantee future results. As with any investment, you can lose money by investing in the First Trust Target Date Funds (the "Funds"). The mix of assets in the Funds are intended to diminish the risk of loss, but sometimes stocks, bonds, and other assets in the Funds' portfolio may lose value simultaneously. While the Funds are managed to reduce equity market exposure and, therefore, equity market risk over time, investment in the Funds is exposed to market risk and other certain risks. Before investing, you should consider carefully the following risks that you assume when you invest in the Funds. For more information regarding the following risks, please consult the Funds' Information Statement.

Commodity Risk. The value of commodities and commodity-linked instruments typically is based upon the price movements of a physical commodity or an economic variable linked to such price movements. The prices of commodities and commodity-related investments may fluctuate quickly and dramatically and may not correlate to price movements in other asset classes. An active trading market may not exist for certain commodities. Each of these factors and events could have a significant negative impact on a Fund.

Credit Risk. Credit risk is the risk that an issuer of a security will be unable or unwilling to make dividend, interest and/or principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments.

Currency Exchange Rate Risk. The Fund may hold investments that are denominated in non-U.S. currencies, or in securities that provide exposure to such currencies, currency exchange rates or interest rates denominated in such currencies. Changes in currency exchange rates and the relative value of non-U.S. currencies will affect the value of the Fund's investments and the value of Fund shares. Currency exchange rates can be very volatile and can change quickly and unpredictably. As a result, the value of an investment in the Fund may change quickly and without warning and you may lose money.

High-Yield Securities Risk. High-yield securities, or "junk" bonds, are subject to greater market fluctuations and risk of loss than securities with higher investment ratings, and therefore, may be highly speculative. These securities are issued by companies that may have limited operating histories, narrowly focused operations, and/or other impediments to the timely payment of periodic interest and principal at maturity. If the economy slows down or dips into recession, the issuers of high-yield securities may not have sufficient resources to continue making timely payment of periodic interest and principal at maturity. The market for high-yield securities is smaller and less liquid than that for investment grade securities. High-yield securities are generally not listed on a national securities exchange but trade in the over-the-counter markets. Due to the smaller, less liquid market for high-yield securities, the bid-offer spread on such securities is generally greater than it is for investment grade securities and the purchase or sale of such securities may take longer to complete.

Income Risk. Income from a Fund's fixed-income investments could decline during periods of falling interest rates.

Inflation Protection Securities Risk. The Funds 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.

Interest Rate Risk. Interest rate risk is the risk that the value of the fixed-income securities and real estate investment trust ("REIT") interests held by the Funds will decline because of rising market interest rates. Interest rate risk is generally lower for shorter term investments and higher for longer term investments. Increases in interest rates typically lower the present value of a REIT's future earnings stream, and may make financing property purchases and improvements more costly. Because the market price of REIT stocks may change based upon investors' collective perceptions of future earnings, the value of a Fund will generally decline when investors anticipate or experience rising interest rates.

Market Risk. Market risk is the risk that a particular security owned by a Fund or units of a Fund in general may fall in value. Securities are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in securities prices. Overall Fund unit values could decline generally or could underperform other investments. Non-U.S. Securities and Emerging Markets Risk. The Funds invest in securities of non-U.S. issuers, including non-U.S. dollar-denominated securities traded outside of the United States and U.S. dollar-denominated securities of non-U.S. issuers traded in the United States. Such securities are subject to higher volatility than securities of U.S. issuers due to: possible adverse political, social or economic developments; restrictions on foreign investment or exchange of securities; lack of liquidity; excessive taxation; government seizure of assets; different legal or accounting standards; and less government supervision and regulation of exchanges in foreign countries. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries.

Non-U.S. Securities and Emerging Markets Risk. The Funds invest in securities of non-U.S. issuers, including non-U.S. dollar-denominated securities traded outside of the United States and U.S. dollar-denominated securities of non-U.S. issuers traded in the United States. Such securities are subject to higher volatility than securities of U.S. issuers due to: possible adverse political, social or economic developments; restrictions on foreign investment or exchange of securities; lack of liquidity; excessive taxation; government seizure of assets; different legal or accounting standards; and less government supervision and regulation of exchanges in foreign countries. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries.

Pooled Investment Vehicles and Exchange-Traded Funds Risk. The Funds invest in securities of other investment companies, including ETFs and other pooled investment vehicles ("PIVs"). The risks of owning shares of an ETF or other PIV generally reflect the risks of owning the underlying securities of the ETF or other PIV, although lack of liquidity in an ETF or other PIV could result in it being more volatile. As a shareholder in an ETF or other PIV, the Funds will bear its ratable share of that vehicle's expenses, and would remain subject to payment of the Funds' advisory and administrative fees with respect to assets so invested. Unit holders would therefore be subject to duplicative expenses to the extent the Funds invest in ETFs or other PIVs. In addition, the Funds will incur brokerage costs when purchasing and selling shares of ETFs or other exchange-traded PIVs. Securities of ETFs or other PIVs may be leveraged, in which case the value and/or yield of such securities will tend to be more volatile than securities of unleveraged vehicles.

Real Estate Investment Risk. The Funds invest in companies in the real estate industry, including REITs. Therefore, the Funds 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. The Funds invest in real estate companies that may be adversely impacted by the downturn in the subprime mortgage lending market in the United States. Subprime loans have higher defaults and losses than prime loans. Subprime loans also have higher serious delinquency rates than prime loans. The downturn in the subprime mortgage lending market may have far-reaching consequences into many aspects and geographic regions of the real estate business, and consequently, the value of the Funds may decline in response to such developments.

REIT Investment Risk. In addition to risks related to investments in real estate generally, investing in REITs involves certain other risks related to their structure and focus, which include, but are not limited to, dependency upon management skills, limited diversification, the risks of locating and managing financing for projects, heavy cash flow dependency, possible default by borrowers, the costs and potential losses of self-liquidation of one or more holdings, the risk of a possible lack of mortgage funds and associated interest rate risks, overbuilding, property vacancies, increases in property taxes and operating expenses, changes in zoning laws, losses due to environmental damages, changes in neighborhood values and appeal to purchases, the possibility of failing to maintain exemptions from registration under the 1940 Act and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility. REITs are also subject to the risk that the real estate market may experience an economic downturn generally, which may have a material effect on the real estate in which the REITs invest and their underlying portfolio securities.

Senior Loans Risk. Senior loan securities are subject to numerous risks, including credit risk, interest-rate risk, income risk and prepayment risk. Senior floating-rate loans are usually rated below investment grade but may also be unrated. As a result, the risks associated with these loans are similar to the risks of high-yield fixed-income instruments. An economic downturn would generally lead to a higher nonpayment rate, and a loan may lose significant market value before a default occurs. Moreover, any specific collateral used to secure a loan may decline in value or become illiquid, which would adversely affect the loan's value. Unlike the securities markets, there is no central clearinghouse for loan trades, and the loan market has not established enforceable settlement standards or remedies for failure to settle. Therefore, portfolio transactions in loans may have uncertain settlement time periods. Floating rate loans are subject to prepayment risk. The degree to which borrowers prepay loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the financial condition of the borrower and competitive conditions among loan investors, among others. As such, prepayments cannot be predicted with accuracy. Upon a prepayment, either in part or in full, the actual outstanding debt on which the Fund derives interest income will be reduced. The Fund may not be able to reinvest the proceeds received on terms as favorable as the prepaid loan.

Smaller Companies Risk. The Funds invest 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 those of larger, more established companies as a result of several factors, 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.

All opinions expressed constitute judgments as of the date of release, and are subject to change without notice. There can be no assurance any forecasts will be achieved. The information is taken from sources that we believe to be reliable but we do not guarantee its accuracy or completeness.