



First Trust Tactical Bond Index ETF • FTB

Interim Management Report of Fund Performance
June 30, 2020

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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2020

First Trust Tactical Bond Index ETF **(the “First Trust ETF”)**

This interim management report of fund performance contains financial highlights but does not contain the complete unaudited interim 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.

First Trust Tactical Bond Index ETF

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For the six-month period ended June 30, 2020

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 Canadian Preservation 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 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 June 30, 2020 was \$5,608,831 or \$16.03 per unit. The First Trust ETF’s net asset value as of December 31, 2019 was \$10,972,765 or \$18.29 per unit.

For the six-month period ended June 30, 2020, the First Trust ETF paid total cash distributions per unit of \$0.3000. In addition, the First Trust ETF declared cash distributions per unit of \$0.0500 for record date of June 30, 2020 with payment date of July 8, 2020.

Investment Performance

For the six-month period ended June 30, 2020, the First Trust ETF returned -10.78% compared to the Index return of -10.59%. Unlike the Index, the First Trust ETF’s return is net of fees and expenses.

Most of the underperformance happened in the first quarter of the year, with March the most severe month. The return for the First Trust ETF in the first quarter of 2020 was -13.60%, while the return for the Index was -13.49%. Performance improved for the First Trust ETF and the Index in the second quarter of 2020, with First Trust ETF returning 3.27% and the Index returning 3.35%.

When looking into the index details, we found that the Index performance was mainly hurt by its High-Yield exposures. The Index held two High-Yield ETFs; iShares Convertible Bond Index ETF (CVD.TO) and iShares U.S. High Yield Bond Index ETF (CAD-Hedged) (XHY.TO), dating back to the start of the year.

First Trust Tactical Bond Index ETF Management Report of Fund Performance For the six-month period ended June 30, 2020

Index Positions and Sector Performances in the First Quarter of 2020:

| Symbol | Company Name | RATING | | DURATION | | | GEOGRAPHY | | | As Of 2020-01-01 | | 2020 Q1 |
|-----------------|---|------------|------------|------------|------------|-----------|------------|------------|-----------|------------------|-------------|---------------|
| | | IG | HY | Short | Medium | Long | Canada | U.S. | Int'l | Weight | Yield | |
| XFR | iShares Floating Rate Index | Y | | Y | | | Y | | | | 2.10 | -1.0% |
| XBB | iShares Canadian Universe Bond | Y | | | Y | | Y | | | 20% | 2.79 | -0.2% |
| XGB | iShares Canadian Government Bond | Y | | | Y | | Y | | | 20% | 2.28 | 3.1% |
| ZAG | BMO Aggregate Bond Index | Y | | | Y | | Y | | | 20% | 3.02 | 0.4% |
| CLF | iShares 1-5 Year Laddered Government | Y | | Y | | | Y | | | | 2.40 | 2.9% |
| XCB | iShares Canadian Corp Bond | Y | | | Y | | Y | | | | 2.93 | -5.3% |
| PGL | Powershares Ultra Liquid LT Govt | Y | | | | Y | Y | | | | 3.68 | 2.3% |
| XRBB | iShares Canadian Real Return Bond | Y | | | | Y | Y | | | | 1.93 | -2.3% |
| ZFL | iShares Long Federal Bond Index | Y | | | | Y | Y | | | | 2.93 | 8.9% |
| CPD | iShares S&P/TSX Canadian Preferred | | Y | | | Y | Y | | | | 4.96 | -23.1% |
| CVD | iShares Convertible Bond Index | | Y | Y | | | Y | | | 20% | 4.57 | -15.8% |
| ZHY | BMO High Yield US Corp Bond Hedged | | Y | | Y | | | Y | | | 10.47 | -16.8% |
| XHY | iShares US High Yield Hedged | | Y | | Y | | | Y | | 21% | 5.30 | -17.0% |
| ZEF | BMO Emerging Markets Bond Hedged | | Y | | Y | | | | Y | | 4.75 | -11.8% |
| NQICPCAD | Nasdaq Canadian Preservation CAD Index | 59% | 41% | 20% | 80% | 0% | 79% | 21% | 0% | 100% | 3.61 | -13.5% |
| XBB | iShare Core Canadian Universe Bond Index ETF | Y | | | Y | | Y | | | 100% | 2.79 | -0.24% |

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. The current index positions, as suggested by the model, favor investment-grade, intermediate-maturity, Canadian-based bonds.

Index Positions and Sector Performances in the Second Quarter of 2020:

| Symbol | Company Name | RATING | | DURATION | | | GEOGRAPHY | | | As Of 2020-06-30 | | 2020 Q2 |
|-----------------|---|-------------|-----------|------------|------------|------------|-------------|-----------|-----------|------------------|-------------|-------------|
| | | IG | HY | Short | Medium | Long | Canada | U.S. | Int'l | Weight | Yield | |
| XFR | iShares Floating Rate Index | Y | | Y | | | Y | | | | 1.26 | 1.6% |
| XBB | iShares Canadian Universe Bond | Y | | | Y | | Y | | | 20% | 2.57 | 7.5% |
| XGB | iShares Canadian Government Bond | Y | | | Y | | Y | | | 20% | 2.14 | 4.8% |
| ZAG | BMO Aggregate Bond Index | Y | | | Y | | Y | | | 20% | 2.86 | 6.8% |
| CLF | iShares 1-5 Year Laddered Government | Y | | Y | | | Y | | | 19% | 2.23 | 1.3% |
| XCB | iShares Canadian Corp Bond | Y | | | Y | | Y | | | | 2.78 | 0.2% |
| PGL | Powershares Ultra Liquid LT Govt | Y | | | | Y | Y | | | | 2.47 | 10.0% |
| XRBB | iShares Canadian Real Return Bond | Y | | | | Y | Y | | | | 1.64 | 9.6% |
| ZFL | iShares Long Federal Bond Index | Y | | | | Y | Y | | | 20% | 2.47 | 5.9% |
| CPD | iShares S&P/TSX Canadian Preferred | | Y | | | Y | Y | | | | 6.14 | 14.7% |
| CVD | iShares Convertible Bond Index | | Y | Y | | | Y | | | | 4.80 | 11.1% |
| ZHY | BMO High Yield US Corp Bond Hedged | | Y | | Y | | | Y | | | 6.23 | 13.5% |
| XHY | iShares US High Yield Hedged | | Y | | Y | | | Y | | | 5.82 | 13.3% |
| ZEF | BMO Emerging Markets Bond Hedged | | Y | | Y | | | | Y | | 4.73 | 13.0% |
| NQICPCAD | Nasdaq Canadian Preservation CAD Index | 100% | 0% | 19% | 61% | 20% | 100% | 0% | 0% | 100% | 2.46 | 3.3% |
| XBB | iShare Core Canadian Universe Bond Index ETF | Y | | | Y | | Y | | | 100% | 2.57 | 7.5% |

Recent Developments

The COVID-19 global pandemic is still a developing story. Fortunately, The United States Federal Reserve, among all other major central banks, has promptly responded with sufficient liquidities, a.k.a. the “QE3”, to bail out the global economy. Among all those measures, the Primary Market Corporate Credit Facility for new bond and loan issuance and the Secondary Market Corporate Credit Facility for liquidity support of outstanding corporate bonds will provide the most needed protections for credit market investors. The credit markets, both investment grade and high yield, have largely recovered from the initial shock and liquidity freeze. No matter which letter the chart of the shape of the recovery path will look like; V, U, L or W, the market is seeing continuous optimism for the higher yield credit products. Given that the Index has High-Yield exposure in its selection pool, we may gradually pick up on more High-Yield sectors with the market risk appetite coming back.

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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 current unaudited interim financial statements and audited annual financial statements.

Net Asset Value per Unit

| FTB | Jun. 30, 2020 | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 ^(a) |
|--|------------------|------------------|------------------|------------------|------------------|---------------------------------|
| Net asset value, beginning of period/year ⁽¹⁾ | \$18.29 | \$17.98 | \$19.48 | \$19.49 | \$19.52 | \$20.00 ^(b) |
| Increase (Decrease) from operations: | | | | | | |
| Total revenue | 0.28 | 0.61 | 0.61 | 0.86 | 0.78 | 0.39 |
| Total expenses | (0.08) | (0.13) | (0.15) | (0.12) | (0.12) | (0.07) |
| Realized gains (losses) for the period/year | (2.75) | (0.72) | (0.29) | (0.25) | (0.09) | (0.32) |
| Unrealized gains (losses) for the period/year | 0.46 | 1.27 | (0.96) | 0.27 | (0.03) | (0.10) |
| Total increase (decrease) from operations ⁽²⁾ | \$(2.09) | \$1.03 | \$(0.79) | \$0.76 | \$0.54 | \$(0.10) |
| Distributions: | | | | | | |
| From income (excluding dividends) | (0.30) | (0.53) | (0.40) | (0.60) | (0.59) | (0.30) |
| From dividends | - | (0.01) | (0.11) | (0.13) | (0.03) | - |
| From capital gains | - | - | - | - | (0.17) | - |
| Return of capital | - | (0.06) | (0.13) | (0.05) | - | - |
| Total interim/annual distributions ⁽³⁾ | \$(0.30) | \$(0.60) | \$(0.64) | \$(0.78) | \$(0.79) | \$(0.30) |
| Net asset value, end of period/year ⁽⁴⁾ | \$16.03 | \$18.29 | \$17.98 | \$19.48 | \$19.49 | \$19.52 |

(a) December 31, 2015 does not relate to the full year as the First Trust ETF commenced operations on June 19, 2015.

(b) Seed capital

(1) This information is provided as at June 30, 2020 and December 31 of the years/period 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 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) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

Ratios and Supplemental Data

| FTB | Jun. 30, 2020 | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Net asset value (000's) | \$5,609 | \$10,973 | \$21,577 | \$34,097 | \$35,083 | \$25,382 |
| Number of units outstanding | 350,000 | 600,000 | 1,200,000 | 1,750,000 | 1,800,000 | 1,300,000 |
| Management expense ratio ⁽¹⁾ | 0.92% | 0.94% | 0.95% | 1.09% | 0.97% | 0.92% |
| Management expense ratio before waivers or absorption | 0.95% | 0.96% | 0.97% | 1.10% | 0.99% | 0.94% |
| Trading expense ratio ⁽²⁾ | 0.46% | 0.17% | 0.25% | 0.06% | 0.07% | 0.16% |
| Portfolio turnover rate ⁽³⁾ | 192.28% | 135.68% | 232.29% | 67.44% | 135.87% | 88.46% |
| Net asset value per unit | \$16.03 | \$18.29 | \$17.98 | \$19.48 | \$19.49 | \$19.52 |

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period/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 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. 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 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.

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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.

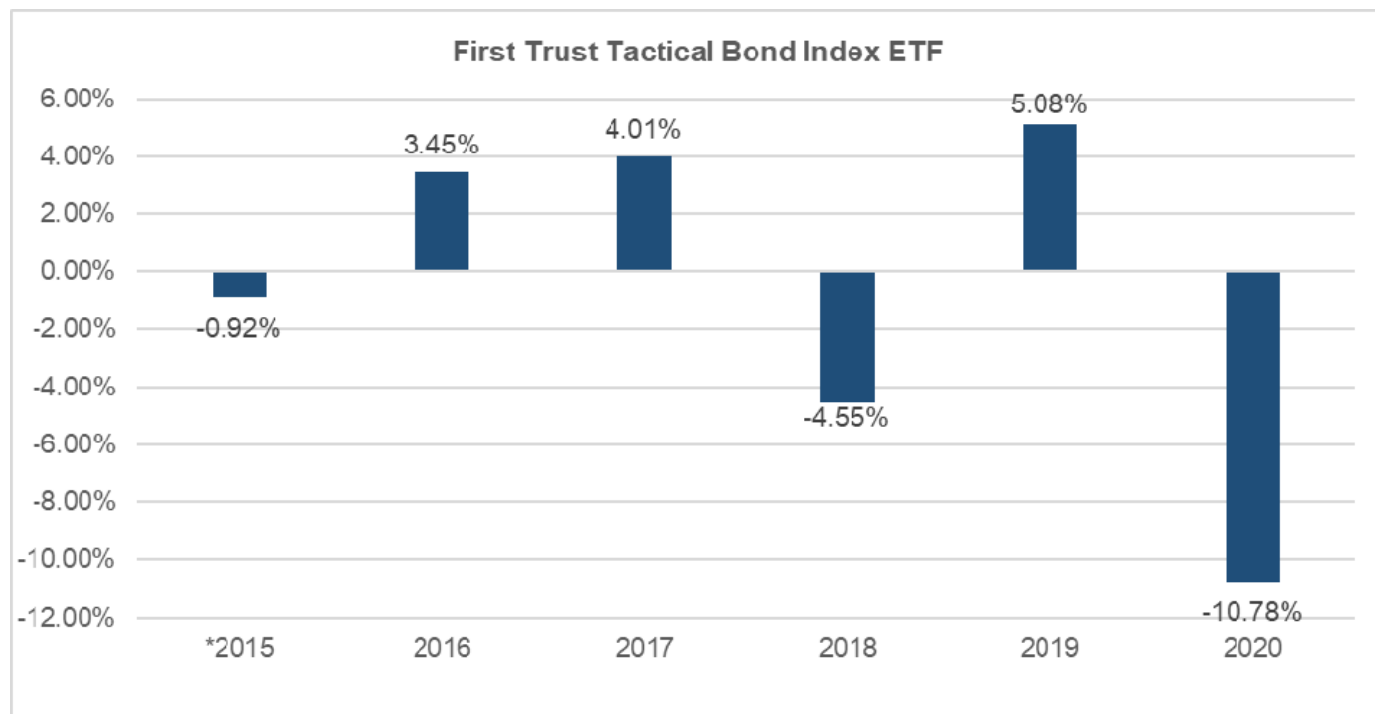
Past Performance

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 six-month period ended June 30, 2020, 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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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 June 30, 2020. 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 |
|---|--------------------------------|
| iShares Canadian Universe Bond Index ETF | 20.36% |
| BMO Aggregate Bond Index ETF | 20.25% |
| BMO Long Federal Bond Index ETF | 19.95% |
| iShares Canadian Government Bond Index ETF | 19.93% |
| iShares 1-5 Year Laddered Government Bond Index ETF | 19.29% |
| Cash and Cash Equivalents | 0.44% |
| Other Assets, Less Liabilities | (0.22)% |
| 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 June 30, 2020.

| Sector Weightings | % of ETF Total Net Asset Value |
|--------------------------------|--------------------------------|
| Exchange-Traded Funds | 99.78% |
| Cash and Cash Equivalents | 0.44% |
| Other Assets, Less Liabilities | (0.22)% |
| Total | 100.00% |

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www.firsttrust.ca