



# FIRST TRUST TARGET DATE FUND 2040 R3

## HOW A TARGET DATE FUND WORKS

- A target date fund follows a “glide path” throughout a set period of time, and invests accordingly—this type of fund helps build retirement wealth through different markets and with equity exposure that is commensurate to an investor’s age and expected year of retirement.
- As an investor ages, equity exposure generally should decrease, and exposure to fixed-income securities (bonds and equivalents) generally should increase. This type of fund is designed to take investors through many market environments while anticipating a retiree’s need to live off his/her savings and help maintain purchasing power after retirement.
- Through this Fund, investors get the “**Power of T-Squared**”: First Trust quantitative **Target Strategies** in a fund structured as a **Target** Date fund.

## ABOUT THE FUND

The First Trust Target Date Fund 2040 R3 is a collective investment fund that invests according to a strategy determined by First Trust Advisors L.P., which serves as the Fund’s Sub-Advisor. This Fund was created by Hand Composite Employee Benefit Trust and is sponsored by Hand Benefits & Trust Company, a BPAS company. This collective investment fund is available for investment by eligible qualified retirement plan trusts only and has been created specifically for 401(k) and other employer-sponsored retirement plan investors.

## FUND HIGHLIGHTS

The First Trust Target Date Fund 2040 R3 is designed for an investor looking to retire in or near 2040. Since the window to retirement is many years away, the Fund has a larger exposure to equities rather than to fixed-income securities.

- Stocks are selected annually by applying pre-determined screens and factors and the Fund is automatically rebalanced each quarter.
- The Fund is designed for an investor who plans to withdraw the value of the account in the fund gradually after retirement.

## FUND FACTS

Share Class	R3
CUSIP	41023Q653
Expense Ratio	1.29% <sup>†</sup>
Fund Inception	4/6/10
Portfolio Rebalance	Quarterly
Annual Portfolio Turnover Rate	50%
Number of Holdings	221
Glide Path Adjustment	Annually <sup>††</sup>

<sup>†</sup>Total Expense Ratio: 1.29%. The effect of the Total Expense Ratio per \$1000 investment for the First Trust Target Date Fund 2040 R3 is \$12.90 per year. The expense ratio includes .65% of service fees payable to the plan’s service providers.

<sup>††</sup> On or about February 1

## INVESTMENT OBJECTIVE

The objective of the First Trust Target Date Fund 2040 R3 is to seek an above-average total return through an optimized portfolio of stocks, bonds, exchange-traded funds (“ETFs”) or other pooled investment vehicles (“PIVs”), diversified across five investment categories and various asset classes. At the landing point in 2049, asset allocations become fixed at 15% Equity, 81% Fixed-Income and 4% Other Investments. There can be no assurance that the Fund will achieve its investment objective.

## AVERAGE ANNUAL TOTAL RETURNS

Fund	Quarter	YTD	1 Year	3 Year	5 Year	Since Fund Inception 4/6/10	Standard Deviation Since Inception Annualized
First Trust Target Date Fund 2040 R3	2.96%	2.22%	7.83%	10.35%	8.44%	8.39%	10.12%

## Benchmarks

First Trust Target Date 2040 Custom Index*	4.91%	6.35%	11.90%	13.74%	10.21%	10.60%	11.01%
Morningstar Lifetime Moderate 2040 Index**	3.43%	3.87%	9.42%	12.57%	8.60%	9.44%	11.28%
Russell 3000® Index***	7.12%	10.57%	17.58%	17.07%	13.46%	13.41%	12.06%

**Past performance is no guarantee of future results. Investment return and principal value of the portfolio will fluctuate causing units of the Fund, when redeemed, to be worth more or less than their original cost.** Returns are net of all estimated expenses and assume that all dividends received during a year are reinvested monthly. It is important to note that the Fund’s investment methodology may produce negative results. Indexes are for illustrative purposes only. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. All index returns assume that dividends are reinvested when they are received. Visit [www.ftportfolios.com](http://www.ftportfolios.com) for the most recent performance information. Periods of less than one year are not annualized.

\*The First Trust Target Date 2040 Custom Index is currently comprised of the following: 64.0% Russell 3000® Index, 26.0% MSCI World ex U.S. Index, and 10.0% Bloomberg Barclays U.S. Aggregate Bond Index (Bloomberg). The percentage allocated to each underlying index is updated annually.

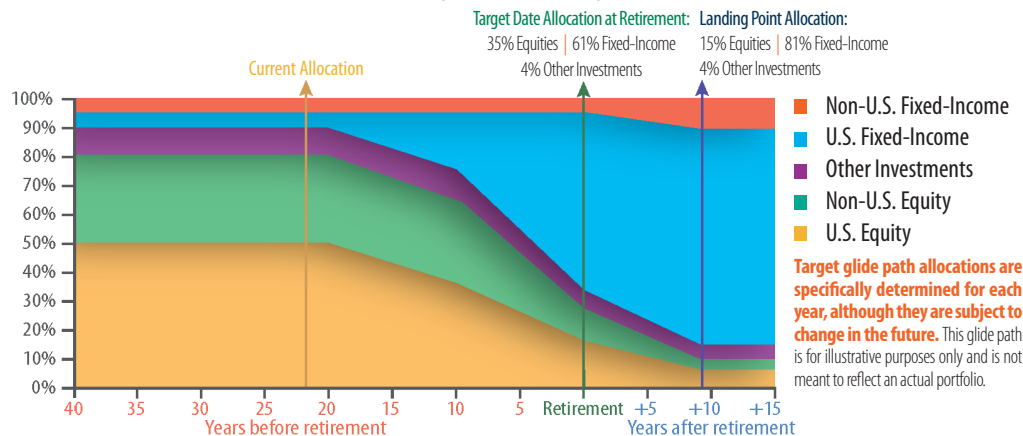
\*\*Morningstar Lifetime Moderate 2040 Index represents a portfolio of global equities, bonds and traditional inflation hedges such as commodities and TIPS.

\*\*\*Russell 3000® Index is comprised of the 3000 largest and most liquid stocks based and traded in the U.S.

Indexes are unmanaged and an investor cannot invest directly in an index.

## GLIDE PATH

A glide path refers to a formula that defines the asset allocation mix of a target date fund, based on the number of years to your anticipated retirement or “target date”. As you’ll see below, the Fund’s glide path creates an asset allocation plan that becomes more conservative in its chosen securities as the Fund gets closer to its target date.

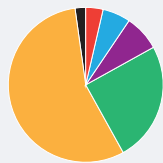


When weighting the investment categories, the Sub-Advisor may, depending on market conditions, deviate from the glide path weightings by up to 10%. For example, if an investment category weighting is 20% per the glide path, the Sub-Advisor may weight the investment category between 18% and 22%.



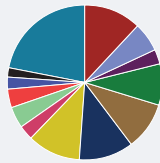
## PORTFOLIO INFORMATION

## Investment Categories



Non U.S. Fixed-Income	3.82%
U.S. Fixed-Income	5.71%
Other Investments	7.57%
Non U.S. Equity	25.11%
U.S. Equity	55.70%
Cash	2.09%

## Sector Allocation



Consumer Discretionary	12.12%
Consumer Staples	6.13%
Energy	2.91%
Financials	8.81%
Health Care	9.88%
Industrials	11.33%
Information Technology	11.15%
Materials	3.10%
Communication Services	4.53%
Utilities	3.85%
Real Estate	2.37%
Cash	2.09%
ETFs	21.73%

## Investment Vehicle

Stocks	76.18%
ETFs	21.73%
Cash	2.09%

## TOP 10 HOLDINGS

USDU Wisdomtree Bloomberg U.S. Dollar Bullish Fund	4.80%	BKLN PowerShares Senior Loan Portfolio	1.45%
VVO Vanguard FTSE Emerging Markets ETF	4.63%	NEAR iShares Short Maturity Bond ETF	1.43%
PCY PowerShares Emerg. Markets Sovgn. Debt Portfolio	1.94%	LQD iShares iBoxx \$ Inv. Grade Corp. Bond ETF	0.96%
BWX SPDR® Barclays Int'l Treasury Bond ETF	1.88%	ICF iShares Cohen & Steers REIT ETF	0.96%
GLD SPDR Gold Shares	1.81%	IEF iShares 7-10 Year Treasury Bond ETF	0.94%

## FUND ALLOCATION

## Strategy/ETF Implementation

## Asset Class

U.S. EQUITY	
U.S. Large Growth	First Trust Large-Cap Growth Target Strategy
U.S. Large Value	First Trust Large-Cap Value Target Strategy
U.S. Mid Growth	First Trust Mid-Cap Growth Target Strategy
U.S. Mid Value	First Trust Mid-Cap Value Target Strategy
U.S. Small Growth	First Trust Small-Cap Growth Target Strategy
U.S. Small Value	First Trust Small-Cap Value Target Strategy

NON-U.S. EQUITY	
Developed ex U.S. Equity	First Trust International Target Strategy
Emerging Markets Equity	Vanguard FTSE Emerging Markets ETF (VVO)

OTHER INVESTMENTS	
Real Estate Investment Trusts (REITs)	iShares Cohen & Steers REIT ETF (ICF)
Commodity	SPDR Gold Shares (GLD)
Currency Fund	Wisdomtree Bloomberg U.S. Dollar Bullish Fund (USDU)

U.S. FIXED-INCOME	
Intermediate U.S. Treasuries	iShares Barclays 7-10 year Treasury (IEF)
Investment-Grade Corp. Bonds	iShares Short Maturity Bond ETF (NEAR)
Investment-Grade Corp. Bonds	iShares iBoxx \$ Inv. Grade Corp. Bond ETF (LQD)
Inflation Protected Treasuries (TIPS)	iShares TIPS Bond ETF (TIP)
Senior Loans	PowerShares Senior Loan Portfolio (BKLN)

NON-U.S. FIXED-INCOME	
International Treasuries	SPDR® Barclays International Treasury Bond ETF (BWX)
Emerging Markets Debt	PowerShares Emerging Markets Sovereign Debt Portfolio (PCY)

## 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 [www.ftportfolios.com](http://www.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 are not mutual funds and their units are not deposits of the Trustee, Hand Benefits & Trust Company, or 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 and the Fund is exempted from investment company registration under the Investment Company Act of 1940. Therefore, participating plans and their participants will not be entitled to the protections under these Acts. 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 a Fund. The mix of assets in a Fund is intended to diminish the risk of loss, but sometimes stocks, bonds, and other assets in a Fund's portfolio may lose value simultaneously. While the Funds are managed to reduce equity market exposure and, therefore, equity market risk over time, investment in a Fund is exposed to market risk and other certain risks.

The Fund is subject to market risk which is the risk that a particular security owned by the Fund or shares of the Fund in general may fall in value.

An investment in a fund containing securities of non-U.S. issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting non-U.S. issuers. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries.

Changes in currency exchange rates and the relative value of non-U.S. currencies may affect the value of the Fund's investments and the value of the Fund's shares.

The Fund invests in small and/or mid-capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

Certain securities held by the Fund are subject to credit risk, income risk, interest rate risk and prepayment risk. Credit risk is the risk that an issuer may default on its obligation to make principal and/or interest payments when due. Credit risk is heightened for senior loan securities. Income risk is the risk that income from the Fund's fixed income investments could decline during periods of falling interest rates. Interest rate risk is the risk that the value of debt securities will decline because of rising interest rates. Prepayment risk is the risk that, during periods of falling interest rates, an issuer may exercise its right to pay principal on an obligation earlier than expected. This may result in a decline in a fund's income. Each of these risks may have an adverse effect on the Fund's total return.

Companies that issue loans tend to be highly leveraged and thus are more susceptible to the risk of interest deferral, default and/or bankruptcy. Senior floating rate loans, in which the Fund may invest, are usually rated below investment grade but may also be unrated. As a result, the risks associated with these senior floating rate loans are similar to the risks of high-yield fixed income instruments.

High-yield securities or "junk" bonds are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, are considered to be highly speculative. These securities are issued by companies that may have limited operating history, narrowly focused operations, and/or other impediments to the 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.

The Fund may invest in securities of other investment companies, including ETFs or other pooled investment vehicles PIVs which involves additional expenses that would not be present in a direct investment in the underlying funds. In addition, a fund's investment performance and risks may be related to the investment performance and risks of the underlying funds.

The Fund may invest in Treasury Inflation-Protected Securities ("TIPS"), which are securities issued by the U.S. Government but differ from nominal rate Treasury securities in certain respects. TIPS are issued at fixed coupon rates lower than those of nominal rate Treasury securities, but the principal amount of TIPS fluctuates daily based on a pro-rata portion of the change in the Consumer Price Index as reported three months earlier. Coupon payments are made based on the adjusted principal value of the TIPS. In a falling inflationary environment, both the coupon payments and the value of TIPS will decline. Foreign governments may issue securities with features similar to TIPS.

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 commodities-linked instruments may fluctuate quickly and dramatically and may not correlate to price movements in other asset classes. Each of these factors and events could have a significant negative impact on the Fund.

Real estate investment trusts and other real estate related companies are subject to certain risks, including changes in the real estate market, vacancy rates and competition, volatile interest rates and economic recession.

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 and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.