



Item 1 Cover Page

First Trust Direct Indexing L.P.
33 Arch Street, Suite 1700
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August 1, 2023

This brochure provides information about the qualifications and business practices of First Trust Direct Indexing L.P. If you have any questions about the contents of this brochure, please contact us at 617-752-6010. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as a registered investment advisor does not imply a certain level of skill or training.

Additional information about First Trust Direct Indexing L.P. also is available on the SEC's website at <http://www.adviserinfo.sec.gov>.

Item 2 Material Changes

June 12, 2023 – Item 5 was modified to disclose changes to First Trust Direct Indexing L.P.’s schedule of Advisory Fees.

August 1, 2023 – Item 5 was modified to disclose changes to First Trust Direct Indexing L.P.’s minimum annual Advisory Fees.

The material changes discussed above are only those changes that have been made to this brochure since the firm’s last annual update of the brochure. The date of the last annual update of the brochure was March 22, 2023.

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Item 4 Advisory Business

First Trust Direct Indexing L.P. (formerly Veriti Management LLC) is an investment advisor firm registered with the U. S. Securities and Exchange Commission (“SEC”) since July 30, 2018.

The principal owners of First Trust Direct Indexing L.P. are First Trust Capital Partners LLC and Entwood Holdings LLC. Entwood Holdings LLC is controlled by David L. Beatty, Managing Director and Board Member. Mr. Beatty originally owned all outstanding membership interests of Veriti Management LLC and transferred his interests to Entwood Holdings LLC in February 2019. First Trust Capital Partners LLC acquired the majority of Entwood Holdings LLC’s interests in July 2022.

Effective January 31, 2023 Veriti Management LLC underwent a change of legal entity and changed its name to First Trust Direct Indexing L.P.

Advisory Services

First Trust Direct Indexing L.P.’s (“First Trust Direct Indexing,” “FTDI,” or “Advisor”) principal service is managing domestic, international, and global equity portfolios for high-net worth individuals, institutions, and intermediaries such as wealth managers, consultants and family offices. In addition, FTDI advises a very limited number of individual clients on asset allocation and fund selection. In its capacity as the sub-advisor to intermediaries, FTDI will manage all or a portion of the client’s funds outsourced for portfolio management to FTDI. This relationship will be memorialized in each contract between FTDI and the intermediary.

First Trust Direct Indexing creates customized long equity separately managed portfolios for individuals and institutions that incorporate client specifications for benchmark index selection, factor tilts, Socially Responsible Investing (“SRI”), values alignment (e.g., faith based), and active tax management (tax-loss harvesting). FTDI also offers clients the ability to customize their portfolios to meet specific requirements such as holding restrictions, sector and industry limitations, market exposure, situation-appropriate tax needs, and risk factor tilts. Benchmarks include broad market equity indexes representing domestic and/or foreign companies. Once a client has selected an investment strategy and benchmark index, FTDI provides supervision and management of the assets. Clients are responsible for informing FTDI of any changes to their investment objectives, individual needs and/or restrictions.

Investment Screening Services

First Trust Direct Indexing will provide Socially Responsible Investment screening as a research service to other investment advisors and institutions. These screening services are provided by third-party vendors. The results of these services may be used by the other investment advisors and institutions to help manage their clients’ portfolios. FTDI will not be involved in the management of those accounts.

Model Portfolio Services

First Trust Direct Indexing will provide model portfolios to other investment advisors. The model portfolios may be used by the other investment advisors to help manage their clients’ portfolios, and FTDI will not be involved in the management, or make suitability determinations, of those

accounts. The type and quantity of model portfolios, and the fees associated with providing the model portfolios, will be negotiated and agreed in advance between FDTI and the other investment advisors.

First Trust Direct Indexing will tailor its advisory services to its client's individual needs based on meetings and conversations with the client. If clients wish to impose certain restrictions on investing in certain securities or types of securities, the Advisor will address those restrictions with the client to have a clear understanding of the client's requirements.

First Trust Direct Indexing does not provide portfolio management services to wrap fee programs.

As of December 31, 2022, First Trust Direct Indexing had \$990,000,000 in discretionary, and no non-discretionary, client assets under management.

Item 5 Fees and Compensation

Advisory Fees

Clients will pay First Trust Direct Indexing an annual advisory fee based on the amount of assets under management by First Trust Direct Indexing. The advisory fee will range from 0.20% to 0.50% annually depending on factors such as the type and complexity of the investment management strategy employed, the use of sub-advisors, and the size of the account or overall client relationship. The minimum annual advisory fee per account is \$1,500 for individuals and \$5,000 for institutional clients. The advisory fee may be calculated and payable in the following ways, and will be agreed between client and First Trust Direct Indexing: monthly or quarterly in advance, based on the value of portfolio assets of the account at the beginning of the month or quarter; monthly or quarterly in arrears, based on the value of portfolio assets of the account at the end of the month or quarter; or monthly or quarterly in arrears based on the average daily balance of the account. New account fees will be prorated from the inception of the account to the end of the first month or quarter. Clients subject to the minimum fee will be charged in advance of each month or quarter.

These fees may be negotiated by FTDI at its sole discretion. The client will give written authorization permitting the Advisor to be paid directly from their account held by the custodian. The custodian will send a statement at least quarterly to the client. Where direct fee deduction is not practicable, client will be sent an invoice at the beginning of each quarter which is due upon receipt.

Specialized Service Fees

Standard investment screening, as well as standard data and index selections, will be provided as part of the fees described above. Standard proxy voting services may be provided as part of the fees described above. If specialized investment screening, data or index selections, or proxy voting are needed, additional fees may be charged.

Model Portfolio Service Fees

Pursuant to a licensing agreement signed by the other investment advisor, First Trust Direct Indexing will receive a model portfolio fee, payable monthly or quarterly, in advance or in arrears,

based on the value of value of third-party advisor assets under management following the model portfolio. Model portfolio fees will range from 0.20% to 0.50% annually and are subject to break points.

In the unusual situation where the client chooses to hold mutual funds or ETFs in their First Trust Direct Indexing account, the expenses charged by mutual funds to their shareholders would be separate and distinct from the fees paid to FTDI for investment advisory services. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses.

Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisor's fee is separate and distinct from the custodian and execution fees.

Clients may terminate their advisory contract with First Trust Direct Indexing in whole or in part, effective immediately upon giving written notice. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client. Client's Money Manager Agreement with the Advisor is nontransferable without Client's consent.

Neither First Trust Direct Indexing nor its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 6 Performance-Based Fees and Side-by-Side Management

First Trust Direct Indexing does not charge performance-based fees.

Item 7 Types of Clients

First Trust Direct Indexing will offer its services to individuals, institutions, trusts, estates, charitable organizations, corporations and other business entities, and other investment advisors.

While the Advisor does not generally require a minimum account size for opening and maintaining an account, the minimum annual advisory fee per account is \$1,500 for individuals and \$5,000 for institutional clients. However, as noted in Item 5, the Advisor's fees are negotiable.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

When managing client portfolios, First Trust Direct Indexing employs two investment methodologies. For institutional clients, FTDI performs the investment analysis, selects securities to be utilized in the construction of the portfolios, and may use a third-party service provider to trade the accounts and provide account reporting and billing. For retail clients, FTDI may sub-advise to another manager. It is FTDI's duty to work alongside the advisor or institution to determine an appropriate benchmark index, any factor tilts, any values screens/tilts, or other items

so that the overall portfolio is consistent with the client's needs as described in their Investment Policy Statement or by other agreement with the client.

Methods of Analysis

First Trust Direct Indexing or its sub-advisor uses quantitative models and software to manage its client strategies. Investment strategies are typically customized to client specifications and have a defined benchmark index and a set of client restrictions/targets. To create portfolios, FTDI or its sub-advisor typically uses broad universes consisting of stocks that are screened for liquidity, capitalization, and various risk factors provided by the quantitative models and software tools. Portfolios are constructed using optimization techniques and generally hold between 50 and 1,000 stocks, depending on the benchmark index, strategy, and client constraints. For taxable clients, portfolios are rebalanced using a tax-efficient approach in order to maximize and/or accelerate loss harvesting and minimize and/or defer capital gains. These methodologies consider portfolio risk, transactions costs, and taxes when making investment decisions.

Investment Strategies

For the Active Tax Management strategy, First Trust Direct Indexing constructs a portfolio comprising individual stocks that track a target benchmark index and utilizes software designed to systematically harvest losses within the portfolio and immediately replace the securities sold at a loss with others of similar type and risk. The losses realized are available to offset gains which may be realized in other portions of the client's portfolio (including those not managed by FTDI), whether from stocks, bonds, real estate, hedge funds, mutual funds, ETFs, or any other source. Any savings realized by the reduction in taxes paid or postponed can improve returns when measured after-tax. This after-tax return benefit presumes that clients have capital gains from active managers, hedge funds, sale of low-cost-basis stock, or other sources suitable for offset. Changes in tax law and/or the treatment of capital gains could impact the after-tax returns from this strategy.

The Factor Tilts and Values-Based Indexing strategies are customized portfolios of equity securities that are designed to meet specific client-driven objectives. These strategies are suitable for both taxable and non-taxable portfolios and include values-based screening as well as other factor strategies. Values-based portfolios are designed to track the equity benchmark index selected by the client using a universe of securities that meet specific criteria and standards of conduct as determined by the client.

Factor Tilts enable clients to gain exposure to quantitative factors like quality, value, momentum, low volatility, etc., in a low-cost, tax-efficient strategy. Clients can also tilt portfolios based on industries, sectors, and countries. Clients can work with FTDI to develop customized factor tilts or choose "pre-set" customized tilt strategies offered by FTDI.

Risk of Loss

First Trust Direct Indexing's separately managed equity portfolios consist of stocks with the objective that the portfolio perform in line with the selected equity benchmark index. As a result, the value of the managed portfolios will generally rise and fall with the performance of the selected equity benchmark index. With all separately managed portfolios, there is a significant risk that

accounts will decline in value from time to time, and clients should be prepared to accept the risk of potential loss. In addition, accounts may hold small amounts of cash.

First Trust Direct Indexing uses quantitative tools to measure the estimated tracking error of the portfolio versus the benchmark index. Estimated tracking error is a statistic that forecasts how much a portfolio is likely to deviate from the benchmark index on an annualized basis and represents a one-standard-deviation event. For example, if the estimated tracking error of a portfolio is 1% and the benchmark index goes up 10%, there is an approximately 68% chance that the portfolio performance will return between 9% and 11%, assuming what statisticians refer to as a “normal distribution.” There is also the possibility that the account could experience a two, three, or higher standard-deviation outcome. While not expected, the risk of a significant deviation from the benchmark index is possible. If the deviation is negative versus the benchmark index, the portfolio will underperform—perhaps significantly—versus the benchmark index. Some accounts will perform worse than the benchmark index due to random variation.

The Factor Tilt strategies add an additional level of tracking error risk as the individual factors emphasized by these strategies move in and out of favor.

ESG and other values-based strategies add an additional level of tracking error risk due to the investing constraints imposed by positive and negative screening utilized in the management of these portfolios; such styles of investing introduce risk to the management of a portfolio.

Some additional general investment risks a client should be aware of include, but are not limited to, the following:

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, a consumer staples company that sells essential items such as food, beverages and household and home care products direct to the consumer where the amount purchased is relatively fixed regardless of economic conditions. These companies carry a lower risk than a semi-conductor company subject to the supply and demand market forces driving the adoption the devices utilizing their chips.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating country. This is also referred to as exchange rate risk.
- **Equity Markets Risk:** Since the strategies invest in equity securities, they are subject to the risk that stock prices can fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of each strategy’s equity securities may fluctuate drastically from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the strategies we offer.

- **Financial Risk:** Excessive borrowing to finance business operations may increase the risk of profitability, because a company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations can result in bankruptcy and/or a declining market value.
- **Foreign and Emerging Markets Risk:** The value of a client portfolio may be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant than in major markets in developed countries. Generally, investment markets in emerging countries are smaller, less liquid, and more volatile, and as a result, the value of a portfolio investing in emerging markets may be more volatile. Emerging-market investments often are subject to speculative trading, which typically contributes to volatility. Emerging-market countries also may have relatively unstable governments and economies. Trading in foreign and emerging markets usually involves higher expenses than trading in the United States. A client may have difficulties enforcing legal or contractual rights in a foreign country for any portfolio invested in these markets. Depositary receipts are subject to many of the risks associated with investing directly in foreign securities, including political and economic risks.
- **General Investing Risk:** Our investment strategies are not intended to be a complete investment program. Clients generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisors, other market participants, and many securities markets are subject to rules and regulations and the jurisdiction of one or more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.
- **Political and Legislative Risk:** Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside the United States or those companies that conduct a substantial amount of their business outside the United States.
- **Small Companies Risk:** Smaller companies are subject to greater price fluctuations, limited liquidity, higher transaction costs, and higher investment risk. Such companies may have limited product lines, markets, or financial resources; may be dependent on a limited management group; or may lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes, making them more volatile and potentially more difficult to value.
- **Tax-Managed Investing Risk:** Market conditions may limit the ability to generate tax losses or to generate dividend income taxed at favorable tax rates. 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. The ability to utilize various tax-management techniques may be curtailed or eliminated in the future by tax legislation.

or regulation. The benefit of tax-managed investing to an individual investor is dependent upon the tax liability of that investor. Over time, the ability of an investor in a tax-managed strategy to harvest losses may decrease as unrealized gains may build up in a securities portfolio.

- **Tax Risk:** The tax treatment of investments held in a client portfolio may be adversely affected by future tax legislation, U.S. Treasury regulations, and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account.
- **Tracking Error Risk:** Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the benchmark index it attempts to track, either on a daily or aggregate basis. Factors that contribute to tracking error include: fees and trading expenses, imperfect correlation between the portfolio's investments and the benchmark index, changes to the composition of the benchmark index, regulatory policies, and high portfolio turnover. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

There can be no assurance that a client's investment objectives will be obtained, and no inference to the contrary is being made. Prior to entering into an agreement with First Trust Direct Indexing, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of five years; (2) that volatility from investing in the stock market can occur; and (3) that over time, the value of the client's assets can fluctuate and at any time be worth more or less than the amount invested.

First Trust Direct Indexing does not represent, guarantee, or imply that its services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

Item 9 Disciplinary Information

Neither First Trust Direct Indexing nor its management persons have had any legal or disciplinary events, currently or in the past.

Item 10 Other Financial Industry Activities and Affiliations

Neither First Trust Direct Indexing nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither First Trust Direct Indexing nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

David L. Beatty, Managing Director and Board Member, is also a Partner at Cerity Partners LLC. Where appropriate, First Trust Direct Indexing will be introduced to Cerity Partners LLC clients

to provide investment management and screening research services and FTDI will charge their separate fee to the clients for these services. In the event that FTDI and Cerity Partners LLC provide advisory services directly to the same clients, it is the fiduciary duty of FTDI and Cerity Partners LLC to disclose all of the fees being charged to the client prior to any services being provided and to not charge fees for the same services from both companies. FTDI and Cerity Partners LLC will monitor arrangements with common clients to ensure these conflicts are managed.

Mr. Beatty is also a minority investor in Inspire Impact Group, LLC, which owns a registered investment advisor, CWM Advisors, LLC, d/b/a Inspire. FTDI clients are not clients of CWM Advisors, LLC.

A principal owner of First Trust Direct Indexing is Entwood Holdings LLC, which is controlled by Mr. Beatty. In October 2019, Entwood Holdings LLC acquired a controlling interest in tru Independence, LLC, an SEC registered RIA firm providing services to other RIAs and broker dealers. Mr. Beatty became the Chair of the Board of Directors of tru Independence, LLC in connection with that transaction. Clients of tru Independence, LLC are not currently clients of First Trust Direct Indexing.

First Trust Direct Indexing does not recommend or select other investment advisors for clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

First Trust Direct Indexing is registered with the SEC and maintains a Code of Ethics pursuant to SEC rule 204A-1. First Trust Direct Indexing has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the Advisor. In addition, the Code of Ethics governs personal trading by each employee of FTDI deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of FTDI are conducted in a manner that avoids any conflict of interest between such persons and clients of the Advisor or its affiliates. FTDI collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve conflicts of interest. FTDI will provide a copy of the Code of Ethics to any client or prospective client upon request.

First Trust Direct Indexing may buy or sell securities for its advisory clients through affiliated financial industry entities. In such situations, FTDI will make all appropriate disclosures and secure necessary approvals from the client as required by the Investment Advisers Act of 1940 or applicable state securities rules. Applicable restrictions and internal policies are detailed in FTDI's compliance manual. Clients are not obligated to purchase securities from FTDI affiliates' inventories.

First Trust Direct Indexing and/or its investment advisory representatives may from time to time purchase or sell products that they may recommend to clients. FTDI and/or its investment advisory representatives have a fiduciary duty to put the interests of their clients ahead of their own.

First Trust Direct Indexing requires that its investment advisory representatives follow its basic policies and ethical standards as set forth in its Code of Ethics.

Investment advisor representatives of First Trust Direct Indexing may trade for their own accounts securities that are being traded for client accounts at or about the same time. To mitigate the conflict of interest in such circumstances, FTDI's policy is to require the trading of all relevant client accounts prior to the trading of their own accounts. The Chief Compliance Officer examines personal trading activities of FTDI's personnel to verify compliance with this policy.

Item 12 Brokerage Practices

If requested by the client, First Trust Direct Indexing may suggest brokers or dealers to be used based on execution and custodial services offered, cost, quality of service and industry reputation. FTDI will consider factors such as commission price, speed and quality of execution, client management tools, and convenience of access for both the Advisor and client in making its suggestion.

First Trust Direct Indexing utilizes Trade-PMR, Inc. ("Trade-PMR") for brokerage and trade execution services. Trade-PMR clears trades and custodies assets with First Clearing, FINRA member broker-dealers. First Clearing is a trade name used by Wells Fargo Clearing Services, LLC., a non-bank affiliate of Wells Fargo & Company. Trade-PMR acts as an introducing broker-dealer on a fully disclosed basis. Trade-PMR and First Clearing are members of SIPC and are unaffiliated registered broker-dealers and FINRA members. The brokerage commissions and/or transaction fees charged by Trade-PMR or any other designated broker-dealer are exclusive of and in addition to FTDI's fee. FTDI regularly reviews these programs to seek to ensure that its recommendation is consistent with its fiduciary duty. Factors that FTDI considers in recommending Trade-PMR and First Clearing or any other broker-dealer or custodian to clients include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by these brokers may be higher or lower than those charged by other broker-dealers.

In addition, Trade-PMR provides First Trust Direct Indexing with access to its institutional trading and custody services, which are typically not available to retail investors. These brokerage services include the execution of securities transactions, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Additionally, FTDI may receive the following benefits from Trade-PMR: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its participants; access to block trading that provides the availability to aggregate securities transactions and then allocates the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

First Trust Direct Indexing may receive proprietary research services or other products as a result of recommending a particular broker, which may result in the client paying higher commissions than those obtainable through other brokers. If FTDI does receive such products or services, it

will follow procedures which ensure compliance with Section 28(e) of the Securities Exchange Act of 1934 or applicable state securities rules.

The firm seeks to obtain the most favorable net results for clients' price, execution quality, services and commissions. Although the firm seeks competitive commission rates, it may pay commissions on behalf of clients which may be higher than those available from other brokers in order to receive other services. The firm may enter into such transactions so long as it determines in good faith that the amount of commission paid was reasonable in relation to the value of the brokerage and research services provided by the broker. The services that may be considered in this determination of reasonableness may include (1) advice, either directly or through publications or writing, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) analysis and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or (3) effecting securities transactions and performing functions incidental thereto. Such research furnished by broker-dealers may be used to service any or all of FTDI's clients and may be used in connection with accounts other than those that pay commissions to the broker-dealers providing the research. In particular, third-party research provided by broker-dealers may be used to benefit all of the firm's clients. This creates a conflict of interest in that the firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution.

Benefits received may be used as soft dollars provided that:

- The service is primarily for the benefit of First Trust Direct Indexing's clients
- The commission rates are competitive with rates charged by comparable broker-dealers; and
- First Trust Direct Indexing does not guarantee a minimum amount of commissions to any broker-dealer.

First Trust Direct Indexing does not receive client referrals from any broker-dealer or third party as a result of the firm selecting or recommending that broker-dealer to clients.

First Trust Direct Indexing does not recommend, request, or require that a client direct it to execute transactions through a specified broker-dealer.

First Trust Direct Indexing does not permit clients to direct brokerage.

First Trust Direct Indexing may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g., for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of FTDI's Money Manager Agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities

purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. FTDI may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

Item 13 Review of Accounts

First Trust Direct Indexing monitors client accounts on an ongoing basis for consistency with investment strategies/objectives, cash, and loss-harvesting potential. Accounts are rebalanced at least annually to take advantage of tax-loss harvesting opportunities, reduce tracking error, or to realign the portfolio to its target exposures. The review is conducted by the Investment Committee or designee. Accounts also are reviewed upon a change in client circumstances. Triggering factors may include FTDI becoming aware of a change in client's investment objective, a change in market conditions, change of employment, or a change in recommended asset allocation weightings in the account that exceed a predefined guideline.

The client is encouraged to notify the Advisor and investment advisor representative if changes occur in his/her personal financial situation that might materially affect his/her investment plan.

The client will receive written statements no less than quarterly from the custodian. In addition, the client will receive other supporting reports from mutual funds, asset managers, trust companies or other custodians, insurance companies, broker-dealers and others who are involved with client accounts. FTDI does provide account performance reports to certain clients, but does not deliver separate client statements.

Item 14 Client Referrals and Other Compensation

First Trust Direct Indexing is not compensated by anyone for providing investment advice or other advisory services except as previously disclosed in this Brochure. However, as noted in Item 12, FTDI will receive additional benefits from Trade-PMR, which includes electronic systems that assist in the management of FTDI client accounts, access to research, the ability to directly debit client fees, software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated trade orders for multiple client accounts), pricing information and other market data, assist with back-office functions, recordkeeping, and client reporting.

First Trust Direct Indexing may compensate persons or firms, including affiliates of FTDI, for client referrals in compliance with the Investment Advisers Act of 1940. The fees paid to referral sources do not affect the fees clients pay to FTDI. Affiliates of FTDI will have an incentive to recommend FTDI, creating a conflict of interest for FTDI and its affiliates. This conflict of interest

is managed through disclosure of the relationship between FTDI and its affiliate/s and the compensation associated with this arrangement.

Item 15 Custody

In most circumstances, First Trust Direct Indexing does not have custody of client funds or securities, however, all clients will receive written statements no less than quarterly from the custodian. FTDI encourages clients to carefully review their account statements for any inaccuracies. Any discrepancies should be immediately brought to the firm's attention.

Generally, First Trust Direct Indexing will not accept or maintain custody of a client's funds or securities except in relationships where FTDI or its supervised persons serve as trustee to client accounts. In those limited situations, FTDI ensures that the Client receives custodial reports from other providers on those accounts and FTDI will engage an independent auditor to perform an annual surprise examination of FTDI's records for the assets for which it has custody.

Item 16 Investment Discretion

First Trust Direct Indexing generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client for each transaction. However, these purchases or sales are subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by FTDI.

Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of a Money Manager Agreement containing all applicable limitations to such authority. All discretionary trades made by FTDI will be in accordance with each client's investment objectives and goals.

Item 17 Voting Client Securities

First Trust Direct Indexing has adopted and implemented written Proxy Voting Policies and Procedures ("Proxy Voting Procedures"), which are designed to reasonably ensure that FTDI votes proxies in the best interest of its clients where the Advisor has voting authority.

The Proxy Voting Procedures describes how First Trust Direct Indexing addresses voting authority, material conflicts of interest, voting decisions, notification to the client, and books and records requirements, and ensures that proxies are voting in the best interest of its clients.

First Trust Direct Indexing acknowledges and agrees that it has a fiduciary obligation to its clients to ensure that any proxies for which it has voting authority are voted solely in the best interests and for the exclusive benefit of its clients. The Proxy Voting Procedures are intended to guide FTDI and its personnel in ensuring that proxies are voted in such manner without limiting FTDI or its personnel in specific situations to vote in a predetermined manner. These policies are designed to assist FTDI in identifying and resolving any conflicts of interest it may have in voting client proxies.

Where the Advisor has voting authority, standard proxy voting services will be provided as part of the fees described above. Advanced proxy voting services may be available and will incur an additional fee.

Item 18 Financial Information

First Trust Direct Indexing does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and is not required to file a balance sheet.

First Trust Direct Indexing has no financial condition that is reasonably likely to impair its ability to meet its contractual obligations to clients and has not been the subject of a bankruptcy proceeding.