



## INFORMATION CIRCULAR: FIRST TRUST EXCHANGE-TRADED FUND VI

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**TO:** Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

**FROM:** BX / PHLX Listing Qualifications Department

**DATE:** September 6, 2018

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### EXCHANGE-TRADED FUND

### SYMBOL CUSIP #

First Trust Dorsey Wright Momentum & Low Volatility ETF

DVOL 33741L108

First Trust Dorsey Wright Momentum & Value ETF

DVLU 33741L207

### BACKGROUND INFORMATION ON THE FUND

The First Trust Exchange-Traded Fund VI (the "Trust") is a management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), consisting of several investment portfolios. This circular relates only to the Funds listed above (each, a "Fund" and together, the "Funds"). The shares of the Funds are referred to herein as "Shares." First Trust Advisors L.P (the "Adviser") is the investment adviser to the Funds.

#### First Trust Dorsey Wright Momentum & Low Volatility ETF

The First Trust Dorsey Wright Momentum & Low Volatility ETF ("DVOL") seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an index called the Dorsey Wright Momentum Plus Low Volatility Index (the "DVOL Index").

Under normal conditions, DVOL will invest at least 90% of its net assets (including investment borrowings) in the equity securities that comprise the DVOL Index. DVOL, using an indexing investment approach, attempts to replicate, before fees and expenses, the performance of the DVOL Index. DVOL's investment advisor seeks a correlation of 0.95 or better (before fees and expenses) between DVOL's performance and the performance of the DVOL Index; a figure of 1.00 would represent perfect correlation. The DVOL Index is owned and was developed by Nasdaq, Inc. (the "Index Provider").

The DVOL Index is a rules-based equity index designed to track the overall performance of the 50 stocks comprising the NASDAQ US Large Mid Index that exhibit the lowest levels of volatility while still maintaining high levels of "relative strength." A relative strength analysis is a momentum-based investment strategy that emphasizes a security's forward price momentum in the security selection process. A security's momentum is the rate at which its price is accelerating. Momentum investing strategies are based on the principle that securities that have recently risen or fallen in price will

continue that trend and that, when evaluating two indices/securities, the index/security exhibiting the greater momentum will perform better.

To make such a determination between two indices/securities, a relative strength calculation can be used. A relative strength calculation is an objective method of comparing two investment options to determine which of the two is exhibiting greater forward price momentum. The DVOL Index utilizes a relative strength calculation to compare the forward price momentum of each of the securities comprising the NASDAQ US Large Mid Index against the momentum of a broad market benchmark index. To make this determination, on a daily basis, the Index Provider computes a “relative strength score” for each security in the NASDAQ US Large Mid Index by dividing the closing price of each security by the closing price of the benchmark index and then multiplying that number by 100. This number is then charted for each security. When the same calculation is run the next day, if this number increases, it is charted as an “X.” If it decreases, it is charted as an “O.” This is known as point and figure charting. The patterns formed by these “Xs” and “Os” can signal whether a security should be bought or sold. For instance, if a column of “Xs” exceeds a previous column of “Xs”, this is known as a “buy signal”. Only those securities presenting a “buy” signal and in a column of “Xs” are eligible for inclusion in the DVOL Index. These eligible securities are then each assigned a volatility score based upon their daily percentage price changes over the trailing year. The remaining top 50 eligible securities with the lowest volatility scores are selected for inclusion in the DVOL Index. The DVOL Index then utilizes the inverse of each security’s one-year trailing volatility to assign weights to each of the 50 securities. Similar to a market cap weighting methodology, securities exhibiting lower volatility are assigned correspondingly higher weights.

The DVOL Index is reconstituted and rebalanced quarterly and DVOL will make corresponding changes to its portfolio shortly after the DVOL Index changes are made public. The inception date of the DVOL Index was July 2, 2018. DVOL will be concentrated in an industry or a group of industries to the extent that the DVOL Index is so concentrated. As of August 1, 2018, the DVOL Index had significant exposure to financials companies, information technology companies and industrial companies.

### **First Trust Dorsey Wright Momentum & Value ETF**

The First Trust Dorsey Wright Momentum & Value ETF (“DVLU”) seeks investment results that correspond generally to the price and yield (before the Fund’s fees and expenses) of an index called the Dorsey Wright Momentum Plus Value Index (the “DVLU Index”).

Under normal conditions, DVLU will invest at least 90% of its net assets (including investment borrowings) in the equity securities that comprise the DVLU Index. DVLU, using an indexing investment approach, attempts to replicate, before fees and expenses, the performance of the DVLU Index. DVLU’s investment advisor seeks a correlation of 0.95 or better (before fees and expenses) between DVLU’s performance and the performance of the DVLU Index; a figure of 1.00 would represent perfect correlation. The DVLU Index is owned and was developed by Nasdaq, Inc. (the “Index Provider”).

The DVLU Index is a rules-based equity index designed to track the overall performance of the 50 most undervalued stocks comprising the NASDAQ US Large Mid Index that exhibit high levels of “relative strength.” A relative strength analysis is a momentum-based investment strategy that emphasizes a security’s forward price momentum in the security selection process. A security’s

momentum is the rate at which its price is accelerating. Momentum investing strategies are based on the principle that securities that have recently risen or fallen in price will continue that trend and that, when evaluating two indices/securities, the index/security exhibiting the greater momentum will perform better.

To make such a determination between two indices/securities, a relative strength calculation can be used. A relative strength calculation is an objective method of comparing two investment options to determine which of the two is exhibiting greater forward price momentum. The DVLU Index utilizes a relative strength calculation to compare the forward price momentum of each of the securities comprising the NASDAQ US Large Mid Index against the momentum of a broad market benchmark index. To make this determination, on a daily basis, the Index Provider computes a “relative strength score” for each security in the NASDAQ US Large Mid Index by dividing the closing price of each security by the closing price of the benchmark index and then multiplying that number by 100. This number is then charted for each security. When the same calculation is run the next day, if this number increases, it is charted as an “X.” If it decreases, it is charted as an “O.” This is known as point and figure charting. The patterns formed by these “Xs” and “Os” can signal whether a security should be bought or sold. For instance, if a column of “Xs” exceeds a previous column of “Xs”, this is known as a “buy signal”. Only those securities presenting a “buy” signal and in a column of “Xs” are eligible for inclusion in the DVLU Index.

Eligible securities are individually ranked on four “value” metrics: (1) price-to-sales ratio; (2) price-to-book ratio; (3) price-to-earnings ratio; and (4) price-to-cash flow ratio. Each eligible security is assigned a percentile rank for each of the four metrics. A cumulative value score is then calculated for each security by averaging the percentile scores for each of the value metrics. The eligible securities are ranked based upon their value scores. Securities that did not have scores for at least three of the four metrics are removed. The remaining top 50 eligible securities with the highest value scores are selected for inclusion in the DVLU Index. The DVLU Index then utilizes each security’s value score to assign weights to each of the 50 securities. Similar to a market cap weighting methodology, securities with higher value scores are assigned correspondingly higher weights.

The DVLU Index is reconstituted and rebalanced quarterly and DVLU will make corresponding changes to its portfolio shortly after the DVLU Index changes are made public. The inception date of the DVLU Index was July 2, 2018. DVLU will be concentrated in an industry or a group of industries to the extent that the DVLU Index is so concentrated. As of August 1, 2018, the DVLU Index had significant exposure to financial companies.

For more information regarding the Funds’ investment strategy, please read the prospectus for the Fund.

As described more fully in the Trust’s prospectus and Statement of Additional Information (“SAI”), the Funds issue and redeem Shares at net asset value (“NAV”) only in large blocks of 50,000 Shares (each block of Shares called a “Creation Unit”). As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Funds.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The NAV per Share for each Fund is computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or "ET") of the New York Stock Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

The registration statement for the Funds describes the various fees and expenses for the Funds' Shares. For a more complete description of the Funds and the underlying indexes, visit the Funds' website at [www.ftportfolios.com](http://www.ftportfolios.com).

### **PURCHASES AND REDEMPTIONS IN CREATION UNIT SIZE**

BX members and PHLX members and member organizations are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's prospectus and Statement of Additional Information and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

### **PRINCIPAL RISKS**

Interested persons are referred to the discussion in the prospectus for the Fund of the principal risks of an investment in the Fund. These include tracking error risk (factors causing the Fund's performance to not match the performance of the underlying index), market trading risk (for example, trading halts, trading above or below net asset value), authorized participant concentration risk, concentration risk, cyber security risk, equity securities risk, fluctuation of net asset value risk, market maker risk, market risk, momentum investing risk, new fund risk, non-correlation risk, non-diversification risk, passive investment risk, smaller companies risk, and trading issues risk.

### **EXCHANGE RULES APPLICABLE TO TRADING IN THE SHARES**

Trading of the Shares on BX is on a UTP basis and is subject to BX equity trading rules. Trading of the Shares on PHLX's PSX system is on a UTP basis and is subject to PHLX rules.

### **TRADING HOURS**

The values of each index underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. The Shares will trade on PSX between 9:00 a.m. and 5:00 p.m. ET. For trading during each market's pre-market and post-market sessions, market participants should note that additional risks may exist with respect to trading the Fund during these sessions, when the underlying index's values, intraday indicative value, or similar value may not be disseminated or calculated.

## DISSEMINATION OF FUND DATA

The Consolidated Tape Association will disseminate real time trade and quote information for the Funds to Tape C.

Fund Name	Listing Market	Trading Symbol	IOPV Symbol	NAV Symbol
First Trust Dorsey Wright Momentum & Low Volatility ETF	NASDAQ	DVOL	DVOL.IV	DVOL.NV
First Trust Dorsey Wright Momentum & Value ETF	NASDAQ	DVLU	DVLU.IV	DVLU.NV

## SUITABILITY

Trading in the Shares on BX will be subject to the provisions of BX Equity Rule 2310. Shares trading on PSX will be subject to the provisions of PHLX Rule 763. Members and member organizations recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in the BX Conduct Rules.

BX members and PHLX members and member organizations should also review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

## TRADING HALTS

BX will halt trading in the Shares of a Fund in accordance with BX Equity Rule 4120. PHLX will halt trading in the Shares of a Fund in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Fund, the value of its underlying index, or a similar value are not being disseminated as required, or a halt for other regulatory reasons. In addition, BX and PHLX will also stop trading the Shares of a Fund if the primary market delists the Fund.

## **DELIVERY OF A PROSPECTUS**

BX members and PHLX members and member organizations should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Fund.

Prospectuses may be obtained through the Fund's website. The prospectus for the Funds does not contain all of the information set forth in the Fund's registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). For further information about the Fund, please refer to the registration statement.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, BX Equity Rules 4420 and 4421, and PHLX Rule 803 require that members and member organizations, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, members and member organizations shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by members or member organizations to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

Any BX or PHLX member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to BX members and PHLX members or member organizations under this rule.

Upon request of a customer, BX members and PHLX members or member organizations shall provide a copy of the prospectus.

## **EXEMPTIVE, INTERPRETIVE AND NO-ACTION RELIEF UNDER FEDERAL SECURITIES REGULATIONS**

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded Fund.

## **REGULATION M EXEMPTIONS**

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to

underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Fund to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Fund (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Fund for redemption does not constitute a bid for or purchase of any of the Fund's securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

#### **CUSTOMER CONFIRMATIONS FOR CREATION OR REDEMPTION OF FUND SHARES (SEC RULE 10B-10)**

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing Creation Unit Aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust for the Fund to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
- 3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

#### **SEC RULE 14E-5**

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of

tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- 1) such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
- 2) purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- 3) such bids or purchases are not effected for the purpose of facilitating such tender offer.

#### **SECTION 11(D)(1); SEC RULES 11D1-1 AND 11D1-2**

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of the Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares of the Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(l)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of the Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

#### **SEC RULE 15C1-5 AND 15C1-6**

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

**This Information Circular is not a statutory prospectus. BX members and PHLX members and member organizations should consult the Fund's prospectus and/or the Fund's website for relevant information.**

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Inquiries regarding this Information Circular should be directed to:

- Ben Haskell, Listing Qualifications, at 301.978.8092
- BX / PSX Market Sales, at 800.846.0477