



First Trust Canadian Capital Strength ETF
• FST, FST.A

Annual Management Report of Fund Performance
December 31, 2019

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2019

First Trust Canadian Capital Strength 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 Canadian Capital Strength ETF** (the “First Trust ETF”) is to provide unitholders with long term capital appreciation by investing primarily in securities traded on a Canadian exchange or market.

To achieve its investment objectives, the First Trust ETF will primarily invest in securities of issuers that are based in Canada or have significant business operations in the Canadian market. Securities invested in by the First Trust ETF include common shares of public companies that are traded on a Canadian exchange or market.

The First Trust ETF uses a multi-step, bottom-up quantitative selection process to identify its investible universe of securities, and fundamental analysis to make final portfolio selections. The selection process, described below, is designed to identify issuers that have certain objectives and easily determinable attributes that, in the portfolio advisor’s opinion, makes them capital strength issuers.

The first step in the portfolio advisor’s selection process is to identify the universe of securities from which the portfolio advisor will select the portfolio. The portfolio advisor begins by selecting securities of issuers that, primarily, are traded on a Canadian exchange or market.

Next, the portfolio advisor evaluates issuers based on multiple quantitative metrics, including, but not limited to, cash on hand, return on equity and long-term debt to market value of equity. These factors are designed to identify those issuers which exhibit strong fundamental characteristics at the time of purchase and to eliminate those that do not meet the investment criteria.

After establishing the investment universe, the portfolio advisor examines other factors, including valuation and future growth prospects, to determine securities it may purchase for the First Trust ETF. The portfolio advisor then uses fundamental analysis to select securities that meet the First Trust ETF’s investment objectives, trade at attractive valuations and in the opinion of the portfolio advisor, are likely to exceed market expectations of future cash flows.

Risk

There were no changes to the First Trust ETF over the reporting period that materially affected the overall level of risk associated with the First Trust ETF. Investors should refer to the most recent prospectus as it contains detailed discussion of risk relating to the investment of the First Trust ETF.

Results of Operations

General

The First Trust ETF’s total net asset value as of December 31, 2019 was \$60,423,944 or \$34.59 per Common Class unit (“FST”) and \$28.95 per Advisor Class unit (“FST.A”). The First Trust ETF’s total net asset value as of December 31, 2018 was \$68,848,611 or \$30.18 per FST and \$25.27 per FST.A.

For the year ended December 31, 2019, the First Trust ETF paid total cash distributions per unit of \$0.6000 for FST and \$0.2300 for FST.A. In addition, the First Trust ETF declared cash distributions per unit of \$0.1600 for FST and \$0.0550 for FST.A for record date of December 31, 2019 with payment date of January 8, 2020.

Investment Performance

For the year ended December 31, 2019, FST returned 16.81% and FST.A returned 15.54% compared to S&P/TSX Composite Index (the “benchmark”) return of 22.88%. Unlike the benchmark, the First Trust ETF’s returns are net of fees and expenses.

FST has underperformed the benchmark for the year. Overall, allocation effect was a positive contributor to relative performance, whereas stock selection was negative. Positive contribution to relative performance included an overweight allocation and stock selection in Industrials, an underweight allocation and stock selection in the Communication Services sector, an overweight allocation in Information Technology, an underweight allocation in the

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Financials, and no allocation in the Health Care sector versus the benchmark. Negative contributions to relative performance came predominantly from an overweight allocation and stock selection in the Consumer Discretionary and Materials sectors. Stock selection within the Information Technology sector and an underweight allocation and stock selection in the Energy sector were negative contributors as well.

The top-performing stocks by total return for the year were Kirkland Lake Gold Ltd., Constellation Software Inc., and CAE Inc. These stocks returned +57.32%, +48.47%, and +38.82% respectively, in CAD, including dividends. The bottom-performing stocks by contribution for the period were Canfor Corporation, Canada Goose Holdings, Inc., and Teck Resources Limited Class B. These stocks returned -36.18%, -26.75%, and -22.78% respectively, in CAD, including dividends.

The First Trust ETF held 25 equity positions for the 12-month period ending December 31, 2019 and made no net change to the number of positions from the beginning of the period. Portfolio changes were made in March 2019 (2 positions added, 2 positions eliminated), June 2019 (3 positions added, 3 positions eliminated), November 2019 (2 positions added, 2 positions eliminated). The top ten equity holdings of the First Trust ETF at December 31, 2019 accounted for 37.72% of total NAV and the top ten equity holdings of the First Trust ETF at December 31, 2018 accounted for 40.64% of total NAV. Financials, Industrials, and Materials (in order) were the top three sector weightings at the end of the period. Financials, Industrials, and Materials were the top three sector weights at the beginning of the period as well. Relative to its benchmark over the period, the First Trust ETF was overweight the Information Technology, Industrials, Consumer Staples, and Consumer Discretionary Sectors and underweight the Energy, Utilities, and Financials Sectors. The sector weighting of the First Trust ETF changed somewhat over the reporting period, primarily as the result of our bottom-up, multi-step quantitative and fundamental stock selection strategy. Portfolio changes were made in March, June, and November of 2019. There was no net change to the total number of portfolio positions over the period. In January, one position, Canadian Tire Corp Ltd., was eliminated for failing to meet the initial screening criteria and Canadian Imperial Bank of Commerce was removed at the portfolio manager's discretion. Positions in Manulife Financial Group and Canada Goose Holdings Inc. were established to replace them. In June, Canfor Corp. was eliminated for failing to meet screening criteria while National Bank of Canada & Enerplus Corp. were removed at the portfolio manager's discretion. Nutrien Ltd., Colliers International Group Inc, and Intact Financial Corp. were subsequently established as new positions. In November, one position, Waste Connections Inc., was eliminated for failing to meet the initial screening criteria and Kirkland Lake Gold Ltd. was removed at the portfolio manager's discretion. Positions in Toromont Industries Ltd. and CCL Industries Inc. were established.

Recent Developments

After slowing at the end of 2018, the Canadian economy picked up in the first half of 2019. The economy grew at an annualized rate of 3.5% in the second quarter, much higher than the already upwardly revised second quarter GDP target of 2.3% by The Bank of Canada (the "BoC"). The second quarter was the first quarter in two years that Canada's economic growth outpaced the United States. The unexpected growth in the second quarter was largely due to higher exports of energy, farm and fishing products and non-metallic materials, according to Statistics Canada. The economy slowed in the second half of the year. Third quarter GDP growth of 1.3% was in-line with the BoC's projection. Net exports retreated in the third quarter after being a boon to the economy the prior quarter. The underlying data was more encouraging. According to The Wall Street Journal, "The data contained some bright lights, among them a significant pickup in business investment and an improvement in domestic demand." Housing investment picked up in third quarter as lower mortgage rates and the CMHC First-Time Home Buyer Incentive program spurred housing demand, according to Bloomberg. Employment fell in November pushing the unemployment rate up to 5.9%, the highest level in over a year. Despite the increase in November, the unemployment rate remains healthy. For context, the November level of 5.9% falls between 5.4% in May, the lowest level in about four decades, and the 5-year median unemployment rate of 6.4%. CPI increased to 2.2% in November, 0.3% higher versus the previous three months. The increase in inflation was due to a 0.9% increase in gasoline prices, according to Bloomberg. The increase comes as expected and continues to track near the 2% target set by the BoC. Given the current state of the economy, the BoC left the overnight benchmark rate unchanged at 1.75% during the year. This comes after three rate increases in 2018.

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Canada's equity market had a strong year in 2019 with the S&P/TSX Composite Index up 22.88% on a total return basis. The robust returns for 2019 equity market came after the S&P/TSX Composite Index was down 8.89% in 2018. The reversal was largely due to a rebound in the Financials and Energy sectors, which make up slightly less than half of the S&P/TSX Composite Index. The Energy sector ran into major regulatory and capacity headwinds in the second half of 2018, but managed to rebound in 2019. The rebound was largely due to midstream companies outperforming the broader the S&P/TSX Composite Index. Financials trailed the broader index by about 1.5% for the year. The relatively good year comes as banks weathered margin pressure from stagnant net interest income and rising loan loss provisions. On a total return basis, three of the top five performing companies in the S&P/TSX Composite Index for 2019 were gold mining companies.

The global economy struggled in 2019. Uncertainty loomed as the world dealt with weak business investment and trade woes. The services sector held up well while global manufacturing was weak. To sustain growth, most central banks turned to monetary easing policies. Going in to 2020, the BoC sees the global economy stabilizing as recession concerns recede, though geopolitical risks and global trade uncertainty are still factors going in to 2020. Regionally, the passage of the Canada-United States-Mexico Agreement should relieve trade concerns in North America. In Canada, the October 2019 Monetary Policy Report released by the BoC forecasts the economy to grow by 1.7% in 2020. The continued strength of the labour force and government spending will be positives for the economy. Lower interest rates paired with the CMHC First-Time Home Buyer Incentive program will continue to support the housing recovery. The BoC expects inflation to stay around the 2% target. According to Credit Suisse, "the bond market implies a probability in the mid-30% range for at least one rate cut by October 2020." The BoC has not hinted towards interest rate movement in 2020.

We believe Canada has many positive investment attributes, including low unemployment, high wages, an improving housing market, the Canada-United States-Mexico Agreement, and a stabilizing global economy. Historically, the Canadian equity market has delivered investors a global best blend of reward-to-risk, making it an attractive market for long-term oriented investors.

We continue to find attractive candidates from within our selection universe of "capital strength" companies. The Canadian Capital Strength Portfolio is positioned to provide exposure to one of the world's most developed nations, but with less overall concentration in the three leading sectors (Financials, Energy and Materials represented roughly 62% of the sector weights for the S&P/TSX Composite Index over the period versus roughly 52% within the FST portfolio).

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 for the twelve-months ended December 31, 2019, 2018, and 2017, for the six-month period ended December 31, 2016, and for the fiscal years ending June 30.

Net Asset Value per Unit

FST.A	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016	June 30, 2015
Net asset value, beginning of period/year ⁽¹⁾	\$25.27	\$28.14	\$24.68	\$21.74	\$23.67	\$23.01
Increase (Decrease) from operations:						
Total revenue	0.70	0.62	0.51	0.28	0.66	0.53
Total expenses	(0.50)	(0.50)	(0.47)	(0.29)	(0.60)	(0.64)
Realized gains (losses) for the period/year	2.09	0.36	2.14	1.05	(0.23)	1.70
Unrealized gains (losses) for the period/year	1.74	(3.19)	1.37	1.97	(1.90)	(0.82)
Total increase (decrease) from operations ⁽²⁾	\$4.03	\$(2.71)	\$3.55	\$3.01	\$(2.07)	\$0.77
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.18)	(0.03)	-	-	-	-
From capital gains	-	(0.10)	-	-	-	-
Return of capital	(0.07)	-	(0.09)	-	-	-
Total annual distributions ⁽³⁾	\$(0.25)	\$(0.13)	\$(0.09)	\$ -	\$ -	\$ -
Net asset value, end of period/year ^{(4), (5)}	\$28.95	\$25.27	\$28.14	\$24.68	\$21.74	\$23.67

FST	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016	June 30, 2015
Net asset value, beginning of period/year ⁽¹⁾	\$30.18	\$33.44	\$29.12	\$25.50	\$27.46	\$26.39
Increase (Decrease) from operations:						
Total revenue	0.84	0.75	0.63	0.34	0.77	0.61
Total expenses	(0.23)	(0.23)	(0.22)	(0.19)	(0.42)	(0.43)
Realized gains (losses) for the period/year	2.33	0.07	2.28	1.27	(0.26)	1.96
Unrealized gains (losses) for the period/year	2.73	(3.97)	2.77	2.20	(2.15)	(0.95)
Total increase (decrease) from operations ⁽²⁾	\$5.67	\$(3.38)	\$ 5.46	\$ 3.62	\$(2.06)	\$ 1.19
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.48)	(0.34)	(0.08)	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	(0.18)	-	(0.14)	-	-	-
Total annual distributions ⁽³⁾	\$(0.66)	\$(0.34)	\$(0.22)	\$ -	\$ -	\$ -
Net asset value, end of period/year ^{(4), (5)}	\$34.59	\$30.18	\$33.44	\$29.12	\$25.50	\$27.46

(1) This information is provided for the twelve-months ended December 31, 2019, 2018, and 2017, six-month period ended December 31, 2016, and fiscal years ended June 30, 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 period/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) At the time of the conversion to an ETF, there was an exchange of units whereby holders of Series F units received 1 Common unit for each Series F unit held and holders of Series A units received 1 Advisor Class unit for each Series A held.

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

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Ratios and Supplemental Data

FST.A	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016	June 30, 2015
Net asset value (000's)	\$27,810	\$26,803	\$35,547	\$34,626	\$35,433	\$49,650
Number of units outstanding	960,726	1,060,726	1,263,337	1,402,854	1,630,111	2,097,763
Management expense ratio ⁽¹⁾	1.77%	1.76%	1.76%	2.41%	2.67%	2.66%
Management expense ratio before waivers or absorption	1.79%	1.78%	1.78%	2.41%	2.67%	2.66%
Trading expense ratio ⁽²⁾	0.02%	0.03%	0.03%	0.04%	0.04%	0.03%
Portfolio turnover rate ⁽³⁾	45.10%	63.24%	54.57%	26.70%	52.71%	62.79%
Net asset value per unit	\$28.95	\$25.27	\$28.14	\$24.68	\$21.74	\$23.67

FST	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016	June 30, 2015
Net asset value (000's)	\$32,614	\$42,046	\$39,815	\$7,207	\$6,644	\$8,258
Number of units outstanding	942,993	1,392,993	1,190,807	247,534	260,571	300,783
Management expense ratio ⁽¹⁾	0.65%	0.66%	0.66%	1.29%	1.56%	1.54%
Management expense ratio before waivers or absorption	0.67%	0.68%	0.68%	1.29%	1.56%	1.54%
Trading expense ratio ⁽²⁾	0.02%	0.03%	0.03%	0.04%	0.04%	0.03%
Portfolio turnover rate ⁽³⁾	45.10%	63.24%	54.57%	26.70%	52.71%	62.79%
Net asset value per unit	\$34.59	\$30.18	\$33.44	\$29.12	\$25.50	\$27.46

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period/year and is expressed as an annualized percentage of daily average net asset value during the period/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 period/year.

(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 period/year. The higher a First Trust ETF's portfolio turnover rate in a period/year, the greater the trading cost payable by the First Trust ETF in the period/year, and the greater the chance of an investor receiving taxable capital gains in the period/year. There is not necessarily a relationship between high turnover rate and the performance of a First Trust ETF.

Management Fees

The First Trust ETF will pay the Manager a management fee of 0.60% and, in respect of the FST.A, an additional amount for a service fee (see "FST.A Service Fee" below) 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.

FST.A Service Fee

The Manager pays registered dealers a service fee equal to 1.00% per annum of the NAV of the Advisor Class Units 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.

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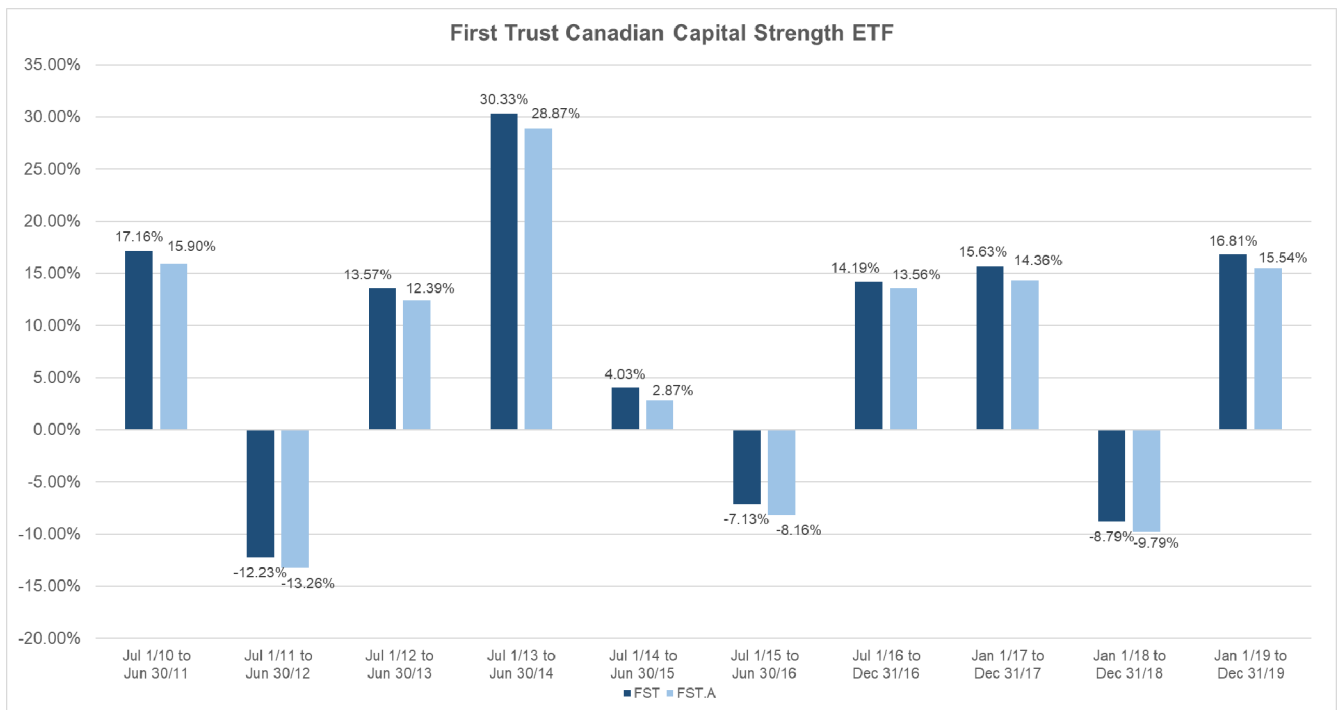
Past Performance

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, per class, for the twelve-months ended December 31, 2019, 2018, and 2017, for the six-month period ended December 31, 2016, and for the fiscal years ended June 30 and illustrate 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.



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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, 2019. The annual compound return is compared to the returns of the relevant benchmark; 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 benchmark.

	1-Year	3-Year	5-Year	10-Year	Since Inception
First Trust Canadian Capital Strength ETF (FST.A)	15.54%	6.03%	4.13%	5.74%	5.66%
First Trust Canadian Capital Strength ETF (FST)	16.81%	7.20%	5.29%	6.92%	6.81%
S&P/TSX Composite Index	22.88%	6.89%	6.28%	6.90%	7.55%

S&P/TSX Composite Index – The S&P/TSX Composite is the premier indicator of market activity for Canadian equity markets going back to its original incarnation in 1977. With approximately 95% coverage of the Canadian equities market, it is the primary gauge for Canadian-based, TSX-listed companies. It addresses the needs of investment managers who require a portfolio benchmark characterized by sufficient size and liquidity. The size of the S&P/TSX Composite and its broad economic sector coverage has made the S&P/TSX Composite Index the primary benchmark for Canadian pension funds and mutual market funds.

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, 2019. This summary of portfolio holdings may change due to ongoing portfolio transactions of the First Trust ETF. A quarterly update is available at www.firsttrust.ca.

Holdings	% of ETF Net Asset Value
Teck Resources Ltd., Class 'B'	4.39%
Colliers International Group Inc.	4.26%
Canadian Pacific Railway Ltd.	4.26%
Pembina Pipeline Corp.	4.23%
Suncor Energy Inc.	4.17%
Intact Financial Corp.	4.15%
Toromont Industries Ltd.	4.14%
Manulife Financial Corp.	4.08%
Open Text Corp.	4.04%
Nutrien Ltd.	4.03%
Bank of Montreal	4.02%
CGI Inc.	4.00%
Bank of Nova Scotia	3.98%
Sun Life Financial Inc.	3.97%
CCL Industries Inc., Class 'B'	3.94%
Canadian National Railway Co.	3.93%
Magna International Inc.	3.91%
CAE Inc.	3.89%
Toronto-Dominion Bank (The)	3.85%
Royal Bank of Canada	3.84%
BCE Inc.	3.83%
Alimentation Couche-Tard Inc., Class 'B'	3.81%
Canada Goose Holdings Inc.	3.74%
Metro Inc., Class 'A'	3.72%
Constellation Software Inc.	3.62%
Cash and Cash Equivalents	0.52%
Other Assets, Less Liabilities	(0.31)%
Total	100.00%

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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, 2019.

Sector Weightings	% of ETF Net Asset Value
Financials	32.15%
Industrials	16.22%
Materials	12.36%
Information Technology	11.66%
Consumer Staples	11.27%
Energy	8.40%
Consumer Discretionary	3.91%
Communication Services	3.83%
Cash and Cash Equivalents	0.52%
Other Assets, Less Liabilities	(0.31)%
Total	100.00%

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