

First Trust High Income Long/Short Fund (FSD)



Investment Objective/Strategy - First Trust High Income Long/Short Fund is a diversified, closed-end management investment company. The Fund's primary investment objective is to provide current income. The Fund has a secondary objective of capital appreciation. The Fund will seek to achieve its investment objectives by investing, under normal market conditions, a majority of its assets in a diversified portfolio of U.S. and foreign (including emerging markets) high-yield corporate fixed-income securities of varying maturities that are rated below-investment grade at the time of purchase. The Fund's investments in below-investment grade fixed-income securities are commonly referred to as "high-yield" or "junk" bonds and are considered speculative with respect to the issuer's capacity to pay interest and repay principal.

There can be no assurance that the Fund's investment objectives will be achieved.

Fund Overview

Ticker	FSD
Fund Type	High Yield Bond
Investment Advisor	First Trust Advisors L.P.
Portfolio Manager/Sub-Advisor	MacKay Shields LLC
Investor Servicing Agent	BNY Mellon Investment Servicing (US) Inc.
CUSIP	33738E109
Fiscal Year-End	10/31
Exchange	NYSE
Inception	9/27/2010
Inception Price	\$20.00
Inception NAV	\$19.10
Contact Fund	1.800.988.5891
Website	www.ftportfolios.com

Current Fund Data (as of 3/4/2016)

Closing NAV ¹	\$16.37
Closing Share Price ²	\$14.32
Discount to NAV	12.52%
Total Net Assets	\$577,482,633
Common Shares Outstanding	35,272,607
Dividend Frequency	Monthly
Dividend Per Share Amt ³	\$0.0900
Distribution Rate ⁴	7.54%
Daily Volume	93,764
Average 30-Day Daily Volume	120,925
Closing Share Price 52-Week High/Low	\$16.66 / \$13.01
Closing NAV 52-Week High/Low	\$18.77 / \$15.53

Cumulative Total Returns (as of 2/29/2016)⁵

Period	Share Price	NAV
3 Months	1.38%	-1.73%
1 Year	-8.39%	-7.37%
3 Years	-6.59%	3.61%
5 Years	10.79%	20.77%
Year to Date	0.92%	-0.31%
Inception to Date	7.88%	30.06%

Portfolio Composition

The Fund seeks to achieve its investment objectives by investing, under normal market conditions, a majority of its assets in a diversified portfolio of U.S. and foreign (including emerging markets) high-yield corporate fixed-income securities of varying maturities that are rated below investment-grade at the time of purchase. The Fund's principal investments include, but are not limited to, domestic corporate debt securities; Yankee debt securities, which are dollar-denominated securities of foreign issuers that are traded in the United States; non-dollar-denominated corporate debt securities; derivatives (including credit default swaps); and sovereign debt. Under normal market conditions, the use of derivatives by the Fund, other than for hedging purposes, will not exceed 30% of the Fund's Managed Assets. The Fund has no current intention to utilize structural leverage; however, "shorting" is a form of leverage. Leverage is a technique where a closed-end fund's manager borrows assets at one rate and invests the proceeds from the borrowed assets at another rate, seeking to increasing yield and total return. Use of leverage can result in additional risk and cost, and can magnify the effect of any losses.

Portfolio Statistics (as of 1/31/2016)⁶

Avg Position Size as % of Total Investments	0.48%
Largest Position as % of Total Investments	2.59%
Weighted Average Duration	4.66 Years
Weighted Average Effective Maturity	6.22 Years
Weighted Average Yield-to-Worst	8.49%
Gross Assets	100.06%
Net Long Positions	89.48%
Short Positions	-10.58%
Short Position Exposure - U.S. Treasury Securities	68.72%
Short Position Exposure - Corporate Bond Securities	31.28%

NOTE: Portfolio Statistics are exclusive of cash and other assets and liabilities.

Asset Type Breakdown (as of 1/31/2016)⁶

Asset	Percent
Corporate Bonds and Notes	69.36%
Foreign Corporate Bonds and Notes	14.54%
Capital Preferred Securities	11.15%
Senior Floating-Rate Loan Interests	2.99%
Mortgage Backed	1.76%
Asset-Backed Securities	0.20%

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Average Annual Returns (as of 2/29/2016)⁵

Period	Share Price	NAV
3 Years	-2.25%	1.19%
5 Years	2.07%	3.85%
Inception to Date	1.41%	4.97%

Credit Quality Breakdown for Bonds (as of 1/31/2016)⁶

Credit Quality	Percent
BBB- and above	15.51%
BB	48.25%
B	26.39%
NR	0.53%
CCC+ and below	9.32%

The credit quality and ratings information presented above reflect the ratings assigned by one or more nationally recognized statistical rating organizations (NRSROs), including Standard & Poor's Rating Group, a division of the McGraw Hill Companies, Inc., Moody's Investors Service, Inc., Fitch Ratings, or a comparably rated NRSRO. For situations in which a security is rated by more than one NRSRO and the ratings are not equivalent, the highest ratings are used. Sub-investment grade ratings are those rated BB+/Ba1 or lower. Investment grade ratings are those rated BBB-/Baa3 or higher. The credit ratings shown relate to the credit worthiness of the issuers of the underlying securities in the Fund, and not to the Fund or its shares. Credit ratings are subject to change.

Percentages of credit quality are based on the Fixed-Income Investments Long positions only; Short positions are excluded.

Risk Considerations

Investment return and market value of an investment in the fund will fluctuate. Shares, when sold, may be worth more or less than their original cost.

The fund invests in non-investment grade debt instruments, commonly referred to as "high-yield securities". High yield securities are subject to greater market fluctuations and risk of loss than securities with higher ratings. Lower-quality debt tends to be less liquid than higher-quality debt.

The debt securities in which the fund invests are subject to certain risks, including issuer risk, reinvestment risk, prepayment risk, credit risk, and interest rate risk. Issuer risk is the risk that the value of fixed-income securities may decline for a number of reasons which directly relate to the issuer. Reinvestment risk is the risk that income from the fund's portfolio will decline if the fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the fund portfolio's current earnings rate. Prepayment risk is the risk that, upon a prepayment, the actual outstanding debt on which the fund derives interest income will be reduced. 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 that the value of a security may decline as a result. Interest rate risk is the risk that fixed-income securities will decline in value because of changes in market interest rates.

In times of unusual or adverse market, economic, regulatory or political conditions, the fund may not be able, fully or partially, to implement its short selling strategy. Short selling creates special risks which could result in increased volatility of returns and may result in greater gains or greater losses.

The fund invests in securities of non-U.S. issuers which are subject to higher volatility than securities of U.S. issuers. Because the fund invests in non-U.S. securities, you may lose money if the local currency of a non-U.S. market depreciates against the U.S. dollar.

The risks of investing in the fund are spelled out in the prospectus, shareholder report and other regulatory filings.

Not FDIC Insured • Not Bank Guaranteed • May Lose Value

Industry Breakdown (as of 1/31/2016)⁶

Industry	Percent
Basic Industry	12.13%
Healthcare	10.53%
Capital Goods	9.27%
Telecommunications	7.59%
Automotive	7.02%
Banking	6.69%
Media	6.33%
Leisure	5.49%
Energy	5.22%
Insurance	5.19%
Technology & Electronics	5.09%
Transportation	4.67%
Financial Services	4.54%
Consumer Goods	3.38%
Services	3.35%
Commercial Mortgage-Backed Securities	1.18%
Utility	0.84%
Retail	0.67%
Collateralized Mortgage Obligations	0.59%
Asset Backed	0.20%
Real Estate	0.03%

Footnotes

- 1 The NAV represents the fund's net assets (assets less liabilities) divided by the fund's common shares outstanding.
- 2 Fund shares are purchased and sold on an exchange at their share price rather than net asset value (NAV), which may cause the shares to trade at a price greater than NAV (premium) or less than NAV (discount).
- 3 Most recent distribution paid or declared to today's date. Subject to change in the future. There is no guarantee that the fund will declare dividends.
- 4 Distribution rates are calculated by annualizing the most recent distribution paid or declared through today's date and then dividing by the most recent market price. The distribution consists of the sum of net investment income, net realized short-term capital gains, net realized long-term capital gains, and return of capital. Distribution rates may vary. Any distribution adjustment will not be reflected until after the declaration date for the next distribution. See the fund's 19a-1 Notices, if any, located under the "News & Literature" section of the website for estimates of distribution sources. Final determination of the source and tax status of all distributions paid in the current year will be made after year-end.
- 5 Total return is the combination of reinvested dividend income and reinvested capital gains distributions, at prices obtained by the Dividend Reinvestment Plan, if any, and changes in the NAV and Share Price. The NAV total return takes into account the fund's total annual expenses and does not reflect sales load. Past performance is not indicative of future results.
- 6 Market value information used in calculating the percentages is based upon trade date plus one recording of transactions, which can differ from regulatory financial reports (Forms N-CSR and N-Q) that are based on trade date recording of security transactions. Holdings are subject to change.