



First Trust Senior Loan ETF (CAD-Hedged) • FSL

Annual Management Report of Fund Performance
December 31, 2025

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2025

First Trust Senior Loan ETF (CAD-Hedged) **(the “First Trust ETF”)**

This annual management report of fund performance contains financial highlights but does not contain the complete audited annual financial statements of the First Trust ETF. All references to dollars contained herein are to Canadian dollars.

Securityholders may also contact us to request a copy of the First Trust ETF’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures relating to the First Trust ETF by calling 1-877-622-5552, by writing to us at FT Portfolios Canada Co., 40 King Street West, Suite 5102, Scotia Plaza, Box 312, Toronto, Ontario M5H 3Y2 or by visiting our web site at www.firsttrust.ca or SEDAR at www.sedarplus.ca.

Forward-looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent beliefs regarding future events. By their nature, forward-looking statements are based on assumptions and are subject to inherent risks and uncertainties. There is significant risk that forward-looking statements will not prove to be accurate. Readers of this document should not place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the expectations, estimates or intentions expressed or implied in the forward-looking statements. These factors include but are not limited to market and general economic conditions, interest rates, foreign currency exchange rates, the extent of industry sector exposure, the performance of the securities of the issuers held in the portfolio and regulatory developments and the risks detailed in the First Trust ETF’s prospectus. The Manager does not undertake and specifically disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Investment Objective and Strategy

The fundamental investment objective of **First Trust Senior Loan ETF (CAD-Hedged)** (the “First Trust ETF”) is to provide unitholders with a high level of current income by investing primarily in a diversified portfolio of senior floating rate loans and debt securities, with capital appreciation as a secondary objective. The First Trust ETF will primarily invest in a portfolio of senior floating rate loans which are generally rated at or below BB+ by Standard & Poor’s, or Ba1 or less by Moody’s Investor Services, Inc., or a similar rating by designated credit rating organization (as defined in NI 81-102) and debt securities by holding securities of First Trust Senior Loan Fund, a U.S. listed exchange-traded fund (the “Underlying Fund”). The First Trust ETF will generally seek to hedge substantially all of its U.S. dollar currency exposure back to the Canadian dollar.

The primary investment objective of the Underlying Fund is to provide high current income and its secondary investment objective is preservation of capital. The Underlying Fund seeks to achieve its investment objectives by investing in a portfolio of senior floating rate loans which are generally rated at or below BB+ by Standard & Poor’s, or Ba1 or less by Moody’s Investor Services, Inc., or a similar rating by a designated rating organization (as defined in NI 81-102) and debt securities.

Risk

The overall risk for the First Trust ETF during the reporting year remains as discussed in the most recent prospectus for the First Trust ETF.

The ability of a company/issuer to pay interest and repay principal are not factors controlled by the First Trust ETF’s management. A company may default on their obligation to repay interest and principal which could impact the value of the holdings in the First Trust ETF or the ability to pay a dividend at or above the current level. Companies may also refinance their existing debt (the First Trust ETF’s holdings) which would also impact the level of income available to pay to shareholders.

The First Trust ETF is suitable for investors seeking a high level of current income and potential for capital gains through exposure to a diversified portfolio of below investment grade debt securities.

Results of Operations

General

The First Trust ETF’s total net asset value as of December 31, 2025, was \$62,864,801 or \$16.46 per unit. The First Trust ETF’s total net asset value as of December 31, 2024, was \$55,153,857 or \$16.93 per unit.

For the year ended December 31, 2025, the First Trust ETF paid total cash distributions of \$1.1250 per unit. In addition, the First Trust ETF declared cash distributions of \$0.0850 per unit for record date of December 31, 2025, with payment date of January 8, 2026.

The First Trust ETF’s only holding, the Underlying Fund, held 317 individual positions (0.32% average position size) diversified across 52 industries at the end of the reporting year. The top ten holdings by issuer accounted for 15.34% of the portfolio. Insurance (14.71%), Software (14.00%), and Health Care Providers & Services (6.63%) comprised the top three industries by market value at the end of the reporting year.

Investment Performance

For the year ended December 31, 2025, the First Trust ETF returned 3.90% compared to the Morningstar® LSTA® US Leveraged Loan Index CAD-Hedged (“benchmark”) return of 4.09%. Unlike the benchmark, the First Trust ETF’s returns are net of fees and expenses.

Throughout the year, the First Trust ETF’s only holding, the Underlying Fund, had net USD returns of 6.29%, which exceeded the unhedged Morningstar® LSTA® US Leveraged Loan Index’s return of 5.90%. The Underlying Fund benefited from its strong selection and an underweight to materials and automobiles & components, as well as its overweight position and selection within insurance. These positive impacts were partially offset by its selection

First Trust Senior Loan ETF (CAD-Hedged) Management Report of Fund Performance For the year ended December 31, 2025

within commercial & professional services, its underweight to telecommunication services, and a 7.47% average cash position. Although the cash allocation was a modest drag on performance, we believe this allocation serves the Underlying Fund well over time by enabling us to capitalize on investment opportunities arising from new issuance and secondary market dislocations.

From a ratings standpoint, returns in the benchmark were broadly positive across credit ratings, with higher-quality BB and B rated assets performing similarly and outpacing CCC & Below assets. This benefited the Underlying Fund as it maintained its defensive high-quality bias throughout the year. The Underlying Fund ended the year with allocations to BBB, BB, B, and CCC & Below (including assets Not Rated) of 1.50%, 23.39%, 65.72%, and 9.39%, respectively. With respect to asset class exposure, the Underlying Fund's loan selection was a significant contributor to performance. The Underlying Fund's bond allocation was also a strong contributor as bonds outperformed loans during the year. At the end of the year, the Underlying Fund had an 87.17% allocation to loans and a 12.83% allocation to bonds.

The Leveraged Finance Team's investment process combines rigorous bottom-up fundamental credit analysis and disciplined portfolio construction. This process led to the First Trust ETF experiencing zero defaults throughout the year, compared to 12 defaults within the Morningstar® LSTA® US Leveraged Loan Index ("LLI") over the same year. Since inception, the Underlying Fund has experienced 10 defaults and has avoided over 95% of the 205 defaults for the LLI over the same year.

Recent Developments

The senior loan market experienced new issuance of \$156 billion in the fourth quarter, bringing the full-year 2025 total to \$1.0 trillion, the second highest on record, after last year's record issuance of \$1.4 trillion. However, approximately \$781 billion of loans were repriced or refinanced in 2025, representing about 76% of total new issuance, leaving only a modest level of net new issuance compared to over \$2 billion in net inflows to the asset class. We expect a similar dynamic in the new issue market going forward, which should continue to provide a supportive technical demand environment. Senior loan spreads over the Secured Overnight Financing Rate ("SOFR" or "base rate") widened minimally (by 5 bps) to S+429 during the year, which compares to the senior loan market's long-term average spread of S+505, dating back to January 1997. Although loan spreads are modestly below their long-term average, yields of 7.86% remain well above their long-term average of 7.14% since January 1997 driven by elevated base rates.

The senior loan market demonstrated resilience throughout 2025, as a broadly supportive economic backdrop allowed companies to weather policy changes, elevated costs, and pockets of consumer strain. The loan market last twelve-month default rate by issuer count including Liability Management Exercises ("LME") fell to 3.35% versus 4.70% in 2024. We expect this rate to hold going forward, as less than 5% of the market matures in the next two years, fiscal and regulatory policy remain supportive, and M&A activity picks up amidst lower rates. The Federal Reserve delivered 75 basis points ("bps") of interest rate cuts, following the 100 bps of rate cuts in 2024. The market is pricing in approximately two additional interest rate cuts (each cut represents 25 bps) by the end of 2026 and we expect SOFR to follow suit. However, we believe senior loans' attractive yield at 7.86% can withstand these cuts and still deliver meaningfully positive returns. With elevated real yields, diminished near-term inflation expectations, improving policy clarity, and the Fed's interest rate-cutting cycle, we maintain cautious optimism. Overall, senior loans remain well positioned to deliver competitive risk-adjusted income, exhibiting 62% lower volatility than the S&P 500 Index. As the market navigates evolving monetary policy, trade developments, and industry-specific risks, disciplined credit selection and rigorous risk management remain crucial to our actively managed investment approach. As we assess future market opportunities, we remain committed to our disciplined bottom-up credit underwriting process and rigorous approach to risk management.

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Related Party Transactions

FT Portfolios Canada Co. is the Manager of the First Trust ETF and is a Canadian affiliate of First Trust Advisors L.P., the investment advisor (the “Advisor”) of the First Trust ETF.

Pursuant to terms of the declaration of trust of the First Trust ETF, the Manager provides or arranges for all management, administrative and other services required by the First Trust ETF. The Manager receives a management fee from the First Trust ETF. For further details, please see “Management Fees”.

The Manager has retained the Advisor to provide certain services to the First Trust ETF pursuant to an investment advisory agreement. The Advisor receives advisory fees from the Manager out of the management fee.

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Financial Highlights

The following tables show selected key financial information about the First Trust ETF and are intended to help you understand the First Trust ETF's financial performance for the five years ended December 31. This information is derived from the First Trust ETF's audited annual financial statements.

Net Asset Value per Unit

FSL	2025	2024	2023	2022 ^(a)	2021 ^(b)
Net asset value, beginning of year ⁽¹⁾	\$16.93	\$16.99	\$16.59	\$17.91	\$17.96
Increase (Decrease) from operations:					
Total revenue	1.09	1.30	1.43	0.71	0.59
Total expenses	(0.03)	(0.05)	(0.05)	(0.15)	(0.14)
Realized gains (losses) for the year	0.13	(0.84)	(0.04)	(1.09)	(0.61)
Unrealized gains (losses) for the year	(0.55)	0.78	0.49	(0.13)	0.62
Total increase (decrease) from operations ⁽²⁾	\$ 0.64	\$1.19	\$1.83	\$(0.66)	\$0.46
Distributions:					
From income (excluding dividends)	(1.06)	(1.19)	(1.23)	(0.64)	(0.52)
From dividends	-	-	-	-	-
From capital gains	(0.04)	-	-	-	-
Return of capital	-	(0.03)	(0.19)	(0.04)	-
Total annual distributions ⁽³⁾	\$(1.10)	\$(1.22)	\$(1.42)	\$(0.68)	\$(0.52)
Net asset value, end of year ⁽⁴⁾	\$16.46	\$16.93	\$16.99	\$16.59	\$17.91

(a) As of February 28, 2022, the First Trust ETF no longer offered FSL.A and the Manager successfully redesignated FSL.A to FSL of the First Trust ETF.

(b) Effective January 21, 2021, the First Trust ETF was fully invested in the Underlying Fund.

(1) This information is provided as at December 31 of the years shown and is prepared under IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

(2) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the year.

(3) Distributions were paid in cash or reinvested in additional units of the First Trust ETF, or both. Non-cash distributions are reinvested in additional units of the First Trust ETF and subsequently consolidated. Neither the number of units held by the unitholder, nor the net asset per unit of the First Trust ETF change as a result of any non-cash distributions.

(4) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

Ratios and Supplemental Data

FSL	2025	2024	2023	2022 ^(a)	2021 ^(b)
Net asset value (000's)	\$62,865	\$55,154	\$35,988	\$37,140	\$40,037
Number of units outstanding	3,818,282	3,258,282	2,118,282	2,238,282	2,514,316
Management expense ratio ⁽¹⁾	1.02%	1.05%	1.02%	1.02%	1.01%
Management expense ratio before waivers or absorption	1.03%	1.06%	1.04%	1.04%	1.03%
Trading expense ratio ⁽²⁾	0.00%	0.00%	0.00%	0.00%	0.08%
Portfolio turnover rate ⁽³⁾	10.08%	23.41%	20.53%	21.19%	182.47%

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(b) Effective January 21, 2021, the First Trust ETF was fully invested in the Underlying Fund.

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year, including the First Trust ETF's proportionate share of the MER of the Underlying Fund in which the First Trust ETF has invested, and is expressed as an annualized percentage of daily average net asset value during the year.

(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year. This includes the First Trust ETF's proportionate share of the commissions of Underlying Fund in which the First Trust ETF has invested.

(3) The First Trust ETF's portfolio turnover rate indicates how actively the First Trust ETF's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the First Trust ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher a First Trust ETF's portfolio turnover rate in a year, the greater the trading cost payable by the First Trust ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of a First Trust ETF.

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Management Fees

The First Trust ETF will pay the Manager a management fee of 0.15% based on the average daily NAV of the First Trust ETF. The management fee, plus applicable taxes including HST, will be accrued daily and 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.

The First Trust ETF's management fee will also bear the management fee of the Underlying Fund.

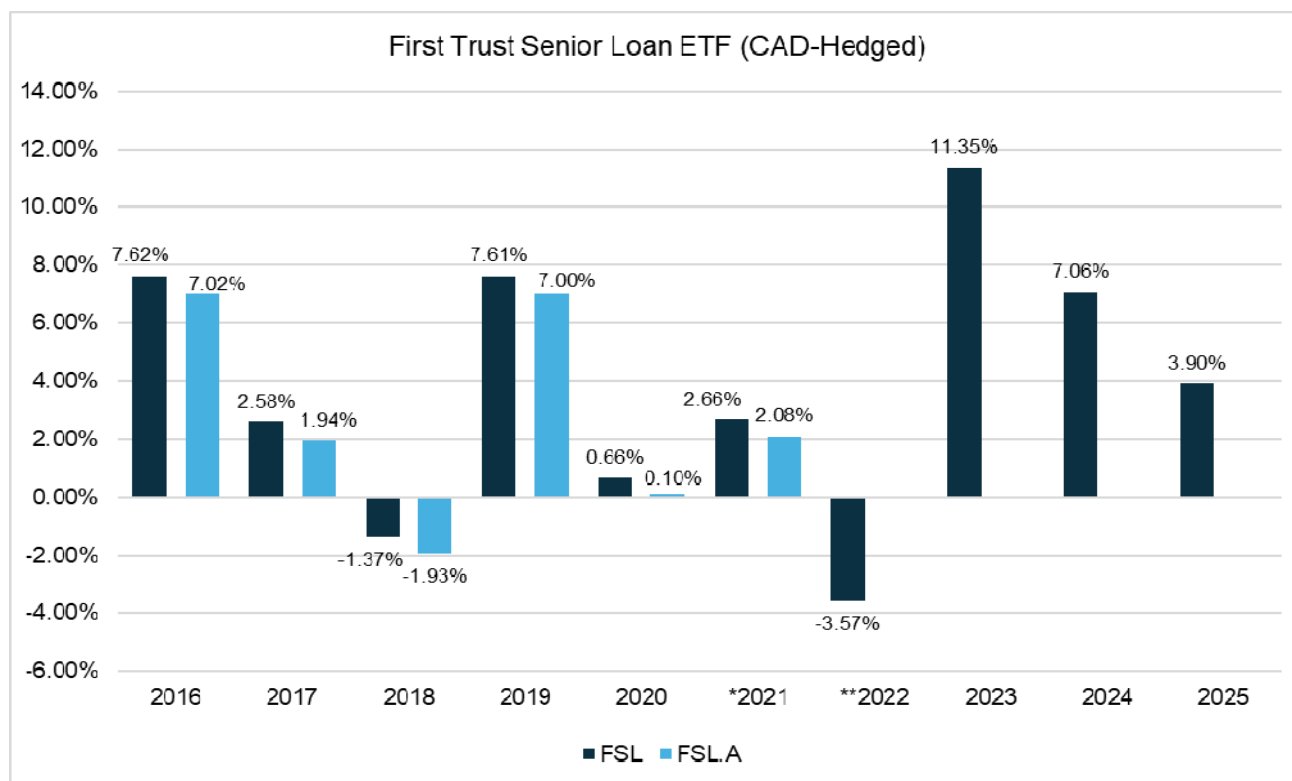
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the years shown were reinvested in additional securities of the First Trust ETF. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the First Trust ETF has performed in the past does not necessarily indicate how it will perform in the future.

Year by Year Returns

The bar chart below shows the First Trust ETF's performance for the years ended December 31 and illustrates how the investment fund's performance has changed from year to year. The chart also shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



* Effective January 21, 2021, the First Trust ETF was fully invested in the Underlying Fund.

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Annual Compound Returns

The table below shows the First Trust ETF's annual compound total return since inception and for the years ended December 31, 2025. The annual compound return is compared to the returns of the relevant index; however, the First Trust ETF's return is net of fees and expenses. See Results of Operations section of this report for further information regarding the current year performance of the First Trust ETF relative to the index.

Returns	1-year	3-year	5-year	10-year	Since Inception
First Trust Senior Loan ETF (CAD-Hedged)	3.90%	7.39%	4.16%	3.76%	3.41%
Morningstar® LSTA® US Leveraged Loan Index (CAD-Hedged)	4.09%	8.20%	5.69%	5.07%	4.45%

Morningstar® LSTA® US Leveraged Loan Index is a market-value weighted index designed to measure the performance of the U.S. leveraged loan market. The U.S. dollar currency exposure is hedged back to the Canadian dollar.

Summary of Investment Portfolio

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's holdings as at December 31, 2025. This summary of portfolio holdings may change due to ongoing portfolio transactions of the First Trust ETF. Daily and quarterly updates are available at www.firsttrust.ca.

Holdings	% of ETF Total Net Asset Value
First Trust Senior Loan Fund	98.34%
Other Assets, Less Liabilities	1.10%
Cash and Cash Equivalents	0.56%
Total	100.00%

Portfolio Breakdown

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio as at December 31, 2025.

Breakdown	% of ETF Total Net Asset Value
Exchange-Traded Fund	98.34%
Other Assets, Less Liabilities	1.10%
Cash and Cash Equivalents	0.56%
Total	100.00%

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