



2016 Annual Financial Statements

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

As at June 30, 2016

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MANAGEMENT REPORT

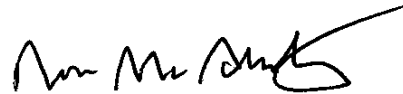
Management’s Responsibility for Financial Reporting

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)
(referred to as the “First Trust ETF”)

The accompanying annual financial statements have been prepared by FT Portfolios Canada Co. the Manager of the First Trust ETF, and approved by the Board of Directors of the Manager. The First Trust ETF’s Manager is responsible for the information and representations contained in these financial statements and other sections of the Annual Report. The First Trust ETF’s Manager maintains appropriate procedures to ensure that relevant and reliable information is produced. These annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The significant accounting policies which management believes are appropriate for the First Trust ETF are described in Notes 2 and 3 to the financial statements.



Fraser Howell
Director



Ron McAlister
Director

Independent Auditor's Report

To the Unitholders of
First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

We have audited the accompanying financial statements of First Trust Short Duration High Yield Bond ETF (CAD-Hedged), which comprise the statements of financial position as at June 30, 2016 and June 30, 2015, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the First Trust Short Duration High Yield Bond ETF (CAD-Hedged) as at June 30, 2016 and June 30, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
September 28, 2016

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

STATEMENTS OF FINANCIAL POSITION As at June 30, 2016 and June 30, 2015

	June 30 2016 (\$)	June 30, 2015 (\$)
Assets		
Investments (non-derivative financial assets)	24,132,153	-
Forward Agreement	-	37,002,455
Cash	856,165	103,572
Accrued dividend receivable	7,627	-
Accrued interest receivable	276,042	-
Receivable for portfolio securities sold	127,419	-
Derivative assets	276,185	-
Other assets	3,576	-
	25,679,167	37,106,027
Liabilities		
Accrued liabilities	45,940	138,557
Payable for portfolio securities purchased	107,442	-
Distributions payable	101,596	172,037
	254,978	310,594
Total net assets attributable to holders of redeemable units	25,424,189	36,795,433
Net assets attributable to holders of redeemable units per class		
Advisor Class	17,484,024	35,323,995
Common Class	7,940,165	1,471,438
Redeemable units outstanding [note 7]		
Advisor Class	908,162	3,315,674
Common Class	370,823	125,074
Net assets attributable to holders of redeemable units per class [note 1]		
Advisor Class	19.25	10.65
Common Class	21.41	11.76

STATEMENTS OF COMPREHENSIVE INCOME For the years ended June 30


	June 30 2016 (\$)	June 30, 2015 (\$)
Revenues		
Dividends	169,044	-
Interest income for distribution purposes	442,798	-
Other changes in fair value of investments and derivatives		
Net realized gain (loss) on investments	15,448,228	(169)
Net change in unrealized gain on Forward Agreements	-	203,941
Net realized gain on foreign exchange	2,423,506	-
Net change in unrealized depreciation of investments and derivatives	(19,192,653)	-
	(709,077)	203,772
Foreign exchange loss on cash	(440,023)	-
	(1,149,100)	203,772
Expenses [note 8]		
Management fees	114,645	86,016
Service fees	114,219	165,103
Forward Agreement fees	45,082	130,450
HST expense	23,365	4,842
Securityholder reporting costs	22,602	41,616
Custody fees	13,530	24,090
Audit fees	13,325	26,725
Other expenses	11,234	34,169
Transaction costs (note 3 and note 10)	6,244	-
Trustee fees	4,100	7,300
Independent Review Committee fees	4,016	6,035
Legal fees	(561)	8,001
	371,801	534,347
Expenses waived by manager	(4,082)	-
	367,719	534,347
Decrease in net assets attributable to holders of redeemable units before tax	(1,516,819)	(330,575)
Withholding taxes	(15,757)	-
Decrease in net assets from operations attributable to holders of redeemable units	(1,532,576)	(330,575)
(Decrease) Increase in net assets from operations attributable to holders of redeemable units for each class		
Advisor Class	(1,794,626)	(332,736)
Common Class	262,050	2,161
(Decrease) Increase in net assets from operations attributable to holders of redeemable units per unit		
Advisor Class	(0.82)	(0.09)
Common Class	1.20	0.02

See accompanying notes which are an integral part of these financial statements.

On behalf of the Trustee,
FT Portfolios Canada Co.



..... Director



..... Director

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended June 30

	June 30 2016 (\$)	June 30, 2015 (\$)	June 30 2016 (\$)	June 30, 2015 (\$)
	Class A	Class A	Class F	Class F
Net assets attributable to holders of redeemable units, beginning of year	35,323,995	50,827,535	1,471,438	1,571,316
(Decrease) Increase in net assets from operations attributable to holders of redeemable units	(1,794,626)	(332,736)	262,050	2,161
Redeemable unit transactions [note 7]				
Proceeds from redeemable units issued	1,105,146	3,904	9,987,523	-
Redemption of redeemable units	(15,694,455)	(12,636,976)	(3,560,794)	(18,899)
	(14,589,309)	(12,633,072)	6,426,729	(18,899)
Distributions to holders of redeemable units from:				
Net investment income	(394,637)	-	(180,124)	-
Return of capital	(1,061,399)	(2,537,732)	(39,928)	(83,140)
	(1,456,036)	(2,537,732)	(220,052)	(83,140)
(Decrease) Increase in net assets from operations attributable to holders of redeemable units for the year	(17,839,971)	(15,503,540)	6,468,727	(99,878)
Net assets attributable to holders of redeemable units, end of year	17,484,024	35,323,995	7,940,165	1,471,438
			2016	2015
			Total (\$)	Total (\$)
Net assets attributable to holders of redeemable units, beginning of year			36,795,433	52,398,851
(Decrease) Increase in net assets from operations attributable to holders of redeemable units			(1,532,576)	(330,575)
Redeemable unit transactions [note 7]				
Proceeds from redeemable units issued			11,092,669	3,904
Redemption of redeemable units			(19,255,249)	(12,655,875)
			(8,162,580)	(12,651,971)
Distributions to holders of redeemable units from:				
Net investment income			(574,761)	-
Return of capital			(1,101,327)	(2,620,872)
			(1,676,088)	(2,620,872)
Decrease in net assets from operations attributable to holders of redeemable units for the year			(11,371,244)	(15,603,418)
Net assets attributable to holders of redeemable units, end of year			25,424,189	36,795,433

See accompanying notes which are an integral part of these financial statements.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

STATEMENTS OF CASH FLOW For the years ended June 30

	June 30 2016 (\$)	June 30, 2015 (\$)
Cash flows from (used in) Operating Activities		
Decrease in net assets from operations attributable to holders of redeemable units	(1,532,576)	(330,575)
Adjustments for:		
Foreign exchange loss on cash	440,023	-
Net realized (gain) loss on investments and derivatives	(15,448,228)	169
Change in unrealized depreciation of investments and derivatives	19,192,653	-
Net change in unrealized loss on Forward Agreements	-	15,705,465
Interest receivable	(276,042)	-
Dividends receivable	(7,627)	-
Other assets	(3,576)	-
Accrued liabilities	(92,617)	(11,315)
Management fees payable	-	(1,992)
Purchases of investments	(86,340,294)	(15,776,221)
Proceeds from the sale of investments	95,170,009	15,776,052
	11,101,725	15,361,583
Cash flows from (used in) Financing Activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(1,746,529)	(2,725,273)
Amount received from the issuance of units	11,092,669	3,904
Amount paid on redemptions of units	(19,255,249)	(12,655,875)
	(9,909,109)	(15,377,244)
Increase (decrease) in cash for the year	1,192,616	(15,661)
Foreign exchange loss on cash	(440,023)	-
Cash, beginning of year	103,572	119,233
Cash, end of year	856,165	103,572
Interest received	166,756	-
Dividends received, net of withholding taxes	145,877	-

See accompanying notes which are an integral part of these financial statements.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

1. THE FIRST TRUST ETF

First Trust Short Duration High Yield Bond ETF (CAD-Hedged) (the “First Trust ETF”) is a continuously distributed exchange-traded mutual fund established as trust under the laws of the Province of Ontario pursuant to a declaration of trust dated May 1, 2013 and amended and restated as of January 27, 2014, April 30, 2014, June 19, 2014, July 15, 2014, October 17, 2014, January 30, 2015, June 11, 2015, December 21, 2015 and January 25, 2016. The units of the First Trust ETF are listed for trading on the Toronto Stock Exchange (“TSX”). On January 25, 2016, the First Trust ETF converted from a closed-end fund structure to an exchange-traded fund. In connection with the conversion, the units of each classes of the First Trust ETF were consolidated on a two for one basis.

The First Trust ETF will change its year end to December 31st in accordance with the declaration of trust.

On February 8, 2016, First Trust Short Duration High Yield Bond ETF merged with the First Trust ETF.

The First Trust ETF has two classes of redeemable units in issue: Common Class and Advisor Class. All units are collectively referred to as the “Units”.

FT Portfolios Canada Co. is the trustee, manager and promoter (the “Manager”) of the First Trust ETF. First Trust Advisors L.P., an affiliate of the Manager, is the Portfolio Advisor of the First Trust ETF. CIBC Mellon Trust Company is the custodian of the assets of the First Trust ETF.

The address of the Manager is 40 King Street West, Suite 3001, Scotia Plaza, Box 312, Toronto, Ontario M5H 3Y2. The financial statements are authorized for issuance by the Manager on September 28, 2016.

The First Trust ETF seeks to provide Unitholders with a high level of current income by investing primarily in a diversified portfolio of below investment grade debt securities as rated by Moody’s Investor Services, Inc., Standard & Poor’s (Ba1/BB+ or below) or a similar rating by a designated rating organization (as defined in NI 81-102). As a secondary objective, the First Trust ETF will seek capital appreciation.

2. BASIS OF PRESENTATION

The information provided in these financial statements and notes thereto is as at June 30, 2016 and 2015 and for the years then ended.

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Financial instruments

(i) Classification

The First Trust ETF classifies the investments in debt and equity securities and derivatives as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are either held for trading (“HFT”) or at fair value through profit or loss (“FVTPL”) at inception.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

Financial assets or financial liabilities under HFT are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are part of a portfolio of identified financial instruments that the First Trust ETF manages together and has a recent actual pattern of short-term profit-taking. All derivatives and short positions are also included in this category. The First Trust ETF does not classify any derivatives as hedges in a hedging relationship.

Financial assets and financial liabilities designated at FVTPL at inception are those that are managed and their performance evaluated on a fair value basis in accordance the First Trust ETF's investment strategy as documented in its prospectus, and information about these financial assets and liabilities are evaluated by the management of the First Trust ETF on a fair value basis together with other relevant financial information.

(ii) Recognition and measurement

The First Trust ETF recognizes financial assets and liabilities at FVTPL when it becomes party to the contractual provisions of the instruments, plus transaction costs in the case of financial instruments measured at amortized cost. Investments are designated at FVTPL, including certain investments in debt securities, which have also been designated at FVTPL, while derivatives are classified as HFT.

At initial recognition financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at FVTPL are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets and liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Dividend or interest earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income. Fair value is determined in the manner described in item (iv) below.

All other financial assets and liabilities are measured at amortized cost. Financial assets and liabilities are shown at the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

(iii) Other financial liabilities

Other financial liabilities, if applicable, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(iv) Fair value measurement

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. A First Trust ETF uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the First Trust ETF may use internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primary to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the First Trust ETF holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The senior loans in which the First Trust ETF invests are not listed on any securities exchange or board of trade. Senior loans are typically bought and sold by institutional investors in individually negotiated private transactions that function in many respects like an over-the-counter secondary market, although typically no formal market-makers exist. This market, while having grown substantially in the past several years, generally has fewer trades and less liquidity than the secondary market for other types of securities. Some senior loans have few or no trades, or trade infrequently, and information regarding specific senior loans may not be widely available or may be incomplete. Accordingly, determinations of the fair value of senior loans may be based on infrequent and dated information. Because there is less reliable, objective data available, judgment and estimates play a greater role in valuation of senior loans than for other types of securities. Senior loans with readily available quotations are valued at fair value using the current bid price quotations provided by Markit or another prominent pricing service. Senior loans for which current quotations are not readily available are valued at fair value as determined by the Portfolio Advisor Pricing Committee. The Pricing Committee prices the assets if a price is unavailable from the pricing service.

Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs where possible, on such basis and in such manner established by the Manager. Investments in other pooled funds are valued at the net asset value per unit reported by each pooled fund. See Note 5 for more information about the First Trust ETF's fair value measurements.

(v) Standard that is issued but not yet effective for period ending June 30, 2016:

A Standard issued but not yet effective up to the date of issuance of the First Trust ETF's financial statements is listed below. The First Trust ETFs intend to adopt the applicable standard when it becomes effective.

IFRS 9, Financial Instruments - Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The First Trust ETF is in the process of assessing the impact of IFRS 9.

Cash

Cash consists of cash on deposit and bank overdraft.

Net assets attributable to holders of redeemable units per unit

The First Trust ETF have two classes of redeemable units in issue: Common Class and Advisor Class (See note 1 – "The First Trust ETF"). These classes of redeemable units are the most subordinate classes of financial instruments in First Trust ETF and rank pari passu in all material respects and have the same terms and conditions other than differences in management fee rate where the Advisor Class pays additional amount for service fees (See note 8 – "Management Fees and Expenses").

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

Redeemable shares can be put back to the First Trust ETF at any time for cash equal to 95% of the First Trust ETF's net asset value attributable to the share class. The redeemable shares are classified as financial liabilities and are measured at the redemption amounts.

A separate net asset value is calculated for each class of Units of the First Trust ETF. The net asset value of a particular series of unit is computed by calculating the value of the class' proportionate share of the assets and liabilities of the First Trust ETF common to all series less direct expenses attributable only to that class. The net asset value is divided by the number of units outstanding for each class on the day of valuation to compute net asset value per unit. Other expenses are allocated proportionately to each series based upon the relative net assets value of each class. Expenses are accrued daily.

Dividends are distributed according to the dividend policy discussed in the respective simplified prospectus of the First Trust ETF. Income not distributed is included in net assets attributable to holders of redeemable shares.

Investment transactions and gains and losses on disposal of investments

Investment transactions are accounted for on the trade date. Realized gains (losses) from investments are determined on a weighted average cost basis.

Investment income

Investment transactions are recorded on the trade date. The "Interest income for distribution purposes" shown on the Statement of Comprehensive Income represents the coupon interest received by the Fund accounted for on a straight line basis. The First Trust ETF does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Net realized gain/loss on sale of investments including foreign exchange adjustments and net change in unrealized appreciation/depreciation in value of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Dividend income is recognized on the ex-dividend date. Realized gains (losses) from investment transactions are calculated on a weighted average cost basis. Income, realized gains (losses) and unrealized gains (losses) are allocated among the series on a pro-rata basis.

The First Trust ETFs generally incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive income.

Foreign currencies

The Manager considers the currency of the primary economic environment in which the First Trust ETF operates to be the Canadian dollars as this is the currency which, in their opinion, most faithfully represents the economic effects of underlying transactions, events and conditions. Furthermore, Canadian dollars is the currency in which the First Trust ETF measures its performance and also issues and redeems its redeemable shares.

Investments purchased or sold in foreign currencies are translated into Canadian dollars using the exchange rate prevailing on the trade date. Income on foreign investments is recorded at gross, withholding taxes are shown separately as a line item, and are translated at the rate of exchange on the dates of such transactions. The fair values of investments and other assets and liabilities in foreign currencies are translated at the period-end exchange rates.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

Increase (decrease) in net assets attributable to holders of redeemable units per unit

Increase (decrease) in net assets from operations per unit represents the increase (decrease) in net assets from operations by class divided by the average units outstanding per class during the period.

Transaction costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are charged to net investment income in the period incurred. Transaction costs are presented as a separate line item in the Statement of Comprehensive Income.

Forward foreign exchange currency agreements

The First Trust ETF may purchase forward foreign exchange currency agreements to hedge assets and liabilities denominated in foreign currencies. Unrealized gains and losses on foreign currency denominated financial instruments used to hedge foreign currency assets and liabilities are recorded on the Statement of Financial Position and recognized in the Statement of Comprehensive Income with unrealized appreciation or depreciation on investments.

Upon the closing out of the instrument, any gain or loss on forward foreign exchange currency agreements is disclosed in the Statement of Comprehensive Income as net realized (loss) gain on foreign exchange.

Forward contracts entered into by the First Trust ETF represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity.

4. FORWARD FOREIGN EXCHANGE CURRENCY AGREEMENTS

The value of the forward foreign exchange currency agreements is the gain or loss that would be realized if, on the valuation date, the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation of forward foreign exchange currency agreements in the statement of comprehensive income until it is closed out or partially settled.

Valuations of derivative instruments are carried out daily, using normal exchange reporting sources for exchange-traded derivatives and specific broker enquiry for over-the-counter derivatives.

The First Trust ETF may enter into forward foreign exchange currency agreements to minimize the impact of changes in the Canadian-U.S. foreign exchange rate on the First Trust ETF's net asset value. The typical duration for a forward contract is one month but some contracts may be for longer periods up to six months. A Schedule 1 Canadian bank is the counterparty to all forward contracts of the First Trust ETF.

The below table shows information about the First Trust ETF's forward foreign exchange currency agreement for the years ended June 30, 2016 and 2015:

June 30, 2016			June 30, 2015*		
Contract Amount (\$)	% of net assets	Appreciation (Depreciation) (\$)	Contract Amount (\$)	% of net assets	Appreciation (Depreciation) (\$)
23,492,040	92.40%	276,185	37,400,000	101.07%	102,132

*the Fund's exposure, through the Forward Agreement, when it was still as Closed End Fund.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

5. FAIR VALUE MEASUREMENT

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgment, considering factors specific to the asset or liability. The following shows financial instruments recognized at fair value, categorized between those whose fair value is based on:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the First Trust ETF determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

All fair value measurements above are recurring fair value measurements. The carrying values of cash, subscriptions receivable, distributions payable, accrued liabilities and the First Trust ETF's obligation for Net Assets attributable to holders of redeemable units approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis as at June 30, 2016 and 2015:

Financial Assets and Liabilities at Fair Value (\$)				
As at June 30, 2016				
	Level 1	Level 2	Level 3	Total
Bonds and Senior Loans	–	21,627,594	–	21,627,594
Equities	2,504,559	–	–	2,504,559
Derivative assets	–	276,185	–	276,185
	2,504,559	21,903,779	–	24,408,338

Financial Assets at Fair Value (\$)				
As at June 30, 2015				
	Level 1	Level 2	Level 3	Total
Forward Agreement	–	37,002,455	–	37,002,455
	–	37,002,455	–	37,002,455

There have been no transfers from one Level to another for the years ended June 30, 2016 and 2015.

The First Trust ETF did not hold any Level 3 instruments at the beginning of, during, or at the end of either reporting periods.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

6. FINANCIAL INSTRUMENTS BY CATEGORY

The table below presents the net gains (losses) on financial instruments at fair value through profit or loss (“FVTPL”) by category for the year ended June 30, 2016:

	Net gains (losses) June 30, 2016 (\$)
Financial assets at FVTPL	
Held for trading	2,346,036
Designated at inception	(3,055,113)
Total financial assets at FVTPL	(709,077)
Financial liabilities at FVTPL	
Held for trading	–
Designated at inception	–
Total financial liabilities at FVTPL	–
Total	(709,077)

7. REDEEMABLE UNITS

The First Trust ETF have two classes of redeemable units in issue: Common Class and Advisor Class (See note 1 – “The First Trust ETFs”). The only difference between these Units is the service fee component of the management fee payable by a First Trust ETF in respect of the units of each class (as described under “Management Fees and Expenses” – See note 8). Accordingly, the net asset value per unit of each class may not be the same as a result of the different fees allocable to each class of units.

Units of the First Trust ETF are being issued and sold on a continuous basis and there is no maximum number of units that may be issued. The Units of the First Trust ETF is Canadian dollar denominated. The First Trust ETF is listed on the TSX and an investor is able to buy or sell Units of the First Trust ETF on the TSX through registered brokers and dealers in the province or territory where the investor resides. Investors may incur customary brokerage commissions in buying or selling Units.

The First Trust ETF issues Units directly to Designated Brokers and Underwriters. From time to time as may be agreed between a First Trust ETF and the Designated Brokers and Underwriters, the Designated Brokers and Underwriters may agree to accept the securities of the issuers whose securities are included in the portfolio of the First Trust ETF from time to time as payment for Units from prospective purchasers.

On any Trading Day, Unitholders may redeem units of the First Trust ETF for cash at a redemption price per unit equal to 95% of the closing price for the units on the TSX on the effective day of the redemption. Because Unitholders will generally be able to sell Units at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

Investors that redeem Units prior to the distribution record date for any distribution will not be entitled to receive that distribution.

The redemption rights described above must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide redemption instructions to the CDS Participants through which they hold Units sufficiently in advance of the cut-off times to allow such CDS Participants to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

The First Trust ETF's issued (redeemed) the following units during the years ended June 30, 2016 and 2015:

	June 30, 2016				June 30, 2015			
	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Outstanding	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Outstanding
Common	475,853	–	(230,104)	370,823	–	–	(1,715)	125,074
Advisor	70,995	–	(2,478,507)	908,162	362	–	(1,165,203)	3,315,674

8. MANAGEMENT FEES AND EXPENSES

The First Trust ETF will pay the Manager a management fee up to a maximum of 0.85%, and, in respect of the Advisor Class Units, an additional amount for a service fee based on the average daily NAV of the applicable First Trust ETF.

The management fee, plus applicable taxes, including HST, are accrued daily and generally paid monthly in arrears. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged at any given time.

Advisor Class Units Service Fee: The Manager pays to registered dealers a service fee equal to 0.50% per annum of the NAV of the Advisor Class Units in respect of the First Trust ETF for each Advisor Class Unit held by clients of the registered dealer, plus any applicable taxes. The service fee will be calculated and accrued daily and paid quarterly at the end of each calendar quarter.

In addition to the payment of the management fee, each First Trust ETF is responsible for the costs and expenses incurred in complying with NI 81-107 (including any expenses related to the implementation and on-going operation of an independent review committee), brokerage expenses and commissions, income and withholding taxes as well as all other applicable taxes, including HST, the costs of complying with any new governmental or regulatory requirement introduced after the First Trust ETF was established and extraordinary expenses including any costs associated with the printing and distribution of any documents that the securities regulatory authorities require be sent or delivered to investors in the First Trust ETF. The Manager is responsible for all other costs and expenses of the First Trust ETF, including the Advisor Class service fee (described above), the fees payable to the Portfolio Advisor, Custodian, Valuation Agent, Registrar and Transfer Agent, and Plan Agent and fees payable to other service providers.

The First Trust ETF currently charges the below management fees:

Annual Management Fee	
Common Class	Advisor Class
0.70%	1.20%

9. TAXATION

Income taxes

The First Trust ETF is a trust and a registered investment under Provisions of the Income Tax Act (Canada) (the "Tax Act") and are expected to meet the requirements to be mutual fund trusts under the provisions of the Tax. The First Trust ETF will generally not be subject to tax under Part I of the Act in respect of its net income or net realized capital gain in each taxation year to the extent that such net income and net realized capital gain are paid or payable in the year to the unitholders.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

Distributions

Cash distributions on Units of a First Trust ETF are paid primarily out of dividends or distributions and other income or gains received by the First Trust ETF less the expenses of the First Trust ETF but may also consist of non-taxable amounts including return of capital, which may be paid in the Manager's sole discretion. To the extent that the expenses of a First Trust ETF exceed the income generated by such First Trust ETF in any given month, quarter or year, as the case may be, it is not expected that a monthly distribution will be paid. As a result of the higher management fees on the Advisor Class Units, any such cash distributions on the Advisor Class Units are expected to be less than the distributions payable on the Common Units.

Distributions of sufficient net realized capital gains (reduced by loss carry-forwards, if any) are made after December 14 but on or before December 31 to ensure that the First Trust ETF will not be liable for income taxes.

Tax loss carry-forwards

The non-capital losses for income tax purposes may be carried forward for 20 years. The capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years.

The capital losses and non-capital losses as at December 31, 2015 and 2014 were as follows:

Capital Losses (\$)		Non-Capital Losses (\$)	
2015	2014	2015	2014
461	461	7,207,747	7,207,747

10. COMMISSION

Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions as well as soft dollars paid during the periods ended June 30, 2016 and 2015 are as follows:

Transaction Cost (\$)		Soft Dollars (\$)	
2016	2015	2016	2015
6,244	N/A	N/A	N/A

11. RELATED PARTY INFORMATION

The Manager is responsible for the management and administration of the First Trust ETFs. In consideration for the services provided by the Manager, the First Trust ETF pays management fees (see Note 8 – Management Fees and Expenses).

The total management fees earned by the Manager for years ended June 30, 2016 and 2015, including amounts owing as at June 30, 2016 and 2015 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2016	2015	2016	2015
114,645	86,016	15,369	6,505

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

12. FINANCIAL RISK MANAGEMENT

The First Trust ETF is exposed to a number of risks due to the nature of its activities and as further set out in its offering memorandum. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The First Trust ETF's objective in managing these risks is the protection and enhancement of unit value.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the First Trust ETF is subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the First Trust ETF is determined by the fair value of the financial instruments. The Portfolio Advisor moderates this risk through a careful selection of securities within specified limits and the First Trust ETF's market price risk is moderated through diversification of the investment portfolio. The Investment Manager monitors the First Trust ETFs' overall market positions on a daily basis and positions are maintained within established ranges.

For the years ended June 30, 2016 and 2015, the overall market exposures relate to the First Trust ETFs' investments in securities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The First Trust ETF is exposed, directly or indirectly, to interest rate risk as it invests in listed debt securities bearing interest at fixed and floating interest rates. Other financial assets and liabilities exposed to interest rate risk include borrowings which are invested at long term interest rates and cash and bank balances which are invested at short term interest rate. The Portfolio Advisor managed the First Trust ETF's exposure to interest rate risk on a daily basis in accordance with the First Trust ETF's investment objectives and policies. The First Trust ETF's overall exposure to interest rate risk is monitored closely by the Portfolio Advisor.

Interest rate risk arises on interest-bearing financial instruments. The First Trust ETF invests, directly or indirectly, in interest-bearing securities. The income of the First Trust ETF may be affected by changes in interest rates relevant to particular securities or as a result of the Portfolio Advisor being unable to secure similar returns on the expiry or sale of securities. In addition, the price of interest-bearing securities will also fluctuate with interest rate changes. The First Trust ETF holds Senior Loans that have an interest rate reset period of approximately 30 - 90 days. As a result, this First Trust ETF is not exposed to a significant risk, relative to a fixed rate fund, that the NAV will fluctuate due to changes in the prevailing levels of market interest rates.

As noted above, Senior Loans have very little interest rate sensitivity due to their floating interest rate. High yield bonds, by contrast, typically have a fixed interest rate and are subject to greater interest rate sensitivity.

The table below summarizes the First Trust ETF's exposure to Senior Loans and High Yield bonds as at June 30, 2016 and 2015:

	At June 30, 2016			
	1-3 years (\$)	3-5 years (\$)	>5 years (\$)	Total (\$)
High Yield Bonds and Senior Loans	1,240,719	4,394,086	15,992,789	21,627,594
Total	1,240,719	4,394,086	15,992,789	21,627,594

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

	At June 30, 2015*			
	1-3 years (\$)	3-5 years (\$)	>5 years (\$)	Total (\$)
High Yield Bonds	8,439,291	28,069,555	8,689,811	45,198,657
Total	8,439,291	28,069,555	8,689,811	45,198,657

*the Fund's exposure, through the Forward Agreement, when it was still as Closed End Fund.

At June 30, 2016, the weighted average duration of the First Trust ETF was 2.90 years (June 30, 2015 – 4.25 years). If interest rates increased or decreased by 1% at June 30, 2016, with all other variables remaining constant, net assets would have decreased or increased by approximately \$216,276 (June 30, 2015 – \$451,987). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

Credit risk is the risk of non-payment of scheduled interest and/or principal payments. Credit risk is also the risk that one or more investments in the portfolio of the First Trust ETF will decline in price, or fail to pay interest or principal when due, because the issuer of the security experiences a decline in its financial status.

The value of senior loans of the First Trust ETF is affected by the creditworthiness of borrowers and by general economic and specific industry conditions. If this First Trust ETF acquires a senior loan from another lender, for example, by acquiring a participation, this First Trust ETF may also be subject to credit risk with respect to that lender. As at June 30, 2016, the maximum credit risk exposure of this First Trust ETF is \$21,627,594 (June 30, 2015 - \$45,198,657).

Currency risk

The First Trust ETFs hold assets and liabilities, including cash, short-term investments, equities, and currency-based derivative contracts that are denominated in United States Dollars. The First Trust ETF is therefore exposed to currency risk, as the value of the securities denominated in another currency fluctuates due to changes in exchange rates.

The table below summarizes the First Trust ETF's foreign currency exposure as at June 30, 2016 and 2015:

	At June 30, 2016		At June 30, 2015*	
	Currency Exposure (\$)	% Net Assets	Currency Exposure (\$)	% Net Assets
United States Dollar	(906,660)	(3.57)%	46,313,480	125.16%

*the Fund's exposure, through the Forward Agreement, when it was still as Closed End Fund.

As at June 30, 2016, if the exchange rate between the Canadian Dollar and the other currencies increased or decreased by 1%, with all other variables held constant, net assets would have decreased or increased by \$9,067 (June 30, 2015 - \$463,135). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Liquidity risk

Liquidity risk is defined as the risk that the First Trust ETF may not be able to settle or meet their obligations when due. The First Trust ETF is exposed to daily cash redemptions of redeemable units. Therefore, the First Trust ETF invests the majority of the assets in investments that are traded in the active market and can be readily disposed. In addition, the First Trust ETF retains sufficient cash and cash equivalent positions to maintain liquidity.

The First Trust ETF invests substantial portions of its assets in lower-quality debt issued by companies that are highly leveraged. Lower-quality debt tends to be less liquid than higher-quality debt. Moreover, smaller debt issues

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

tend to be less liquid than larger debt issues. If the economy experiences a sudden downturn, or if the debt markets for such companies become distressed, this First Trust ETF may have particular difficulty selling their assets in sufficient amounts, at reasonable prices and in a sufficiently timely manner to raise the cash necessary to meet any potentially heavy exchange or redemption requests by unitholders of this First Trust ETF.

Concentration Risk

Concentration risk indicates the relative sensitivity of the First Trust ETF's performance to developments affecting a particular industry or geographical location. Concentrations of risk also arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Portfolio Advisor monitors concentration risk through diversification and a thorough understanding of each investment in the portfolio.

The table below summarizes the concentration risk for the years ended June 30, 2016 and 2015:

Sector	At June 30, 2016 % of Net Assets	At June 30, 2015* % of Net Assets
Consumer Discretionary	31.85%	18.52%
Health Care	23.76%	11.35%
Industrials	9.88%	15.58%
Consumer Staples	9.03%	11.85%
Information Technology	8.34%	4.03%
Telecommunication Services	6.13%	19.13%
Materials	2.78%	7.43%
Financials	0.43%	16.61%
Energy	0.02%	15.80%
Other	2.39%	–
Utilities	–	1.85%
Total	94.60%	122.15%

**the Fund's exposure, through the Forward Agreement, when it was still as Closed End Fund.*

13. CAPITAL MANAGEMENT

The First Trust ETF's capital is its net assets, representing unitholders' equity. The First Trust ETF's objectives when managing capital is to safeguard the First Trust ETF's ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength.

The First Trust ETF is not subject to any externally imposed capital requirements.

14. SECURITIES LENDING

The First Trust ETF may, in compliance with NI 81-102, lend portfolio securities to third parties pursuant to the terms of a securities lending agreement between the First Trust ETF and a securities lending agent under which: (i) the borrower will pay to the First Trust ETF a negotiated securities lending fee and will make compensation payments to the First Trust ETF equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the First Trust ETF will receive collateral security equal to at least 102% of the value of the portfolio securities loaned. The securities lending agent for a First Trust ETF will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis. As of June 30, 2016 and 2015, there were no securities lending done by the First Trust ETF.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

15. FUTURE ACCOUNTING POLICY CHANGES

In December 2014, Disclosure Initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. These amendments are effective for annual periods beginning on or after January 1, 2016. The First Trust ETF will amend disclosures if required in the 2017 Financial Statements.

16. RECLASSIFICATION

The First Trust ETF reclassified prior period amounts, relating to expenses, in order to conform to its financial statements presentation for the current period.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

SCHEDULE OF PORTFOLIO INVESTMENTS As at June 30, 2016

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
Exchange Traded Funds - 9.85%				
First Trust Senior Loan ETF (CAD-Hedged)	98,063	1,839,946	1,896,538	7.46
iShares iBoxx \$ High Yield Corporate Bond ETF	5,557	620,911	608,021	2.39
Total Exchange Traded Funds		2,460,857	2,504,559	9.85

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
DOMESTIC BONDS						
Canada - 1.35%						
Bombardier Inc.	50,000	5.500%	15-Sep-18	60,603	64,275	0.25
Bombardier Inc., Callable	50,000	7.750%	15-Mar-20	51,811	63,790	0.25
Garda World Security Corp., Callable	100,000	7.250%	15-Nov-21	109,186	104,971	0.41
VRX Escrow Corp., Callable	100,000	5.375%	15-Mar-20	128,919	111,027	0.44
				350,519	344,063	1.35
INTERNATIONAL BONDS						
Cayman Islands - 1.01%						
MCE Finance Ltd., Callable	200,000	5.000%	15-Feb-21	251,038	256,975	1.01
				251,038.00	256,975.00	1.01
France - 2.23%						
Numericable Group SA, Callable	450,000	6.000%	15-May-22	591,731	567,570	2.23
				591,731	567,570	2.23
Ireland - 1.04%						
Ardagh Packaging Finance PLC / Ardagh MP Holdings USA Inc., Callable	200,000	7.250%	15-May-24	250,940	265,011	1.04
				250,940	265,011	1.04
Luxembourg - 1.15%						
Intelsat Luxembourg SA, Callable	100,000	7.750%	1-Jun-21	54,245	32,299	0.13
Mallinckrodt International Finance SA, Callable	100,000	5.750%	1-Aug-22	127,525	123,381	0.49
Nielsen Co. (Luxembourg) Sarl (The), Callable	100,000	5.500%	1-Oct-21	142,393	133,878	0.53
				324,163	289,558	1.15
Mexico - 0.54%						
Cemex SAB de CV, Callable	100,000	7.250%	15-Jan-21	133,526	136,650	0.54
				133,526	136,650	0.54
United States - 50.38%						
Altice US Finance I Corp., Callable	250,000	5.500%	15-May-26	316,475	323,795	1.27
AmSurg Corp., Callable	50,000	5.625%	15-Jul-22	70,067	66,616	0.26
Argos Merger Sub Inc., Callable	300,000	7.125%	15-Mar-23	417,804	400,182	1.57
BMC Software Finance Inc., Callable	50,000	8.125%	15-Jul-21	41,118	48,771	0.19
Boyd Gaming Corp., Callable	100,000	6.375%	1-Apr-26	130,340	135,655	0.53
Caesars Growth Properties Holdings LLC / Caesars Growth Properties Finance Inc., Callable	150,000	9.375%	1-May-22	162,214	181,196	0.71
CCO Holdings LLC / CCO Holdings Capital Corp., Callable	50,000	5.750%	15-Jan-24	69,371	68,144	0.27
CCO Holdings LLC / CCO Holdings Capital Corp., Callable	500,000	5.875%	1-Apr-24	689,335	671,814	2.64
Centene Escrow Corp., Callable	100,000	6.125%	15-Feb-24	133,948	137,673	0.54
Callable	50,000	6.375%	15-Sep-20	66,904	65,925	0.26
CHS / Community Health Systems Inc.	50,000	8.000%	15-Nov-19	63,867	63,548	0.25
CHS / Community Health Systems Inc., Callable	100,000	6.875%	1-Feb-22	123,790	113,692	0.45
Crimson Merger Sub Inc., Callable	100,000	6.625%	15-May-22	96,320	106,909	0.42
Darling Ingredients Inc., Callable	50,000	5.375%	15-Jan-22	68,850	66,980	0.26
Diamond 1 Finance Corp. / Diamond 2 Finance Corp., Callable	100,000	5.875%	15-Jun-21	127,000	131,864	0.52
Diamond 1 Finance Corp. / Diamond 2 Finance Corp., Callable	200,000	7.125%	15-Jun-24	257,273	270,194	1.06
DigitalGlobe Inc., Callable	50,000	5.250%	1-Feb-21	59,809	60,399	0.24
DJO Finco Inc. / DJO Finance LLC / DJO Finance Corp., Callable	100,000	8.125%	15-Jun-21	117,531	112,400	0.44
Endo Finance Co. (The), Callable	350,000	5.750%	15-Jan-22	474,303	410,310	1.61
Energizer Holdings Inc., Callable	50,000	5.500%	15-Jun-25	65,546	64,436	0.25
ESH Hospitality Inc., Callable	350,000	5.250%	1-May-25	464,424	442,574	1.74
Felcor Lodging L.P., Callable	50,000	6.000%	1-Jun-25	70,240	65,405	0.26
Frontier Communications Corp., Series 'WF', Callable	100,000	8.875%	15-Sep-20	137,942	138,400	0.54
Geo Group Inc. (The), Callable	50,000	5.875%	15-Jan-22	69,893	66,212	0.26
GLP Capital L.P. / GLP Financing II Inc.	12,000	5.375%	15-Apr-26	15,579	16,007	0.06
Gray Television Inc., Callable	150,000	7.500%	1-Oct-20	215,676	202,998	0.80
Gray Television Inc., Callable	100,000	5.875%	15-Jul-26	127,680	129,841	0.51
HCA Inc., Callable	500,000	7.500%	15-Feb-22	762,839	736,082	2.92
Infor (US) Inc., Callable	25,000	6.500%	15-May-22	30,165	30,664	0.12
Jaguar Holding Co. II / Pharmaceutical Product Development LLC, Callable	50,000	6.375%	1-Aug-23	69,023	66,212	0.26
JBS USA LLC / JBS USA Finance Inc., Callable	100,000	7.250%	1-Jun-21	134,509	134,363	0.53
JBS USA LLC / JBS USA Finance Inc., Callable	100,000	5.750%	15-Jun-25	112,315	122,089	0.48
KB Home, Callable	200,000	7.000%	15-Dec-21	260,835	260,974	1.03
Kindred Healthcare Inc.	100,000	8.000%	15-Jan-20	125,876	129,195	0.51
Kindred Healthcare Inc., Callable	150,000	6.375%	15-Apr-22	157,507	173,687	0.68
Level 3 Communications Inc., Callable	400,000	5.750%	1-Dec-22	560,359	524,532	2.06
LifePoint Hospitals Inc., Callable	100,000	5.500%	1-Dec-21	142,567	135,009	0.53

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

SCHEDULE OF PORTFOLIO INVESTMENTS As at June 30, 2016 (continued)

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
MGM Resorts International	150,000	7.750%	15-Mar-22	221,935	219,712	0.86
Micron Technology Inc., Callable	100,000	7.500%	15-Sep-23	128,485	137,593	0.54
MPH Acquisition Holdings LLC, Callable	250,000	7.125%	1-Jun-24	334,938	339,944	1.34
Nexstar Finance Inc., Callable	250,000	6.125%	15-Feb-22	319,087	327,832	1.29
Pilgrim's Pride Corp., Callable	50,000	5.750%	15-Mar-25	66,415	64,759	0.25
Post Holdings Inc., Callable	50,000	6.000%	15-Dec-22	69,632	66,455	0.26
PulteGroup Inc., Callable	250,000	5.500%	1-Mar-26	338,538	332,677	1.31
Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC, Callable	100,000	7.000%	15-Jul-24	130,966	133,248	0.52
Select Medical Corp., Callable	250,000	6.375%	1-Jun-21	312,018	311,683	1.23
Serta Simmons Holdings LLC., Callable	250,000	8.125%	1-Oct-20	348,110	331,870	1.31
Sinclair Television Group Inc., Callable	100,000	6.375%	1-Nov-21	144,654	136,301	0.54
Sinclair Television Group Inc., Callable	250,000	5.625%	1-Aug-24	336,723	331,466	1.30
Sinclair Television Group Inc., Callable	100,000	5.875%	15-Mar-26	134,269	132,102	0.52
Sprint Capital Corp., Callable	25,000	6.900%	1-May-19	26,340	31,007	0.12
Sprint Communications Inc.	75,000	9.000%	15-Nov-18	103,935	103,558	0.41
Station Casinos LLC, Callable	250,000	7.500%	1-Mar-21	356,765	342,021	1.35
Taylor Morrison Communities Inc. / Monarch Communities Inc., Callable	100,000	5.250%	15-Apr-21	129,615	129,518	0.51
Tenet Healthcare Corp., Callable	500,000	8.125%	1-Apr-22	675,327	665,225	2.62
TRI Pointe Holdings Inc.	100,000	5.875%	15-Jun-24	134,222	131,940	0.52
Tribune Media Co., Callable	100,000	5.875%	15-Jul-22	129,895	129,195	0.51
United Rentals North America Inc., Callable	300,000	5.750%	15-Nov-24	393,986	392,430	1.54
Univision Communications Inc., Callable	330,000	6.750%	15-Sep-22	467,739	451,924	1.78
Univision Communications Inc., Callable	50,000	5.125%	15-May-23	67,459	64,436	0.25
Valeant Pharmaceuticals International Inc., Callable	500,000	6.750%	15-Aug-18	675,750	628,211	2.47
				13,056,097	12,809,854	50.38
Senior Loans - 27.37%						
Acosta Inc., Term Loan	299,265	4.250%	26-Sep-21	389,913	371,169	1.46
Advantage Sales & Marketing Inc., Term Loan	311,239	4.250%	23-Jul-21	406,728	391,217	1.54
Albertson's LLC, Term Loan	427,978	4.500%	25-Aug-21	557,755	551,743	2.17
Amaya Holdings B.V., Term Loan	148,006	5.000%	1-Aug-21	189,756	184,921	0.73
Asurion LLC, Term Loan	100,000	8.500%	3-Mar-21	116,429	124,027	0.49
Avago Technologies Cayman Ltd., Term Loan	349,125	4.250%	1-Feb-23	479,139	451,264	1.77
BJ's Wholesale Club Inc., Term Loan	99,524	8.500%	26-Mar-20	114,162	123,758	0.49
BMC Software Finance Inc., Term Loan	141,771	5.000%	9-Oct-20	157,915	162,021	0.64
CDRH Parent Inc., Term Loan	49,622	5.250%	1-Jul-21	55,755	56,737	0.22
Concordia Healthcare Corp., Term Loan	99,750	5.250%	21-Oct-21	136,361	123,331	0.49
CSC Holdings Inc. (Neptune Finco Corp.), Term Loan	200,000	5.000%	9-Oct-22	265,902	258,455	1.02
Dell Inc. (Diamond 1 Finance Corp.), Term Loan	83,333	4.000%	15-Jun-22	108,984	107,214	0.42
Delta 2 SARL, Term Loan	34,440	4.750%	30-Jul-21	43,389	42,729	0.17
Envision Healthcare Corp. (Emergency Medical Services Corp.), Term Loan	124,688	4.500%	28-Oct-22	164,949	160,929	0.63
Hilton Worldwide Finance LLC, Term Loan	250,000	3.500%	25-Oct-20	347,889	322,988	1.27
Hostess Brands LLC, Term Loan	100,000	8.500%	3-Aug-23	126,034	127,903	0.50
Immucor Inc., Term Loan	49,615	5.000%	19-Aug-18	63,046	59,881	0.24
Infor (U.S.) Inc., Term Loan	117,341	3.750%	3-Jun-20	148,481	147,715	0.58
InVentiv Health Inc., Term Loan	150,000	7.750%	15-May-18	208,056	193,308	0.76
Keurig Green Mountain Inc. (Maple Holdings Acquisition Corp.), Term Loan	331,333	5.500%	3-Mar-23	442,508	428,066	1.68
Neiman Marcus Group (The) Inc., Term Loan	34,683	4.250%	25-Oct-20	40,945	40,164	0.16
Neptune Finco Corp., Term Loan	50,000	5.000%	9-Oct-22	72,383	64,614	0.25
New HB Acquisition LLC, Term Loan	249,124	4.500%	3-Aug-22	336,398	321,212	1.26
New HB Acquisition LLC, Term Loan	56,180	8.500%	3-Aug-23	76,538	71,856	0.28
Numericable U.S. LLC (Altice France S.A.), Term Loan	13,729	4.750%	10-Feb-23	17,813	17,465	0.07
Numericable U.S. LLC (Altice France S.A.), Term Loan	20,645	5.000%	15-Jan-24	26,572	26,406	0.10
NXP BV, Term Loan	187,088	3.750%	7-Dec-20	260,018	242,010	0.95
PetSmart Inc., Term Loan	249,370	4.250%	11-Mar-22	337,457	320,525	1.26
Portillo's Holdings LLC, Term Loan	349,114	4.750%	2-Aug-21	446,276	443,993	1.75
Reynolds Group Holdings Inc., Term Loan	50,000	4.500%	1-Dec-18	69,742	64,550	0.25
Science Applications International Corp. (SAIC), Term Loan	46,686	3.750%	21-Apr-22	61,966	60,279	0.24
Select Medical Corp., Term Loan	219,495	6.000%	28-Feb-21	288,177	283,932	1.12
Serta Simmons Holdings LLC, Term Loan	100,000	4.250%	1-Oct-19	132,290	128,872	0.51
Team Health Inc., Term Loan	99,750	3.750%	23-Nov-22	129,924	128,657	0.51
Toys "R" US-Delaware Inc., Term Loan	81,076	5.250%	25-May-18	88,783	95,929	0.38
Univision Communications Inc., Term Loan	49,604	4.000%	1-Mar-20	66,910	63,674	0.25
Western Digital Corp., Term Loan	150,000	6.250%	29-Apr-23	188,612	194,399	0.76
				7,163,955	6,957,913	27.37
Total International Bonds				21,771,450	21,283,531	83.72
Transactions costs				(1,690)		
Total investments				24,581,136	24,132,153	94.92
Unrealized appreciation on derivatives - see Schedule 1					276,185	1.09
Other assets, less liabilities					1,015,851	3.99
Total Net Assets Attributable to Holders of Redeemable Units					25,424,189	100.00

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)

Notes to Financial Statements

SCHEDULE OF INVESTMENT PORTFOLIO As at June 30, 2016 (continued)

Schedule 1

Counterparty	Credit Rating of Counterparty*	Settlement Date	Currency Sell	Amount Sold	Currency Buy	Amount Bought	Forward Rate	Current Rate	Appreciation (Depreciation) \$
Bank of New York Mellon (The), New York	A-1+	2016/07/29	USD	17,971,404	CAD	23,492,040	0.765	0.774	276,185
									276,185

* Commercial paper rating per Standard and Poor's Commercial Paper Guide.

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