



First Trust Tactical Bond Index ETF • FTB

Annual Management Report of Fund Performance
December 31, 2021

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2021

First Trust Tactical Bond Index ETF (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 website at www.firsttrust.ca or SEDAR at www.sedar.com.

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 Tactical Bond Index ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of the NASDAQ IBIS Canadian Preservation Index CAD TRSM (formerly named NASDAQ Canadian Preservation Index CAD TRSM) (the “Index”), net of expenses.

The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The First Trust ETF may also hold cash and cash equivalents or other money market instruments to fund current liabilities.

The Index seeks to construct a dynamic fixed income portfolio that provides exposure to several different fixed income asset classes and consists of ETFs.

The Manager may use a sampling methodology in selecting investments for the First Trust ETF. As an alternative or in conjunction with investing in and holding constituent securities, the First Trust ETF may also invest in other securities to obtain exposure to the constituent securities of the applicable Index in a manner that is consistent with the investment objective and investment strategy of the First Trust ETF.

Risk

The risks associated with an investment in the First Trust ETF remain as discussed in the First Trust ETF’s most recent prospectus. There have been no significant changes during the reporting period that affected the overall level of risk associated with the First Trust ETF.

Results of Operations

General

The First Trust ETF’s net asset value as of December 31, 2021 was \$3,290,873 or \$16.45 per unit. The First Trust ETF’s net asset value as of December 31, 2020 was \$4,953,788 or \$16.51 per unit.

For the year ended December 31, 2021, the First Trust ETF paid total cash distributions per unit of \$0.6000. In addition, the First Trust ETF declared cash distributions per unit of \$0.0475 for record date of December 31, 2021 with payment date of January 10, 2022.

Investment Performance

For the year ended December 31, 2021, the First Trust ETF returned 3.32% compared to the Index return of 4.36%. Unlike the Index, the First Trust ETF’s return is net of fees and expenses.

The return for the First Trust ETF in the first half of 2021 was 3.69%, and the Index returning 4.04%. Performance was not as strong for the First Trust ETF and the Index in the second half of 2021, with First Trust ETF returning -0.35% and the Index returning 0.31%.

The First Trust ETF’s performance for the year ended December 31, 2021 can be attributed to a persistent overweighting of the High Yield sector under the Fed’s quantitative easing environment.

First Trust Tactical Bond Index ETF Management Report of Fund Performance For the year ended December 31, 2021

Index Positions and Sector Performances as of December 31, 2021:

Symbol	Company Name	BY RATING		BY DURATION			BY GEOGRAPHY			As Of	2021-12-31	6M Chg
		IG	HY	Short	Medium	Long	Canada	U.S.	Int'l	Weight	Yield	
XFR	iShares Floating Rate Index	Y		Y			Y				0.30	0.0%
XBB	iShares Canadian Universe Bond	Y			Y		Y				2.49	0.9%
XGB	iShares Canadian Government Bond	Y			Y		Y				2.28	0.7%
ZAG	BMO Aggregate Bond Index	Y			Y		Y			20%	3.04	1.0%
CLF	iShares 1-5 Year Laddered Government	Y		Y			Y				2.04	-0.5%
XCB	iShares Canadian Corp Bond	Y			Y		Y			20%	3.04	-5.1%
PGL	Powershares Ultra Liquid LT Govt	Y				Y	Y				2.64	3.0%
XRBB	iShares Canadian Real Return Bond	Y				Y	Y				1.30	6.3%
ZFL	iShares Long Federal Bond Index	Y				Y	Y				2.85	3.2%
CPD	iShares S&P/TSX Canadian Preferred		Y			Y	Y			20%	4.13	3.8%
CVD	iShares Convertible Bond Index		Y	Y			Y			20%	4.52	-0.1%
ZHY	BMO High Yield US Corp Bond Hedged		Y		Y			Y			5.49	1.3%
XHY	iShares US High Yield Hedged		Y		Y			Y			4.75	0.5%
ZEF	BMO Emerging Markets Bond Hedged		Y		Y				Y	20%	4.04	-1.3%
NQICPCAD	Nasdaq Canadian Preservation CAD Index	40%	60%	20%	60%	20%	80%	0%	20%	100%	3.75	-0.3%
XBB	iShare Core Canadian Universe Bond Index ETF	Y			Y		Y			100%	2.49	0.9%

Index Allocation Changes from June 30, 2021 to December 31, 2021:

NQICPCAD (FTB) Allocation	BY RATING		BY DURATION			BY GEOGRAPHY		
	IG	HY	Short	Medium	Long	Canada	U.S.	Int'l
Middle of the Year (Jun. 30, 2021)	20%	80%	20%	60%	20%	60%	40%	0%
End of the Year (Dec. 31, 2021)	40%	60%	20%	60%	20%	80%	0%	20%
Allocation Change (from 2021H1 to 2021YE)	20%	-20%	0%	0%	0%	20%	-40%	20%

The Index deploys a proprietary quantitative model that has the flexibility to decrease or increase duration and credit risk via a momentum-driven tactical overlay. Based on the current index positions, the Index's outperformance versus XBB (a government and investment-grade bond portfolio) in 2021 can be attributed to the persistent overweighting of the High Yield sector under the Fed's easing environment. The Index's exposure to High Yield related ETFs doubled from 41% at the beginning of the year to as high as 80% at the middle of the year. It now holds 60% in High-Yield, a 20% reduction from the peak. The Index is a fixed income only strategy; it is only allowed to hold Investment Grade or High-Yield, but not equities. High Yield bonds are credit sensitive investments and less sensitive to interest rates than government or Investment Grade corporate bonds.

Recent Developments

As the current index position is heavily tilted towards High-Yield, it's worth paying special attention to credit market dynamics. The credit market's major indicators, such as High Yield (HY) and Investment Grade (IG) Option Adjusted Spreads (OAS), have both eased to pre-pandemic low levels. What is more interesting is the observation from the last quarter: the IG OAS widened for 30-bps since October as the bond market responded negatively toward the Fed's signaling of tapering and future rate hikes. Although HY also experienced initial selloffs along with the IG, the HY-IG OAS spread actually stabilized quickly and it is now even narrower than the pre-selloff levels. That proves that the market demand for high yield investments remains very solid.

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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 past five years. This information is derived from the First Trust ETF's audited annual financial statements.

Net Asset Value per Unit

FTB	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value, beginning of year ⁽¹⁾	\$16.51	\$18.29	\$17.98	\$19.48	\$19.49
Increase (Decrease) from operations:					
Total revenue	0.62	0.53	0.61	0.61	0.86
Total expenses	(0.12)	(0.15)	(0.13)	(0.15)	(0.12)
Realized gains (losses) for the year	0.44	(2.83)	(0.72)	(0.29)	(0.25)
Unrealized gains (losses) for the year	(0.30)	0.47	1.27	(0.96)	0.27
Total increase (decrease) from operations ⁽²⁾	\$0.64	\$(1.98)	\$1.03	\$(0.79)	\$0.76
Distributions:					
From income (excluding dividends)	(0.38)	(0.33)	(0.53)	(0.40)	(0.60)
From dividends	(0.15)	(0.12)	(0.01)	(0.11)	(0.13)
From capital gains	(0.07)	-	-	-	-
Return of capital	-	(0.14)	(0.06)	(0.13)	(0.05)
Total annual distributions ⁽³⁾	\$(0.60)	\$(0.59)	\$(0.60)	\$(0.64)	\$(0.78)
Net asset value, end of year ⁽⁴⁾	\$16.45	\$16.51	\$18.29	\$17.98	\$19.48

(1) This information is provided as at December 31 of the years shown and is prepared under IFRS.

(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

FTB	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$3,291	\$4,954	\$10,973	\$21,577	\$34,097
Number of units outstanding	200,000	300,000	600,000	1,200,000	1,750,000
Management expense ratio ⁽¹⁾	0.98%	0.92%	0.94%	0.95%	1.09%
Management expense ratio before waivers or absorption	1.00%	0.94%	0.96%	0.97%	1.10%
Trading expense ratio ⁽²⁾	0.21%	0.38%	0.17%	0.25%	0.06%
Portfolio turnover rate ⁽³⁾	165.36%	325.11%	135.68%	232.29%	67.44%

(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 any 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 any 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 0.50% 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.

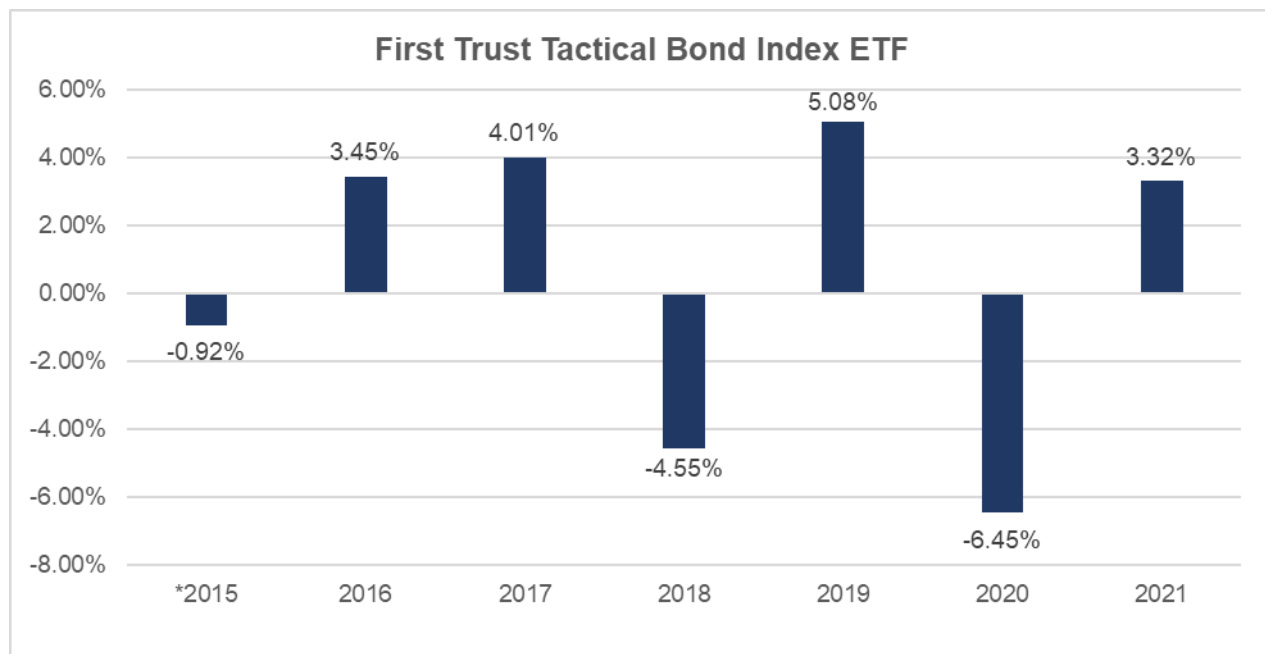
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period/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 for the period from commencement of operations to December 31, 2015 and illustrates how the investment fund's performance has changed from year to year. The charts also show, 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.



*First Trust ETF Commencement: June 19, 2015

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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, 2021. The annual compound return is compared to the returns of the reference 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.

	1-year	3-year	5-year	Since Inception
First Trust Tactical Bond Index ETF	3.32%	0.52%	0.17%	0.51%
NASDAQ IBIS Canadian Preservation Index CAD TR SM	4.36%	1.26%	0.86%	1.20%

The NASDAQ IBIS Canadian Preservation Index utilizes IBIS' Quantitative Tactical Fixed Income Rotation model. The Index will invest in Canadian-listed Exchange-Traded Funds covering various segments of the global fixed income market. The selection of assets is determined through a proprietary technology for Relative Strength. The Index will tactically allocate into five TSX-listed ETFs on an equal-weighted basis based upon IBIS' proprietary model to take advantage of short and long term shifts in quality, duration, and geographic risk within fixed income.

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, 2021. 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
BMO Aggregate Bond Index ETF	20.15%
iShares Canadian Corporate Bond Index ETF	20.05%
iShares S&P/TSX Canadian Preferred Share Index ETF	20.04%
BMO Emerging Markets Bond Hedged to CAD Index ETF	19.80%
iShares Convertible Bond Index ETF (CAD - Hedged)	19.57%
Cash and Cash Equivalents	0.40%
Other Assets, Less Liabilities	-0.01%
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, 2021.

Sector Weightings	% of ETF Total Net Asset Value
Exchange-Traded Funds	99.61%
Cash and Cash Equivalents	0.40%
Other Assets, Less Liabilities	-0.01%
Total	100.00%

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