



## 2017 Annual Financial Statements

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First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)  
First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)  
First Trust Senior Loan ETF (CAD-Hedged)  
First Trust Short Duration High Yield Bond ETF (CAD-Hedged)  
First Trust Canadian Capital Strength ETF  
First Trust Global Risk Managed Income Index ETF  
First Trust Tactical Bond Index ETF  
First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
First Trust AlphaDEX™ U.S. Financial Sector Index ETF  
First Trust AlphaDEX™ U.S. Energy Sector Index ETF  
First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF  
First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF  
First Trust AlphaDEX™ U.S. Health Care Sector Index ETF  
First Trust AlphaDEX™ U.S. Materials Sector Index ETF  
First Trust AlphaDEX™ U.S. Industrials Sector Index ETF  
First Trust AlphaDEX™ U.S. Technology Sector Index ETF  
First Trust AlphaDEX™ U.S. Utilities Sector Index ETF  
First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)

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As at December 31, 2017

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# MANAGEMENT REPORT

## Management's Responsibility for Financial Reporting

First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)  
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First Trust AlphaDEX™ U.S. Technology Sector Index ETF  
First Trust AlphaDEX™ U.S. Utilities Sector Index ETF  
First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)  
**(collectively referred to as the "First Trust ETFs")**

The accompanying annual financial statements have been prepared by FT Portfolios Canada Co. the Manager of the First Trust ETFs, and approved by the Board of Directors of the Manager. The First Trust ETFs' Manager is responsible for the information and representations contained in these financial statements and other sections of the Annual Reports. The First Trust ETFs' 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 ETFs are described in Notes 2 and 3 to the financial statements.



Andrew Roggensack  
Director



David G. McGarel  
Director

## Independent Auditor's Report

To the Unitholders of:

First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)  
 First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)  
 First Trust Value Line® Dividend Index ETF (CAD-Hedged) (Formerly, First Trust AlphaDEX™ U.S. Dividend ETF (CAD-Hedged))  
 First Trust Senior Loan ETF (CAD-Hedged)  
 First Trust Short Duration High Yield Bond ETF (CAD-Hedged)  
 First Trust Global Risk Managed Income Index ETF  
 First Trust AlphaDEX™ U.S. Financial Sector Index ETF  
 First Trust AlphaDEX™ U.S. Energy Sector Index ETF  
 First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF  
 First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF  
 First Trust AlphaDEX™ U.S. Health Care Sector Index ETF  
 First Trust AlphaDEX™ U.S. Materials Sector Index ETF  
 First Trust AlphaDEX™ U.S. Industrials Sector Index ETF  
 First Trust AlphaDEX™ U.S. Technology Sector Index ETF  
 First Trust AlphaDEX™ U.S. Utilities Sector Index ETF  
 First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)  
 First Trust Tactical Bond Index ETF  
 First Trust Canadian Capital Strength ETF

(collectively, the "First Trust ETFs")

We have audited the accompanying financial statements of the First Trust ETFs, per below, and a summary of significant accounting policies and other explanatory information.

<b>Fund</b>	<b>Statements of Financial Position as at:</b>	<b>Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows for:</b>
First Trust Value Line® Dividend Index ETF (CAD-Hedged) (Formerly, First Trust AlphaDEX™ U.S. Dividend ETF (CAD-Hedged)) First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)  First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged) First Trust AlphaDEX™ U.S. Financial Sector Index ETF First Trust AlphaDEX™ U.S. Energy Sector Index ETF First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF First Trust AlphaDEX™ U.S. Health Care Sector Index ETF	December 31, 2017 and December 31, 2016	the years ended December 31, 2017 and December 31, 2016

<b>Fund</b>	<b>Statements of Financial Position as at:</b>	<b>Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows for:</b>
First Trust AlphaDEX™ U.S. Materials Sector Index ETF First Trust AlphaDEX™ U.S. Industrials Sector Index ETF First Trust AlphaDEX™ U.S. Technology Sector Index ETF First Trust AlphaDEX™ U.S. Utilities Sector Index ETF First Trust Global Risk Managed Income Index ETF First Trust Senior Loan ETF (CAD-Hedged) First Trust Tactical Bond Index ETF		
First Trust Short Duration High Yield Bond ETF (CAD-Hedged)  First Trust Canadian Capital Strength ETF	December 31, 2017, December 31, 2016 and June 30, 2016	the year ended December 31, 2017, the period July 1, 2016 to December 31, 2016 and the year ended June 30, 2016
First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)	December 31, 2017 and December 31, 2016	the year ended December 31, 2017 and the period September 29, 2016 to December 31, 2016

### **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 each of the First Trust ETFs as at the dates listed above, and its financial performance and its cash flows for the periods listed above in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
March 23, 2018

# First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	9,919,445	8,505,147
Cash	64,473	29,518
Accrued dividend receivable	7,222	31,538
Derivative assets	50,074	76,894
Other assets	2,088	543
	10,043,302	8,643,640
<b>Liabilities</b>		
Accrued liabilities	11,680	7,447
Distributions payable to holders of redeemable units	27,759	8,343
	39,439	15,790
<b>Total net assets attributable to holders of redeemable units</b>	<b>10,003,863</b>	<b>8,627,850</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Common Class</b>	7,513,780	7,918,042
<b>Advisor Class</b>	2,490,083	709,808
<b>Redeemable units outstanding [note 6]</b>		
<b>Common Class</b>	450,600	550,599
<b>Advisor Class</b>	149,399	49,400
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	16.68	14.38
<b>Advisor Class</b>	16.67	14.37

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	221,245	148,977
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	537,692	(45,828)
Net realized gain (loss) on derivatives	69,785	(141,899)
Net realized gain (loss) on foreign exchange	4,131	97
Net change in unrealized appreciation (depreciation) of investments	322,625	282,632
Net change in unrealized appreciation (depreciation) of derivatives	(26,820)	74,521
	1,128,658	318,500
Foreign exchange gain (loss) on cash	4,332	67
	1,132,990	318,567
<b>Expenses [note 7]</b>		
Management fees	46,275	26,151
Service fees	15,401	6,850
Transaction costs [note 3 and note 9]	11,871	10,422
HST expense	5,965	3,764
Independent Review Committee fees	1,459	788
Interest expense	109	13
	81,080	47,988
Expenses waived by the manager	(1,459)	(788)
	79,621	47,200
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>1,053,369</b>	<b>271,367</b>
<b>Withholding taxes</b>	<b>30,341</b>	<b>14,073</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>1,023,028</b>	<b>257,294</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Common Class</b>	833,406	124,312
<b>Advisor Class</b>	189,622	132,982
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	2.40	0.53
<b>Advisor Class</b>	1.97	2.70

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 AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Common Class	December 31 2016 (\$) Common Class	December 31 2017 (\$) Advisor Class	December 31 2016 (\$) Advisor Class
Net assets attributable to holders of redeemable units, beginning of year	7,918,042	1,786,584	709,808	594,970
Increase (Decrease) in net assets attributable to holders of redeemable units	833,406	124,312	189,622	132,982
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	7,420,351	6,796,908	1,630,130	-
Reinvested distributions	-	-	-	-
Redemption of units	(8,484,011)	(692,432)	(16)	(6,940)
	(1,063,660)	6,104,476	1,630,114	(6,940)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	(99,687)	(75,997)	(16,126)	(8,748)
Capital gains	-	-	-	-
Return of capital	(74,321)	(21,333)	(23,335)	(2,456)
	(174,008)	(97,330)	(39,461)	(11,204)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	<b>(404,262)</b>	<b>6,131,458</b>	<b>1,780,275</b>	<b>114,838</b>
Net assets attributable to holders of redeemable units, end of year	7,513,780	7,918,042	2,490,083	709,808
			<b>December 31 2017 (\$) Total</b>	<b>December 31 2016 (\$) Total</b>
Net assets attributable to holders of redeemable units, beginning of year			8,627,850	2,381,554
Increase (Decrease) in net assets attributable to holders of redeemable units			1,023,028	257,294
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			9,050,481	6,796,908
Reinvested distributions			-	-
Redemption of units			(8,484,027)	(699,372)
			566,454	6,097,536
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			(115,813)	(84,745)
Capital gains			-	-
Return of capital			(97,656)	(23,789)
			(213,469)	(108,534)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>			<b>1,376,013</b>	<b>6,246,296</b>
Net assets attributable to holders of redeemable units, end of year			10,003,863	8,627,850

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

# First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	1,023,028	257,294
Adjustments for:		
Net realized (gain) loss on sale of investments	(537,692)	45,828
Change in unrealized (appreciation) depreciation of investments and derivatives	(295,805)	(357,153)
Dividends receivable	24,316	(20,957)
Other assets	(1,545)	9,489
Other liabilities	4,233	998
Purchases of investments	(15,371,764)	(11,523,692)
Proceeds from the sale of investments	14,817,783	5,606,585
	(337,446)	(5,981,608)
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	9,050,481	6,796,908
Amount paid on redemptions of units	(8,484,027)	(699,372)
Distributions paid to unitholders	(194,053)	(100,191)
	372,401	5,997,345
<b>Increase (Decrease) in cash for the year</b>	34,955	15,737
<b>Cash, beginning of year</b>	29,518	13,781
<b>Cash, end of year</b>	64,473	29,518
Dividends received, net of withholding taxes	215,220	113,947

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

**First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to provide unitholders with exposure to the performance of a portfolio of dividend paying equity securities domiciled in the emerging markets and selected from the countries represented in the S&P BMI Emerging Markets Index as well as providing unitholders with monthly distributions.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	9,919,445	–	–	9,919,445
Derivative assets	–	50,074	–	50,074
<b>Total</b>	<b>9,919,445</b>	<b>50,074</b>	<b>–</b>	<b>9,969,519</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	8,505,147	–	–	8,505,147
Derivative assets	–	76,894	–	76,894
<b>Total</b>	<b>8,505,147</b>	<b>76,894</b>	<b>–</b>	<b>8,582,041</b>

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Common	Advisor
Beginning units – January 1, 2016	150,000	50,000
Redeemable units issued	450,599	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(50,000)	(600)
<b>Outstanding units – December 31, 2016</b>	<b>550,599</b>	<b>49,400</b>
Redeemable units issued	450,001	100,000
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(550,000)	(1)
<b>Outstanding units – December 31, 2017</b>	<b>450,600</b>	<b>149,399</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below are the current annual management fees charged to the First Trust ETF:

Annual Management Fee	
Common Class	Advisor Class <sup>1</sup>
0.65%	1.65%

<sup>1</sup>Includes a service fee of 1.00%

First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
790,163	982,074	-	-

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
11,871	10,422

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
46,275	26,151	5,345	4,712

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
MSCI Emerging Market Index	349,135	(349,135)	399,469	(399,469)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	43,191	0.43%	17,909	0.21%

As at December 31, 2017, 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 \$432 (December 31, 2016 - \$179). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**Concentration Risk** - The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Country	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Brazil	24.00	46.94
Taiwan	12.36	9.02
China	10.15	5.44
South Africa	9.60	8.15
Chile	8.12	4.33
Colombia	6.21	3.01
India	5.64	4.92
Mexico	4.72	2.12
Luxembourg	3.91	2.82
Russia	2.95	2.37
Peru	2.85	1.41
Monaco	2.33	2.18
United States	2.16	1.37
Turkey	1.46	–
Philippines	1.44	0.75
Indonesia	0.65	–
Netherlands	0.61	1.60
Marshall Islands	–	0.73
Cyprus	–	1.42
<b>Total</b>	<b>99.16</b>	<b>98.58</b>

First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Brazil—24.00%</b>				
Braskem SA, ADR	9,878	304,126	326,061	3.26
Companhia Energetica de Minas Gerais-CEMIG SA, ADR	106,040	344,795	274,582	2.74
Companhia Paranaense de Energia-Copel, ADR	31,330	366,983	300,483	3.00
Cosan Ltd., Class 'A'	23,768	269,577	289,801	2.90
Embraer SA, ADR	14,352	365,205	431,708	4.32
Fibria Celulose SA, ADR	16,111	241,506	297,698	2.98
Itau Unibanco Holding SA, ADR	17,232	270,543	281,588	2.81
Tim Participacoes SA, ADR	8,185	172,850	198,672	1.99
		<b>2,335,585</b>	<b>2,400,593</b>	<b>24.00</b>
<b>Chile—8.12%</b>				
Enel Generacion Chile SA, ADR	5,991	178,396	202,651	2.02
Latam Airlines Group SA, ADR	12,144	200,376	212,183	2.12
Sociedad Quimica y Minera de Chile SA, ADR	5,330	331,817	397,768	3.98
		<b>710,589</b>	<b>812,602</b>	<b>8.12</b>
<b>China—10.15%</b>				
Fanhua Inc., ADR	12,770	350,224	347,042	3.47
Hollysys Automation Technologies Ltd.	2,098	54,378	58,730	0.59
NetEase Inc., ADR	694	258,821	301,025	3.01
New Oriental Education & Technology Group Inc., ADR	2,611	280,100	308,510	3.08
		<b>943,523</b>	<b>1,015,307</b>	<b>10.15</b>
<b>Colombia—6.21%</b>				
Bancolombia SA, ADR	3,886	207,387	193,727	1.94
Ecopetrol SA	23,247	324,699	427,510	4.27
		<b>532,086</b>	<b>621,237</b>	<b>6.21</b>
<b>India—5.64%</b>				
HDFC Bank Ltd., ADR	1,171	141,581	149,653	1.50
ICICI Bank Ltd., ADR	5,257	61,524	64,296	0.64
Infosys Technologies Ltd., ADR	3,163	61,116	64,489	0.64
Sesa Sterlite Ltd.	8,392	189,370	219,731	2.20
Wipro Ltd., ADR	9,580	63,146	65,870	0.66
		<b>516,737</b>	<b>564,039</b>	<b>5.64</b>
<b>Indonesia—0.65%</b>				
PT Telekomunikasi Indonesia Persero TBK, ADR	1,602	68,013	64,882	0.65
		<b>68,013</b>	<b>64,882</b>	<b>0.65</b>
<b>Luxembourg—3.91%</b>				
Temium SA, ADR	9,850	347,952	391,130	3.91
		<b>347,952</b>	<b>391,130</b>	<b>3.91</b>
<b>Mexico—4.72%</b>				
America Movil SAB de CV, Class 'L', ADR	2,911	64,917	62,754	0.63
Coca-Cola FEMSA SAB de CV, Series 'L', ADR	721	70,959	63,096	0.63
Fomento Economico Mexicano SAB de CV, ADR	2,933	344,440	346,189	3.46
		<b>480,316</b>	<b>472,039</b>	<b>4.72</b>
<b>Monaco—2.33%</b>				
GasLog Ltd.	8,317	189,533	232,612	2.33
		<b>189,533</b>	<b>232,612</b>	<b>2.33</b>
<b>Netherlands—0.61%</b>				
VEON Ltd., ADR	12,660	64,663	61,108	0.61
		<b>64,663</b>	<b>61,108</b>	<b>0.61</b>
<b>Peru—2.85%</b>				
Compañía de Minas Buenaventura SA, Series 'B', ADR	8,242	140,190	145,872	1.46
Credicorp Ltd.	532	140,052	138,713	1.39
		<b>280,242</b>	<b>284,585</b>	<b>2.85</b>

First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)  
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**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Philippines—1.44%</b>				
PLDT Inc., ADR	3,816	145,452	144,285	1.44
		<b>145,452</b>	<b>144,285</b>	<b>1.44</b>
<b>Russia—2.95%</b>				
Mobile TeleSystems PJSC, ADR	23,047	290,408	295,205	2.95
		<b>290,408</b>	<b>295,205</b>	<b>2.95</b>
<b>South Africa—9.60%</b>				
AngloGold Ashanti Ltd., ADR	5,090	63,089	65,197	0.65
Gold Fields Ltd., ADR	56,700	287,423	306,469	3.06
Harmony Gold Mining Co. Ltd., ADR	83,641	224,251	196,606	1.97
Sasol Ltd., ADR	4,779	182,044	205,506	2.05
Sibanye Gold Ltd., ADR	29,423	197,287	186,773	1.87
		<b>954,094</b>	<b>960,551</b>	<b>9.60</b>
<b>Taiwan—12.36%</b>				
Advanced Semiconductor Engineering Inc., ADR	16,914	135,381	137,771	1.38
AU Optronics Corp., ADR	66,116	341,641	345,728	3.46
Chunghwa Telecom Co. Ltd., ADR	3,212	138,930	143,088	1.43
Himax Technologies Inc., ADR	11,186	187,676	146,514	1.46
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	2,813	126,055	140,200	1.40
United Microelectronics Corp., ADR	107,697	333,273	323,547	3.23
		<b>1,262,956</b>	<b>1,236,848</b>	<b>12.36</b>
<b>Turkey—1.46%</b>				
Turkcell Iletisim Hizmetleri AS, ADR	11,393	140,179	146,074	1.46
		<b>140,179</b>	<b>146,074</b>	<b>1.46</b>
<b>United States—2.16%</b>				
Southern Copper Corp.	2,600	140,105	155,076	1.55
Yum China Holdings Inc.	1,218	62,993	61,272	0.61
		<b>203,098</b>	<b>216,348</b>	<b>2.16</b>
<b>Total investments</b>		<b>9,465,426</b>	<b>9,919,445</b>	<b>99.16</b>
Transaction costs		(3,605)		
Unrealized appreciation on derivatives - see Schedule 1			50,074	0.50
Other assets, less liabilities			34,344	0.34
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>9,461,821</b>	<b>10,003,863</b>	<b>100.00</b>

**Schedule 1 - Foreign Exchange Contracts**

Counterparty	Credit Rating of Counterparty*	Settlement Date	Currency Sell	Amount Currency		Amount Bought	Forward Rate	Appreciation Current (Depreciation)	
				Sold	Buy			Rate	\$
Bank of New York Mellon (The), New York	A-1+	2018/01/31	USD	7,884,859	CAD	9,957,000	0.792	0.796	50,074
									<b>50,074</b>

\* Per Standard and Poor's Rating

# First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	26,625,655	27,787,837
Cash	189,869	289,692
Accrued dividend receivable	160,117	149,805
Derivative assets	-	5,386
Other assets	2,857	4,602
	26,978,498	28,237,322
<b>Liabilities</b>		
Accrued liabilities	19,208	20,432
Distributions payable to holders of redeemable units	77,791	89,480
Derivative liabilities	54,332	20,826
	151,331	130,738
<b>Total net assets attributable to holders of redeemable units</b>	<b>26,827,167</b>	<b>28,106,584</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Common Class</b>	<b>23,886,452</b>	<b>26,462,714</b>
<b>Advisor Class</b>	<b>2,940,715</b>	<b>1,643,870</b>
<b>Redeemable units outstanding [note 6]</b>		
<b>Common Class</b>	<b>1,024,022</b>	<b>1,224,001</b>
<b>Advisor Class</b>	<b>125,979</b>	<b>76,000</b>
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	<b>23.33</b>	<b>21.62</b>
<b>Advisor Class</b>	<b>23.34</b>	<b>21.63</b>

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	1,050,396	1,207,213
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	1,935,910	(2,408,418)
Net realized gain (loss) on derivatives	(592,029)	3,423,802
Net realized gain (loss) on foreign exchange	(4,142)	12,919
Net change in unrealized appreciation (depreciation) of investments	737,355	1,882,549
Net change in unrealized appreciation (depreciation) of derivatives	(38,892)	(427,426)
	3,088,598	3,690,639
Foreign exchange gain (loss) on cash	(723)	(15,473)
	3,087,875	3,675,166
<b>Expenses [note 7]</b>		
Management fees	207,527	254,555
Transaction costs [note 3 and note 9]	23,238	37,839
HST expense	19,884	22,902
Service fees	17,419	14,945
Independent Review Committee fees	5,035	6,459
Interest expense	231	758
	273,334	337,458
Expenses waived by manager	(56,895)	(69,964)
	216,439	267,494
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>2,871,436</b>	<b>3,407,672</b>
<b>Withholding taxes</b>	<b>115,107</b>	<b>162,502</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>2,756,329</b>	<b>3,245,170</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Common Class</b>	<b>2,592,791</b>	<b>3,068,110</b>
<b>Advisor Class</b>	<b>163,538</b>	<b>177,060</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	<b>2.44</b>	<b>1.97</b>
<b>Advisor Class</b>	<b>2.13</b>	<b>2.33</b>

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 AlphaDEX™ European Dividend Index ETF (CAD-Hedged)

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Common Class	December 31 2016 (\$) Common Class	December 31 2017 (\$) Advisor Class	December 31 2016 (\$) Advisor Class
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	26,462,714	34,739,774	1,643,870	1,570,676
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	2,592,791	3,068,110	163,538	177,060
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	6,923,115	3,832,126	1,173,138	-
Reinvested distributions	-	2,866	-	-
Redemption of units	(11,300,580)	(14,310,195)	(479)	(76,065)
	(4,377,465)	(10,475,203)	1,172,659	(76,065)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	(681,437)	(869,967)	(29,552)	(27,801)
Capital gains	-	-	-	-
Return of capital	(110,151)	-	(9,800)	-
	(791,588)	(869,967)	(39,352)	(27,801)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	(2,576,262)	(8,277,060)	1,296,845	73,194
<b>Net assets attributable to holders of redeemable units, end of year</b>	23,886,452	26,462,714	2,940,715	1,643,870
			<b>December 31 2017 (\$) Total</b>	<b>December 31 2016 (\$) Total</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>			28,106,584	36,310,450
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			2,756,329	3,245,170
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			8,096,253	3,832,126
Reinvested distributions			-	2,866
Redemption of units			(11,301,059)	(14,386,260)
			(3,204,806)	(10,551,268)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			(710,989)	(897,768)
Capital gains			-	-
Return of capital			(119,951)	-
			(830,940)	(897,768)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>			(1,279,417)	(8,203,866)
<b>Net assets attributable to holders of redeemable units, end of year</b>			26,827,167	28,106,584

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

# First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	2,756,329	3,245,170
Adjustments for:		
Net realized (gain) loss on sale of investments	(1,935,910)	2,408,418
Change in unrealized (appreciation) depreciation of investments and derivatives	(698,463)	(1,455,123)
Dividends receivable	(10,312)	5,846
Other assets	1,745	9,609
Other liabilities	(1,224)	(55,377)
Purchases of investments	(24,611,718)	(29,939,562)
Proceeds from the sale of investments	28,447,165	37,432,352
	3,947,612	11,651,333
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	8,096,253	3,832,126
Amount paid on redemptions of units	(11,301,059)	(14,386,260)
Distributions paid to unitholders	(842,629)	(877,958)
	(4,047,435)	(11,432,092)
<b>Increase (decrease) in cash for the year</b>	(99,823)	219,241
<b>Cash, beginning of year</b>	289,692	70,451
<b>Cash, end of year</b>	189,869	289,692
Dividends received, net of withholding taxes	924,977	1,050,557

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

First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)  
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**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the AlphaDEX™ European Dividend Index, net of expenses. The AlphaDEX™ European Dividend Index results from applying the AlphaDEX™ methodology to a universe of ADRs of European companies that are listed on the NYSE, NYSE Market and NASDAQ exchanges.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets (Liabilities) at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	26,625,655	–	–	26,625,655
Derivative assets	–	–	–	–
Derivative liabilities	–	(54,332)	–	(54,332)
<b>Total</b>	<b>26,625,655</b>	<b>(54,332)</b>	<b>–</b>	<b>26,571,323</b>
	Financial Assets (Liabilities) at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	27,787,837	–	–	27,787,837
Derivative assets	–	5,386	–	5,386
Derivative liabilities	–	(20,826)	–	(20,826)
<b>Total</b>	<b>27,787,837</b>	<b>(15,440)</b>	<b>–</b>	<b>27,772,397</b>

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Common	Advisor
Beginning units – January 1, 2016	1,770,000	80,000
Redeemable units issued	204,001	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(750,000)	(4,000)
Outstanding units – December 31, 2016	1,224,001	76,000
Redeemable units issued	300,021	50,000
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(500,000)	(21)
Outstanding units – December 31, 2017	1,024,022	125,979

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below are the current annual management fees charged to the First Trust ETF:

Annual Management Fee <sup>1</sup>	
Common Class	Advisor Class <sup>2</sup>
0.60%	1.60%

<sup>1</sup>Pays a management fee up to a maximum of 0.80%

<sup>2</sup>Includes a service fee of 1.00%

First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)  
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**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
1,155,920	1,429,468	-	-

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
23,238	37,839

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
207,527	254,555	12,534	14,244

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
BNY Mellon Europe ADR Index	-	-	1,187,503	(1,187,503)
MSCI Europe Index (Local Currency)	1,411,109	(1,411,109)	-	-

First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)  
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**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	26,790,392	99.86%	27,880,200	99.19%
Swiss Francs	(1,501,963)	(5.60)%	(1,981,907)	(7.05)%
British Pound Sterling	(9,630,205)	(35.90)%	(6,849,707)	(24.37)%
Euro	(12,380,712)	(46.15)%	(13,971,827)	(49.71)%
Total	3,277,512	12.21%	5,076,759	18.06%

As at December 31, 2017, 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 \$32,775 (December 31, 2016 - \$50,768). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Concentration Risk** - The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Country	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
United Kingdom	32.51	23.60
Netherlands	20.10	21.80
Spain	8.12	9.37
Germany	7.12	4.14
Switzerland	5.56	7.07
Russia	4.10	3.61
Italy	4.05	–
France	3.94	8.96
Israel	3.39	5.42
Norway	2.27	3.26
Denmark	2.22	0.74
Jersey, Channel Islands	1.74	0.73
United States	1.69	–
Ireland	1.67	4.03
Luxembourg	0.77	1.72
Sweden	–	4.42
Total	99.25	98.87

First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)  
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**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>INTERNATIONAL EQUITIES</b>				
<b>Denmark—2.22%</b>				
Novo Nordisk AS, ADR	8,819	585,188	594,958	2.22
		<b>585,188</b>	<b>594,958</b>	<b>2.22</b>
<b>France—3.94%</b>				
Total SA, ADR	15,195	1,007,587	1,055,854	3.94
		<b>1,007,587</b>	<b>1,055,854</b>	<b>3.94</b>
<b>Germany—7.12%</b>				
Deutsche Bank AG, Registered	36,237	877,751	866,815	3.23
Fresenius Medical Care AG & Co. KGaA, ADR	9,214	525,567	608,634	2.27
SAP SE, ADR	3,076	365,972	434,443	1.62
		<b>1,769,290</b>	<b>1,909,892</b>	<b>7.12</b>
<b>Ireland—1.67%</b>				
CRH PLC, ADR	9,909	393,861	449,523	1.67
		<b>393,861</b>	<b>449,523</b>	<b>1.67</b>
<b>Israel—3.39%</b>				
NICE Ltd., ADR	7,879	752,774	910,268	3.39
		<b>752,774</b>	<b>910,268</b>	<b>3.39</b>
<b>Italy—4.05%</b>				
Eni SPA, ADR	26,037	1,092,900	1,086,259	4.05
		<b>1,092,900</b>	<b>1,086,259</b>	<b>4.05</b>
<b>Jersey, Channel Islands—1.74%</b>				
Randgold Resources Ltd., ADR	3,749	421,249	466,019	1.74
		<b>421,249</b>	<b>466,019</b>	<b>1.74</b>
<b>Luxembourg—0.77%</b>				
Tenaris SA, ADR	5,143	195,605	205,967	0.77
		<b>195,605</b>	<b>205,967</b>	<b>0.77</b>
<b>Netherlands—20.10%</b>				
AEGON NV	112,015	865,101	887,058	3.31
ASML Holding NV, Registered	4,987	940,746	1,089,618	4.06
ING Groep NV, ADR	8,501	162,241	197,259	0.73
Koninklijke Philips NV	9,012	354,100	428,202	1.60
Royal Dutch Shell PLC, Class 'A', ADR	13,397	976,184	1,123,398	4.19
STMicroelectronics NV	38,725	527,115	1,063,113	3.96
Unilever NV	2,673	203,752	189,233	0.71
VEON Ltd., ADR	85,758	421,532	413,944	1.54
		<b>4,450,771</b>	<b>5,391,825</b>	<b>20.10</b>
<b>Norway—2.27%</b>				
Statoil ASA, ADR	22,643	556,884	609,661	2.27
		<b>556,884</b>	<b>609,661</b>	<b>2.27</b>
<b>Russia—4.10%</b>				
Mobile TeleSystems PJSC, ADR	85,885	936,156	1,100,086	4.10
		<b>936,156</b>	<b>1,100,086</b>	<b>4.10</b>
<b>Spain—8.12%</b>				
Banco Bilbao Vizcaya Argentaria SA, ADR	54,006	559,063	577,027	2.15
Banco Santander SA, ADR	104,365	795,995	857,962	3.20
Grifols SA, ADR	6,885	178,473	198,360	0.74
Telefónica SA, ADR	44,821	656,281	545,371	2.03
		<b>2,189,812</b>	<b>2,178,720</b>	<b>8.12</b>
<b>Switzerland—5.56%</b>				
ABB Ltd., ADR	5,957	172,427	200,827	0.75
Credit Suisse Group AG, ADR	40,150	873,851	900,863	3.36
Logitech International SA, Registered	4,455	144,036	188,382	0.70
UBS Group AG	8,723	184,331	201,643	0.75
		<b>1,374,645</b>	<b>1,491,715</b>	<b>5.56</b>

First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>United Kingdom—32.51%</b>				
Barclays PLC, ADR	44,689	655,366	612,297	2.28
BHP Billiton PLC, ADR	23,445	1,035,706	1,187,656	4.43
BP PLC, ADR	17,215	821,386	909,498	3.39
BT Group PLC, ADR	26,215	817,264	600,390	2.24
Diageo PLC, ADR	2,470	448,755	453,393	1.69
InterContinental Hotels Group PLC, ADR	2,582	155,549	206,126	0.77
Lloyds Banking Group PLC, ADR	129,159	571,270	608,823	2.27
National Grid PLC, ADR	2,545	235,826	188,137	0.70
Prudential PLC, ADR	17,396	1,055,222	1,110,395	4.14
Rio Tinto PLC, ADR	14,240	788,911	947,430	3.53
Smith & Nephew PLC, ADR	12,790	586,994	562,857	2.10
Vodafone Group PLC, ADR	11,191	449,656	448,740	1.67
WPP PLC, ADR	7,792	891,535	886,994	3.30
		<b>8,513,440</b>	<b>8,722,736</b>	<b>32.51</b>
<b>United States—1.69%</b>				
Shire PLC, ADR	2,319	430,126	452,172	1.69
		<b>430,126</b>	<b>452,172</b>	<b>1.69</b>
<b>Total investments</b>		<b>24,670,288</b>	<b>26,625,655</b>	<b>99.25</b>
Transaction costs		(10,348)		
Unrealized depreciation on derivatives - see Schedule 1			(54,332)	(0.21)
Other assets, less liabilities			255,844	0.96
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>24,659,940</b>	<b>26,827,167</b>	<b>100.00</b>

**Schedule 1 - Foreign Exchange Contracts**

Counterparty	Credit Rating of Counterparty*	Settlement Date	Currency Sell	Amount Currency		Amount Bought	Forward Rate	Appreciation Current (Depreciation)	
				Sold	Buy			Rate	\$
Bank of New York Mellon (The), New York	A-1+	2018/01/31	CHF	1,162,450	CAD	1,493,000	0.779	0.774	(8,963)
Bank of New York Mellon (The), New York	A-1+	2018/01/31	EUR	8,197,929	CAD	12,351,000	0.664	0.662	(29,712)
Bank of New York Mellon (The), New York	A-1+	2018/01/31	GBP	5,671,486	CAD	9,615,000	0.590	0.589	(15,657)
									<b>(54,332)</b>

\* Per Standard and Poor's Rating

# First Trust Senior Loan ETF (CAD-Hedged)

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	127,790,540	147,543,703
Cash	14,580,343	16,428,463
Accrued interest receivable	496,602	559,270
Receivable for portfolio securities sold	2,220,559	65,738
Derivative assets	705,574	1,352,796
Other assets	22,578	15,130
	145,816,197	165,965,100
<b>Liabilities</b>		
Accrued liabilities	122,679	120,253
Payable for portfolio securities purchased	5,406,752	14,394,251
Distributions payable to holders of redeemable units	433,920	513,038
	5,963,351	15,027,542
<b>Total net assets attributable to holders of redeemable units</b>	<b>139,852,846</b>	<b>150,937,558</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Common Class</b>	138,693,986	149,762,199
<b>Advisor Class</b>	1,158,860	1,175,359
<b>Redeemable units outstanding [note 6]</b>		
<b>Common Class</b>	7,190,010	7,640,000
<b>Advisor Class</b>	59,990	60,000
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	19.29	19.60
<b>Advisor Class</b>	19.32	19.59

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Interest income for distribution purposes	9,289,603	5,376,407
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	(8,517,355)	161,785
Net realized gain (loss) on derivatives	11,536,758	187,367
Net realized gain (loss) on foreign exchange	9,077,126	3,579,967
Net change in unrealized appreciation (depreciation) of investments	(13,408,602)	(782,477)
Net change in unrealized appreciation (depreciation) of derivatives	(647,222)	1,277,311
	7,330,308	9,800,360
Foreign exchange gain (loss) on cash	(918,033)	(593,011)
	6,412,275	9,207,349
<b>Expenses [note 7]</b>		
Management fees	1,683,828	916,053
HST expense	199,581	105,584
Independent Review Committee fees	38,708	21,634
Service fees	5,845	8,188
Transaction costs [note 3 and note 9]	-	47
	1,927,962	1,051,506
Expenses waived by the manager	(38,708)	(21,634)
	1,889,254	1,029,872
<b>Increase (decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>4,523,021</b>	<b>8,177,477</b>
<b>Withholding taxes</b>	<b>-</b>	<b>216</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>4,523,021</b>	<b>8,177,261</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Common Class</b>	4,502,686	8,056,154
<b>Advisor Class</b>	20,335	121,107
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	0.44	1.47
<b>Advisor Class</b>	0.33	1.43

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 Senior Loan ETF (CAD-Hedged)

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Common Class	December 31 2016 (\$) Common Class	December 31 2017 (\$) Advisor Class	December 31 2016 (\$) Advisor Class
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	149,762,199	90,331,140	1,175,359	1,900,673
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	4,502,686	8,056,154	20,335	121,107
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	82,287,423	63,111,710	-	195,488
Redemption of units	(90,052,668)	(6,937,755)	(193)	(977,931)
	(7,765,245)	56,173,955	(193)	(782,443)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	(7,287,852)	(4,129,728)	(36,641)	(55,055)
Capital gains	-	-	-	-
Return of capital	(517,802)	(669,322)	-	(8,923)
	(7,805,654)	(4,799,050)	(36,641)	(63,978)
<b>Increase (decrease) in net assets attributable to holders of redeemable units for the year</b>	(11,068,213)	59,431,059	(16,499)	(725,314)
<b>Net assets attributable to holders of redeemable units, end of year</b>	138,693,986	149,762,199	1,158,860	1,175,359
			<b>December 31 2017 (\$) Total</b>	<b>December 31 2016 (\$) Total</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>			150,937,558	92,231,813
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>			4,523,021	8,177,261
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			82,287,423	63,307,198
Redemption of units			(90,052,861)	(7,915,686)
			(7,765,438)	55,391,512
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			(7,324,493)	(4,184,783)
Capital gains			-	-
Return of capital			(517,802)	(678,245)
			(7,842,295)	(4,863,028)
<b>Increase in net assets attributable to holders of redeemable units for the year</b>			(11,084,712)	58,705,745
<b>Net assets attributable to holders of redeemable units, end of year</b>			139,852,846	150,937,558

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

# First Trust Senior Loan ETF (CAD-Hedged)

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	4,523,021	8,177,261
Adjustments for:		
Net realized (gain) loss on sale of investments	8,517,355	(161,785)
Change in unrealized (appreciation) depreciation of investments and derivatives	14,055,824	(494,834)
Interest receivable	62,668	(104,746)
Other assets	(7,448)	(15,130)
Other liabilities	2,426	59,588
Purchases of investments	(576,719,920)	(240,741,728)
Proceeds from the sale of investments	563,404,805	192,613,688
	<u>13,838,731</u>	<u>(40,667,686)</u>
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	82,287,423	63,307,198
Amount paid on redemptions of units	(90,052,861)	(7,915,686)
Distributions paid to unitholders	(7,921,413)	(4,717,690)
	<u>(15,686,851)</u>	<u>50,673,822</u>
<b>Increase (decrease) in cash for the year</b>	(1,848,120)	10,006,136
<b>Cash, beginning of year</b>	16,428,463	6,422,327
<b>Cash, end of year</b>	<u>14,580,343</u>	<u>16,428,463</u>
Interest received	9,352,271	5,271,445

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

**First Trust Senior Loan ETF (CAD-Hedged)**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks 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 a designated rating organization.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Bonds and Senior Loans	–	127,790,540	–	127,790,540
Equities	–	–	–	–
Derivative assets	–	705,574	–	705,574
<b>Total</b>	<b>–</b>	<b>128,496,114</b>	<b>–</b>	<b>128,496,114</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Bonds and Senior Loans	–	147,534,419	–	147,534,419
Equities	9,284	–	–	9,284
Derivative assets	–	1,352,796	–	1,352,796
<b>Total</b>	<b>9,284</b>	<b>148,887,215</b>	<b>–</b>	<b>148,896,499</b>

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Common	Advisor
Beginning units – January 1, 2016	4,750,000	100,000
Redeemable units issued	3,250,000	10,000
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(360,000)	(50,000)
<b>Outstanding units – December 31, 2016</b>	<b>7,640,000</b>	<b>60,000</b>
Redeemable units issued	4,200,010	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(4,650,000)	(10)
<b>Outstanding units – December 31, 2017</b>	<b>7,190,010</b>	<b>59,990</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below are the current annual management fees charged to the First Trust ETF:

Annual Management Fee	
Common Class	Advisor Class <sup>1</sup>
0.85%	1.35%

<sup>1</sup>Includes a service fee of 0.50%

First Trust Senior Loan ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
3,253,723	6,234,279	-	-

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
-	47

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
1,683,828	916,053	106,085	104,856

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Interest rate risk** - The table below summarizes the First Trust ETF's exposure to Senior Loans and High Yield bonds as at December 31, 2017 and 2016:

	At December 31, 2017				
	Less than 1 year (\$)	1-3 years (\$)	3-5 years (\$)	>5 years (\$)	Total (\$)
High Yield Bonds and Senior Loans	6,093,266	6,989,027	50,454,394	64,253,853	127,790,540
<b>Total</b>	<b>6,093,266</b>	<b>6,989,027</b>	<b>50,454,394</b>	<b>64,253,853</b>	<b>127,790,540</b>
	At December 31, 2016				
	Less than 1 year (\$)	1-3 years (\$)	3-5 years (\$)	>5 years (\$)	Total (\$)
High Yield Bonds and Senior Loans	-	6,760,569	59,014,672	81,759,178	147,534,419
<b>Total</b>	<b>-</b>	<b>6,760,569</b>	<b>59,014,672</b>	<b>81,759,178</b>	<b>147,534,419</b>

At December 31, 2017, the weighted average duration of the First Trust ETF was 0.41 years (December 31, 2016 - 0.59 years). If interest rates increased or decreased by 1% at December 31, 2017, with all other variables remaining constant, net assets would have decreased or increased by approximately \$1,277,905 (December 31, 2016 - \$1,475,344). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

First Trust Senior Loan ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**Credit risk** – Below are the First Trust ETF’s breakdown by credit rating as at December 31, 2017 and 2016:

Debt Securities by S&P Rating	At December 31, 2017 % of Net Assets	At December 31, 2016 % of Net Assets
BBB	–	–
BBB-	0.73%	3.57%
BB+	3.52%	5.17%
BB	6.45%	7.93%
BB-	18.96%	22.15%
B+	22.99%	22.25%
B	22.76%	22.52%
B-	12.22%	8.74%
CCC+	0.44%	3.70%
CCC	1.43%	1.60%
CCC-	0.60%	–
CC	–	0.05%
C	–	0.03%
D	1.27%	–
NR	–	0.04%

**Currency risk** - The table below summarizes the First Trust ETF’s net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	(494,438)	(0.35)%	(382,064)	(0.25)%

As at December 31, 2017, 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 \$4,944 (December 31, 2016 - \$3,821). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Concentration Risk** - The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Health Care	32.73%	27.40%
Consumer Discretionary	14.80%	20.69%
Information Technology	13.05%	11.01%
Consumer Staples	8.72%	12.44%
Financials	8.04%	6.73%
Industrials	5.55%	11.81%
Energy	4.98%	5.17%
Materials	1.98%	0.98%
Telecommunication Services	1.53%	1.53%
Total	91.38%	97.75%

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**First Trust Senior Loan ETF (CAD-Hedged)**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

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Below are the First Trust ETF's breakdown by geographic exposure as at December 31, 2017 and 2016:

Country	At December 31, 2017 % of Net Assets	At December 31, 2016 % of Net Assets
United States	83.36%	88.53%
Canada	6.77%	4.97%
France	0.91%	1.30%
Spain	0.16%	–
Netherlands	0.12%	1.11%
United Kingdom	0.06%	0.90%
Cayman Islands	–	0.71%
Ireland	–	0.23%
<b>Total</b>	<b>91.38%</b>	<b>97.75%</b>

# First Trust Senior Loan ETF (CAD-Hedged)

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
<b>High Yield Bonds - 6.60%</b>						
Altice US Finance I Corp., Callable	325,000	5.500%	15-May-26	421,106	417,206	0.30
Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable	100,000	5.125%	01-Jun-22	126,872	127,743	0.09
CHS / Community Health Systems Inc.	853,000	8.000%	15-Nov-19	1,045,664	908,707	0.65
Cooper-Standard Automotive Inc., Callable	127,000	5.625%	15-Nov-26	163,245	165,226	0.12
Frontier Communications Corp., Callable	100,000	8.125%	01-Oct-18	129,585	125,530	0.09
HealthSouth Corp., Callable	250,000	5.750%	01-Nov-24	331,198	322,892	0.23
JBS USA LLC / JBS USA Finance Inc., Callable	143,000	5.875%	15-Jul-24	176,308	174,583	0.13
JBS USA LLC / JBS USA Finance Inc., Callable	100,000	8.250%	01-Feb-20	128,012	126,391	0.09
MPH Acquisition Holdings LLC, Callable	500,000	7.125%	01-Jun-24	669,226	670,924	0.48
Nexstar Escrow Corp., Callable	250,000	5.625%	01-Aug-24	331,774	325,249	0.23
Paris Las Vegas Holding LLC / Harrah's Las Vegas LLC / Flamingo Las Vegas Holding LLC	170,000	11.000%	01-Oct-21	248,565	226,992	0.16
SBA Communications Corp., Callable	115,000	4.875%	01-Sep-24	147,480	148,892	0.11
Select Medical Corp., Callable	250,000	6.375%	01-Jun-21	280,790	323,677	0.23
Sinclair Television Group Inc., Callable	250,000	5.625%	01-Aug-24	332,467	324,856	0.23
Sprint Communications Inc., Callable	250,000	7.000%	15-Aug-20	278,884	333,891	0.24
Standard Pacific Corp., Callable	213,000	5.875%	15-Nov-24	292,125	298,612	0.21
Tallgrass Energy Partners L.P. / Tallgrass EnergyFinance Corp., Callable	218,000	5.500%	15-Sep-24	290,813	282,589	0.20
Tenet Healthcare Corp.	400,000	6.750%	01-Feb-20	541,360	509,714	0.36
Tenet Healthcare Corp., Callable	1,483,000	7.500%	01-Jan-22	1,954,001	1,964,328	1.41
TRI Pointe Holdings Inc.	125,000	5.875%	15-Jun-24	171,933	168,517	0.12
Valeant Pharmaceuticals International Inc., Callable	125,000	5.500%	01-Nov-25	159,175	160,660	0.12
Valeant Pharmaceuticals International Inc., Callable	750,000	7.000%	01-Oct-20	1,046,477	953,356	0.68
Ziggo Secured Finance BV, Callable	136,000	5.500%	15-Jan-27	178,474	170,097	0.12
				<b>9,445,534</b>	<b>9,230,632</b>	<b>6.60</b>
<b>Senior Loans - 84.78%</b>						
21st Century Oncology Inc.	944,071	7.125%	16-Jan-23	1,144,004	1,117,478	0.80
Acosta Inc.	1,476,236	4.250%	26-Sep-21	1,796,718	1,623,676	1.16
Advantage Sales & Marketing Inc.	2,227,024	4.250%	23-Jul-21	2,560,188	2,725,017	1.95
Air Medical Group Holdings Inc.	62,400	5.250%	30-Sep-24	76,505	78,584	0.06
Air Methods Corp.	527,541	4.500%	30-Apr-24	699,779	661,666	0.47
Akorn Inc.	359,155	5.250%	16-Apr-21	375,973	452,587	0.32
Albertson's LLC	1,660,921	3.750%	21-Dec-22	2,217,554	2,043,644	1.46
Albertson's LLC	1,116,125	3.750%	22-Jun-23	1,487,485	1,372,568	0.98
AlixPartners LLP	1,992,641	3.000%	04-Apr-24	2,488,836	2,516,372	1.81
Amaya Holdings BV	4,077,887	4.500%	01-Aug-21	5,434,703	5,151,533	3.68
American Energy Marcellus Holdings LLC (Ascent Resources - Marcellus LLC)	94,456	5.250%	04-Aug-20	100,411	87,663	0.06
American Energy Marcellus Holdings LLC (Ascent Resources - Marcellus LLC)	250,000	8.500%	04-Aug-21	269,940	9,428	0.01
Amneal Pharmaceuticals LLC	1,125,403	4.500%	01-Nov-19	1,386,254	1,419,060	1.02
Amplify Snack Brands Inc.	1,488,741	6.500%	31-Aug-23	1,900,720	1,874,154	1.34
Applied Systems Inc.	267,200	4.250%	13-Sep-24	325,570	339,135	0.24
Applied Systems Inc.	182,885	8.250%	13-Sep-25	222,836	237,645	0.17
Arch Coal Inc.	178,120	4.250%	07-Mar-24	219,791	225,352	0.16
Aristocrat Technologies Inc.	104,400	2.000%	30-Sep-24	127,855	131,395	0.09
Asurion LLC	922,885	3.750%	04-Aug-22	1,177,001	1,165,322	0.84
Asurion LLC	85,000	6.000%	31-Jul-25	107,525	109,683	0.08

First Trust Senior Loan ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
Beacon Roofing Supply Inc.	63,936	2.250%	02-Jan-25	79,406	80,535	0.06
Berlin Packaging LLC	1,122,122	4.250%	01-Oct-21	1,514,084	1,418,730	1.03
BJ's Wholesale Club Inc.	2,565,285	4.750%	31-Jan-24	3,353,581	3,170,165	2.27
BJ's Wholesale Club Inc.	430,982	8.500%	03-Feb-25	563,282	527,523	0.37
Blue Buffalo Co. Ltd.	85,500	2.000%	22-May-24	115,566	107,877	0.08
BMC Software Finance Inc.	4,073,690	3.250%	10-Sep-22	5,242,024	5,121,191	3.66
Brickman Group Ltd. LLC (The)	88,253	7.500%	18-Dec-21	116,928	111,298	0.08
Cable One Inc.	119,700	2.250%	01-May-24	158,708	150,839	0.11
Caesars Resort Collection	3,200,000	2.750%	22-Dec-24	3,994,154	4,038,208	2.89
CCC Information Services Inc.	456,000	4.000%	31-Mar-24	605,025	573,765	0.41
Change Healthcare Holdings LLC	1,393,000	3.750%	01-Mar-24	1,814,478	1,753,417	1.25
CHG Healthcare Services Inc.	276,146	4.000%	07-Jun-23	353,328	349,611	0.25
CHS/Community Health Systems Inc.	2,951,936	4.000%	27-Jan-21	3,855,320	3,536,111	2.53
ClubCorp Holdings Inc.	1,856,692	3.250%	31-Aug-24	2,333,291	2,341,517	1.67
Compuware Corp.	1,670,222	5.250%	15-Dec-21	2,192,305	2,109,966	1.51
Concentra Inc. (MJ Acquisition Corp.)	593,516	4.000%	01-Jun-22	718,170	749,467	0.54
Concordia Healthcare Corp.	811,928	5.250%	21-Oct-21	1,066,764	833,488	0.59
Creative Artists Agency LLC (CAA Holdings LLC)	668,250	4.500%	15-Feb-24	876,115	843,930	0.60
Curo Health Services Holdings Inc.	775,089	5.000%	05-Feb-22	988,083	973,069	0.69
Davis Vision/Superior Vision (Wink Holdco)	616,000	4.000%	02-Dec-24	787,603	777,703	0.56
Dayton Power & Light Co.	487,791	2.750%	24-Aug-22	624,129	615,073	0.44
DJO Finance LLC (ReAble Therapeutics Finance LLC)	1,966,412	4.250%	08-Jun-20	2,427,391	2,435,148	1.74
DTZ Worldwide LTD.	290,770	4.250%	04-Nov-21	368,517	360,406	0.26
Duff & Phelps Corp.	893,913	4.250%	05-Dec-24	1,140,660	1,125,053	0.80
DuPage Medical Group	855,244	3.750%	15-Aug-24	1,076,360	1,080,416	0.77
Endo Pharmaceuticals Holdings Inc.	1,692,146	5.000%	29-Apr-24	2,246,222	2,137,662	1.52
Energy Future Intermediate Holding Co.	4,068,782	4.000%	28-Jun-18	5,406,736	5,125,405	3.67
Envision Healthcare Corp. (Emergency Medical Services Corp.)	1,104,455	3.750%	01-Dec-23	1,477,341	1,391,188	1.00
EWT Holdings III Corp.	171,038	4.000%	31-Dec-24	220,238	215,711	0.15
ExamWorks Group Inc.	132,003	4.250%	27-Jul-23	173,425	166,826	0.12
Extended Stay America (ESH Hospitality, Inc.)	158,007	2.250%	30-Aug-23	201,680	199,028	0.14
First Data Corp.	412,475	2.250%	26-Apr-24	522,874	518,574	0.37
First Eagle Investment Management	239,400	3.000%	01-Dec-22	299,920	304,501	0.22
Garda World Security Corp.	339,162	4.500%	26-May-17	430,804	428,058	0.31
Golden Nugget Inc.	615,112	4.000%	04-Oct-23	752,047	778,515	0.56
Grifols Worldwide Operations USA Inc.	179,100	2.250%	31-Jan-25	235,200	225,471	0.16
Healogics, Inc. (CDRH Parent, Inc.)	1,052,051	5.250%	01-Jul-21	1,124,777	1,147,869	0.82
Horizon Pharma Inc.	637,049	4.000%	29-Mar-24	798,095	803,525	0.57
Hyland Software Inc.	223,439	4.000%	01-Jul-22	302,236	282,444	0.20
Immucor Inc.	98,136	6.000%	30-Jul-21	123,158	125,208	0.09
Ineos US Finance LLC	92,105	2.000%	31-Mar-24	118,383	115,776	0.08
Informatica Corp. (Ithacalux S.A.R.L.)	198,233	4.500%	05-Aug-22	247,167	249,848	0.18
Information Resources Inc.	2,505,157	5.250%	18-Jan-24	3,388,582	3,162,113	2.27
iPayment Inc.	294,595	6.000%	11-Apr-23	375,785	373,083	0.27
JDA Software Group (RP Crown Parent Inc.)	1,309,081	4.000%	12-Oct-23	1,633,799	1,651,686	1.18
Jeld-Wen Inc.	187,500	2.000%	14-Dec-24	241,275	236,326	0.17
Kindred Healthcare Inc.	2,028,509	4.250%	09-Apr-21	2,570,426	2,556,210	1.83



First Trust Senior Loan ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
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**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
Kronos Inc.	381,125	4.500%	01-Nov-23	521,989	482,039	0.34
LANDesk Group Inc.	94,464	5.250%	18-Jan-24	125,269	112,692	0.08
Micron Technology Inc.	197,500	2.000%	26-Apr-22	252,810	250,350	0.18
Misys Financial Software Ltd. (Almonde Inc.)	1,086,344	4.500%	13-Jun-24	1,411,741	1,368,853	0.98
Multi-Color Corp.	65,900	2.250%	01-Nov-24	81,242	83,354	0.06
MultiPlan Inc. (MPH Acquisition Holdings LLC)	3,405,396	4.000%	07-Jun-23	4,588,849	4,286,535	3.07
National Financial Partners Corp.	1,176,092	4.500%	08-Jan-24	1,555,685	1,484,629	1.06
National Veterinary Associates (NVA Holdings Inc.)	115,117	4.500%	14-Aug-21	150,915	145,666	0.10
Numericable U.S. LLC (Altice France SA)	1,047,218	3.000%	06-Jan-26	1,310,048	1,265,752	0.91
Ortho-Clinical Diagnostics Inc. (Crimson Merger Sub Inc.)	1,637,308	4.750%	30-Jun-21	2,001,543	2,061,244	1.47
Packers Holdings LLC	491,827	4.250%	04-Dec-24	627,769	619,773	0.44
Parexel International Corp.	64,000	3.000%	27-Sep-24	80,778	80,767	0.06
Party City Holdings Inc.	135,685	3.750%	19-Aug-22	178,119	171,058	0.12
Peabody Energy Corp.	112,201	4.500%	31-Mar-22	136,711	142,843	0.10
Penn National Gaming Inc.	82,917	3.250%	19-Jan-24	108,367	104,539	0.07
Portillo's Holdings LLC	1,999,034	5.500%	02-Aug-21	2,337,346	2,537,914	1.81
Qlik Technologies (Project Alpha Intermediate Holdings Inc.)	228,000	4.500%	26-Apr-24	305,937	280,027	0.20
Quikrete Holdings Inc.	825,026	2.750%	15-Nov-23	1,135,318	1,038,354	0.74
Red Lobster Management LLC	207,857	6.250%	28-Jul-21	220,659	261,768	0.19
Reynolds Group Holdings Inc.	1,000,000	2.750%	05-Feb-23	1,280,353	1,262,217	0.90
Riverbed Technology Inc.	318,708	4.250%	24-Apr-22	428,914	394,106	0.28
Sinclair Television Group Inc.	545,875	2.250%	03-Jan-24	731,558	685,520	0.49
Sterigenics International (STHI Intermediate Holding Corp.)	1,955,040	4.000%	15-May-22	2,599,328	2,455,445	1.77
Surgery Center Holdings Inc.	720,000	4.250%	31-Aug-24	949,871	894,478	0.64
Team Health Inc.	1,130,108	3.750%	06-Feb-24	1,477,904	1,382,376	0.99
Tempo Acquisition LLC	285,000	3.000%	01-May-24	383,117	356,751	0.26
TKC Holdings Inc.	149,250	4.750%	31-Jan-23	193,385	188,838	0.13
Toys "R" US-Delaware Inc.	1,029,917	5.250%	25-May-18	1,226,652	414,274	0.30
Toys "R" US-Delaware Inc.	248,087	9.750%	25-Apr-20	291,854	151,975	0.11
Tribune Media Co.	50,195	3.750%	27-Dec-20	65,073	63,122	0.04
Tribune Media Co.	625,626	3.750%	27-Jan-24	832,142	786,908	0.56
U.S. Renal Care Inc.	763,413	5.250%	30-Dec-22	999,437	944,419	0.68
USI. Inc. of New York	1,991,168	3.000%	15-May-24	2,662,569	2,497,693	1.78
Valeant Pharmaceuticals International Inc.	2,305,232	4.250%	01-Apr-22	2,942,974	2,936,853	2.10
Vertafore Inc.	1,567,750	4.250%	30-Jun-23	2,095,210	1,984,377	1.41
VICI Properties (Caesars)	918,164	2.750%	31-Dec-24	1,179,321	1,154,132	0.83
Victory Capital Holdings (VCH Holdings LLC)	571,476	8.500%	29-Oct-21	710,887	726,427	0.52
Virgin Media Finance PLC	70,000	2.500%	31-Jan-26	88,531	87,935	0.06
Virtus Investment Partners Inc.	548,625	4.500%	01-Jun-24	742,210	695,656	0.50
WEX Inc.	790,000	2.750%	01-Jul-23	1,047,777	996,754	0.71
				<b>123,435,252</b>	<b>118,559,908</b>	<b>84.78</b>
<b>Total investments</b>				<b>132,880,786</b>	<b>127,790,540</b>	<b>91.38</b>
Unrealized appreciation on derivatives - see Schedule 1					<b>705,574</b>	<b>0.50</b>
Other assets, less liabilities					<b>11,356,732</b>	<b>8.12</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>				<b>132,880,786</b>	<b>139,852,846</b>	<b>100.00</b>

First Trust Senior Loan ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

Schedule 1 - Foreign Exchange Contracts

Counterparty	Credit Rating of Counterparty*	Settlement Date	Currency Sell	Amount		Amount Bought	Forward Rate	Appreciation Current (Depreciation)	
				Sold	Buy			Rate	\$
Bank of New York Mellon (The), New York	A-1+	31/01/2018	USD	111,102,312	CAD	140,300,000	0.792	0.796	705,574
									<b>705,574</b>

\* Per Standard and Poor's Rating

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

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017, December 31, 2016, and June 30, 2016

	December 31 2017 (\$)	December 31 2016 (\$)	June 30 2016 (\$)
<b>Assets</b>			
Investments (non-derivative financial assets)	17,942,360	22,638,631	24,132,153
Cash	1,642,630	720,779	856,165
Accrued dividend receivable	-	498	7,627
Accrued interest receivable	236,065	291,098	276,042
Receivable for portfolio securities sold	97,608	13,148	127,419
Derivative assets	99,575	211,905	276,185
Other assets	1,457	7,553	3,576
	20,019,695	23,883,612	25,679,167
<b>Liabilities</b>			
Accrued liabilities	33,478	43,006	45,940
Payable for portfolio securities purchased	148,363	92,100	107,442
Distributions payable	71,695	88,900	101,596
	253,536	224,006	254,978
<b>Total net assets attributable to holders of redeemable units</b>	19,766,159	23,659,606	25,424,189
<b>Net assets attributable to holders of redeemable units per class</b>			
Advisor Class	11,721,793	15,666,138	17,484,024
Common Class	8,044,366	7,993,468	7,940,165
<b>Redeemable units outstanding [note 6]</b>			
Advisor Class	604,440	808,162	908,162
Common Class	374,171	370,823	370,823
<b>Net assets attributable to holders of redeemable units per unit</b>			
Advisor Class	19.39	19.38	19.25
Common Class	21.50	21.56	21.41

## STATEMENTS OF COMPREHENSIVE INCOME

For the twelve months ended December 31, 2017, six months ended December 31, 2016, and twelve months ended June 30, 2016

	December 31 2017 (\$)	December 31 2016 (\$)	June 30 2016 (\$)
<b>Revenues</b>			
Dividends	-	21,715	169,044
Interest income for distribution purposes	1,296,626	705,327	442,798
<b>Other changes in fair value of investments and derivatives</b>			
Net realized gain (loss) on sale of investments	(101,111)	118,862	15,448,228
Net realized gain (loss) on derivatives	1,340,413	(921,866)	2,105,807
Net realized gain (loss) on foreign exchange	341	(27,017)	317,699
Net change in unrealized appreciation (depreciation) of investments	(1,172,616)	1,018,406	(19,468,838)
Net change in unrealized appreciation (depreciation) of derivatives	(112,330)	(64,279)	276,185
	1,251,323	851,148	(709,077)
Foreign exchange gain (loss) on cash	(15,819)	31,715	(440,023)
	1,235,504	882,863	(1,149,100)
<b>Expenses [note 7]</b>			
Management fees	190,375	106,929	114,645
Service fees	67,982	42,692	114,219
HST expense	28,955	14,384	23,365
Independent Review Committee fees	4,378	5,002	4,016
Transaction costs [note 3 and note 9]	-	1,068	6,244
Forward Agreement fees	-	-	45,082
Custody fees	-	-	13,530
Securityholder reporting costs	-	-	22,602
Other expenses	-	-	11,234
Audit fees	-	-	13,325
Legal fees	-	-	(561)
Trustee fees	-	-	4,100
	291,690	170,075	371,801
Expenses waived by manager	(4,378)	(14,716)	(4,082)
	287,312	155,359	367,719
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	948,192	727,504	(1,516,819)
<b>Withholding taxes</b>	321	1,257	15,757
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	947,871	726,247	(1,532,576)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>			
Advisor Class	570,479	477,744	(1,794,626)
Common Class	377,392	248,503	262,050
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>			
Advisor Class	0.82	0.56	(0.82)
Common Class	0.93	0.67	1.20

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 twelve months ended December 31, 2017, six months ended December 31, 2016, and twelve months ended June 30, 2016

	December 31 2017 (\$) Advisor Class	December 31 2016 (\$) Advisor Class	June 30 2016 (\$) Advisor Class	December 31 2017 (\$) Common Class	December 31 2016 (\$) Common Class	June 30 2016 (\$) Common Class
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	15,666,138	17,484,024	35,323,995	7,993,468	7,940,165	1,471,438
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	570,479	477,744	(1,794,626)	377,392	248,503	262,050
<b>Redeemable unit transactions [note 6]</b>						
Proceeds from issuance of units	28,177	-	1,105,146	1,189,070	-	9,987,523
Reinvested distributions	266,558	-	-	160,295	-	-
Redemption of units	(4,010,902)	(1,935,939)	(15,694,455)	(1,102,242)	-	(3,560,794)
	(3,716,167)	(1,935,939)	(14,589,309)	247,123	-	6,426,729
<b>Distributions to holders of redeemable units from:</b>						
Net investment income	(215,667)	-	(394,637)	(185,703)	-	(180,124)
Capital gains	(582,990)	-	-	(387,914)	-	-
Return of capital	-	(359,691)	(1,061,399)	-	(195,200)	(39,928)
	(798,657)	(359,691)	(1,456,036)	(573,617)	(195,200)	(220,052)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	(3,944,345)	(1,817,886)	(17,839,971)	50,898	53,303	6,468,727
<b>Net assets attributable to holders of redeemable units, end of year</b>	11,721,793	15,666,138	17,484,024	8,044,366	7,993,468	7,940,165
				<b>December 31 2017 (\$) Total</b>	<b>December 31 2016 (\$) Total</b>	<b>June 30 2016 (\$) Total</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>				23,659,606	25,424,189	36,795,433
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>				947,871	726,247	(1,532,576)
<b>Redeemable unit transactions [note 6]</b>						
Proceeds from issuance of units				1,217,247	-	11,092,669
Reinvested distributions				426,853	-	-
Redemption of units				(5,113,144)	(1,935,939)	(19,255,249)
				(3,469,044)	(1,935,939)	(8,162,580)
<b>Distributions to holders of redeemable units from:</b>						
Net investment income				(401,370)	-	(574,761)
Capital gains				(970,904)	-	-
Return of capital				-	(554,891)	(1,101,327)
				(1,372,274)	(554,891)	(1,676,088)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>				(3,893,447)	(1,764,583)	(11,371,244)
<b>Net assets attributable to holders of redeemable units, end of year</b>				19,766,159	23,659,606	25,424,189

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 twelve months ended December 31, 2017, six months ended December 31, 2016, and twelve months ended June 30, 2016

	December 31 2017 (\$)	December 31 2016 (\$)	June 30 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>			
Increase (Decrease) in net assets attributable to holders of redeemable units	947,871	726,247	(1,532,576)
Adjustments for:			
Net realized (gain) loss on investments	101,111	(118,862)	(15,448,228)
Change in unrealized (appreciation) depreciation of investments and derivatives	1,284,946	(954,127)	19,192,653
Interest receivable	55,033	(15,056)	(276,042)
Dividends receivable	498	7,129	(7,627)
Other assets	6,096	(3,977)	(3,576)
Other liabilities	(9,528)	(2,934)	(92,617)
Purchases of investments	(23,286,439)	(14,956,869)	(86,340,294)
Proceeds from the sale of investments	26,680,786	17,686,589	95,170,009
	5,780,374	2,368,140	11,101,725
<b>Cash flows from (used in) Financing Activities</b>			
Amount received from the issuance of units	1,217,247	-	11,092,669
Amount paid on redemptions of units	(5,113,144)	(1,935,939)	(19,255,249)
Distributions paid to unitholders	(962,626)	(567,587)	(1,746,529)
	(4,858,523)	(2,503,526)	(9,909,109)
<b>Increase (Decrease) in cash for the year</b>	921,851	(135,386)	1,192,616
<b>Cash, beginning of year</b>	720,779	856,165	103,572
<b>Cash, end of year</b>	1,642,630	720,779	856,165
Interest received	1,351,338	690,271	166,756
Dividends received, net of withholding taxes	498	27,587	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 - Specific Information  
For the year ended December 31, 2017

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks is 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.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Bonds and Senior Loans	–	17,942,360	–	17,942,360
Derivative assets	–	99,575	–	99,575
<b>Total</b>	<b>–</b>	<b>18,041,935</b>	<b>–</b>	<b>18,041,935</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Bonds and Senior Loans	–	22,638,631	–	22,638,631
Derivative assets	–	211,905	–	211,905
<b>Total</b>	<b>–</b>	<b>22,850,536</b>	<b>–</b>	<b>22,850,536</b>
	Financial Assets 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
<b>Total</b>	<b>2,504,559</b>	<b>21,903,779</b>	<b>–</b>	<b>24,408,338</b>

There have been no transfers from one Level to another for the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016.

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

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016:

Redeemable Units	Common	Advisor
Beginning units – July 1, 2015	125,074	3,315,674
Redeemable units issued	475,853	70,995
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(230,104)	(2,478,507)
Outstanding units – June 30, 2016	370,823	908,162
Redeemable units issued	–	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	–	(100,000)
Outstanding units – December 31, 2016	370,823	808,162
Redeemable units issued	53,348	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(50,000)	(203,722)
Outstanding units – December 31, 2017	374,171	604,440

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below are the current annual management fees charged to the First Trust ETF:

Annual Management Fee	
Common Class	Advisor Class <sup>1</sup>
0.85%	1.35%

<sup>1</sup>Includes a service fee of 0.50%

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
230	230	–	1,222,500

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016:

Transaction Cost (\$)		
Dec. 31, 2017	Dec. 31, 2016	Jun. 30, 2016
–	1,068	6,244

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016, including amounts owing as at December 31, 2017, December 31, 2016, and June 30, 2016 are as follows:

Management Fee Expense (\$)			Management Fee Payable (\$)		
Dec. 31, 2017	Dec. 31, 2016	Jun. 30, 2016	Dec. 31, 2017	Dec. 31, 2016	Jun. 30, 2016
190,375	106,929	114,645	14,287	16,998	15,369

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Interest rate risk** - The table below summarizes the First Trust ETF's exposure to Senior Loans and High Yield bonds as at December 31, 2017, December 31, 2016, and June 30, 2016:

	At December 31, 2017				
	Less than 1 year (\$)	1-3 years (\$)	3-5 years (\$)	>5 years (\$)	Total (\$)
High Yield Bonds and Senior Loans	213,991	858,097	7,558,186	9,312,086	17,942,360
Total	213,991	858,097	7,558,186	9,312,086	17,942,360
	At December 31, 2016				
	Less than 1 year (\$)	1-3 years (\$)	3-5 years (\$)	>5 years (\$)	Total (\$)
High Yield Bonds and Senior Loans	–	1,418,495	6,498,415	14,721,721	22,638,631
Total	–	1,418,495	6,498,415	14,721,721	22,638,631
	At June 30, 2016				
	Less than 1 year (\$)	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

At December 31, 2017, the weighted average duration of the First Trust ETF was 2.52 years (December 31, 2016 – 2.79 years). If interest rates increased or decreased by 1% at December 31, 2017, with all other variables remaining constant, net assets would have decreased or increased by approximately \$179,424 (December 31, 2016 - \$226,386 and June 30, 2016 - \$216,276). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.



First Trust Short Duration High Yield Bond ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**Credit risk** – Below are the First Trust ETF's breakdown by credit rating as at December 31, 2017, December 31, 2016, and June 30, 2016:

Debt Securities by S&P Rating	At December 31, 2017 % of Net Assets	At December 31, 2016 % of Net Assets	At June 30, 2016 % of Net Assets
BBB	–	–	3.25%
BBB-	1.16%	1.70%	2.91%
BB+	2.07%	5.52%	6.46%
BB	8.44%	6.57%	8.33%
BB-	15.97%	17.50%	16.13%
B+	12.58%	18.12%	19.56%
B	13.96%	17.32%	12.54%
B-	20.52%	16.97%	13.76%
CCC+	9.53%	9.85%	8.05%
CCC	5.47%	2.14%	1.06%
CCC-	0.80%	–	–
CC	–	–	0.13%
D	0.26%	–	–
NR	–	–	–

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017, December 31, 2016, and June 30, 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	(83,726)	(0.42)%	(60,802)	(0.26)%
Currency	At June 30, 2016			
	Net Exposure (\$)	% Net Assets		
United States Dollar	(906,660)	(3.57)%		

As at December 31, 2017, 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 \$837 (December 31, 2016 - \$608 and June 30, 2016 - \$9,067). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**Concentration Risk** - The table below summarizes the concentration risk as at December 31, 2017, December 31, 2016, and June 30, 2016:

Sector	At December 31, 2017 % of Net Assets	At December 31, 2016 % of Net Assets	At June 30, 2016 % of Net Assets
Consumer Discretionary	26.74%	31.73%	31.85%
Health Care	26.01%	27.18%	23.76%
Industrials	9.46%	9.55%	9.88%
Energy	7.48%	5.41%	0.02%
Information Technology	7.48%	6.55%	8.34%
Consumer Staples	5.32%	7.67%	9.03%
Materials	5.04%	2.68%	2.78%
Telecommunication Services	2.37%	4.64%	6.13%
Other	0.64%	0.30%	2.39%
Financials	0.23%	–	0.43%
Total	90.77%	95.69%	94.60%

Below are the First Trust ETF's breakdown by geographic exposure as at December 31, 2017, December 31, 2016, and June 30, 2016:

Country	At December 31, 2017 % of Net Assets	At December 31, 2016 % of Net Assets	At June 30, 2016 % of Net Assets
United States	79.62%	83.42%	80.66%*
Canada	5.68%	5.85%	4.96%
Ireland	3.31%	1.75%	1.55%
Mexico	1.33%	0.61%	0.54%
Netherlands	0.43%	2.21%	0.97%
United Kingdom	0.33%	0.20%	0.25%
France	0.08%	1.65%	2.55%
Cayman Islands	–	–	2.79%
Luxembourg	–	–	0.65%
Total	90.77%	95.69%	94.92%

\*includes look through to ETFs held by the First Trust ETF

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

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
<b>DOMESTIC BONDS</b>						
<b>Canada—3.20%</b>						
1011778 B.C. ULC / New Red Finance Inc., Callable	132,000	5.000%	15-Oct-25	169,243	167,998	0.85
Concordia International Corp., Callable	50,000	9.000%	01-Apr-22	67,597	54,051	0.27
Ritchie Bros. Auctioneers Inc., Callable	25,000	5.375%	15-Jan-25	33,090	32,525	0.16
VRX Escrow Corp., Callable	300,000	5.375%	15-Mar-20	371,502	378,986	1.92
				<b>641,432</b>	<b>633,560</b>	<b>3.20</b>
<b>INTERNATIONAL BONDS</b>						
<b>Bermuda—0.39%</b>						
IHS Markit Ltd., Callable	5,000	4.750%	15-Feb-25	6,544	6,647	0.03
IHS Markit Ltd., Restricted, Callable	3,000	4.000%	01-Mar-26	3,845	3,785	0.02
Weatherford International Ltd., Callable	50,000	9.875%	15-Feb-24	77,708	67,092	0.34
				<b>88,097</b>	<b>77,524</b>	<b>0.39</b>
<b>Ireland—2.73%</b>						
Ardagh Packaging Finance PLC / Ardagh MP Holdings USA Inc., Callable	200,000	6.000%	15-Feb-25	268,735	265,227	1.34
Ardagh Packaging Finance PLC / Ardagh MP Holdings USA Inc., Restricted, Callable	200,000	7.250%	15-May-24	250,940	274,654	1.39
				<b>519,675</b>	<b>539,881</b>	<b>2.73</b>
<b>Jersey, Channel Islands—0.09%</b>						
Delphi Jersey Holdings PLC	14,000	5.000%	01-Oct-25	16,973	17,862	0.09
				<b>16,973</b>	<b>17,862</b>	<b>0.09</b>
<b>Luxembourg—0.67%</b>						
Mallinckrodt International Finance SA, Callable	100,000	5.750%	01-Aug-22	127,525	114,701	0.58
Nielsen Co. (Luxembourg) SARL (The), Callable	13,000	5.000%	01-Feb-25	16,990	16,995	0.09
				<b>144,515</b>	<b>131,696</b>	<b>0.67</b>
<b>Mexico—0.66%</b>						
Cemex SAB de CV, Callable	100,000	7.250%	15-Jan-21	133,526	130,414	0.66
				<b>133,526</b>	<b>130,414</b>	<b>0.66</b>
<b>Netherlands—0.43%</b>						
Alcoa Nederland Holding BV, Callable	60,000	7.000%	30-Sep-26	86,023	85,036	0.43
				<b>86,023</b>	<b>85,036</b>	<b>0.43</b>
<b>United States—60.92%</b>						
Altice US Finance I Corp., Callable	250,000	5.500%	15-May-26	316,475	320,928	1.62
AMC Entertainment Holdings Inc., Callable	135,000	5.750%	15-Jun-25	184,854	168,422	0.85
AmSurg Corp., Callable	50,000	5.625%	15-Jul-22	70,067	63,793	0.32
Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable	85,000	5.125%	01-Jun-22	107,955	108,581	0.55
B&G Foods Inc., Callable	30,000	5.250%	01-Apr-25	40,178	38,451	0.19
BMC Software Finance Inc., Callable	250,000	8.125%	15-Jul-21	304,013	317,785	1.61
Boyd Gaming Corp., Callable	100,000	6.375%	01-Apr-26	130,340	135,756	0.69
Brinker International Inc., Callable	50,000	5.000%	01-Oct-24	66,048	63,636	0.32
Caesars Growth Properties Holdings LLC / Caesars Growth Properties Finance Inc., Callable	235,000	9.375%	01-May-22	284,195	316,811	1.60
Calpine Corp., Callable	12,000	5.250%	01-Jun-26	15,241	14,839	0.07
CCO Holdings LLC / CCO Holdings Capital Corp., Callable	250,000	5.875%	01-Apr-24	344,668	328,391	1.66
Cemex Finance LLC, Callable	100,000	6.000%	01-Apr-24	133,631	132,613	0.67
Cequel Communications Escrow 1 LLC / Cequel Communications Escrow Capital Corp., Callable	40,000	6.375%	15-Sep-20	53,523	51,160	0.26
Change Healthcare Holdings LLC / Change Healthcare Finance Inc., Callable	180,000	5.750%	01-Mar-25	237,780	227,108	1.15
CHS / Community Health Systems Inc.	368,400	8.000%	15-Nov-19	468,656	392,459	1.99
CHS / Community Health Systems Inc., Callable	10,000	6.250%	31-Mar-23	13,968	11,376	0.06
CHS / Community Health Systems Inc., Callable	100,000	6.875%	01-Feb-22	123,790	72,906	0.37
Constellation Merger Sub Inc., Callable	170,000	8.500%	15-Sep-25	216,776	209,416	1.06
Cooper-Standard Automotive Inc., Callable	50,000	5.625%	15-Nov-26	67,778	65,050	0.33
CRC Escrow Issuer LLC / CRC Finco Inc., Callable	273,000	5.250%	15-Oct-25	341,896	346,593	1.75

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

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
Crestwood Midstream Partners L.P. / Crestwood Midstream Finance Corp., Callable	266,000	6.250%	01-Apr-23	350,747	349,141	1.77
Crimson Merger Sub Inc., Callable	77,000	6.625%	15-May-22	74,166	97,757	0.49
CSC Holdings LLC, Callable	50,000	5.500%	15-Apr-27	65,168	64,264	0.33
DaVita HealthCare Partners Inc., Callable	97,000	5.000%	01-May-25	123,823	122,197	0.62
Diamond 1 Finance Corp. / Diamond 2 Finance Corp., Callable	50,000	5.875%	15-Jun-21	63,500	65,364	0.33
Diamond 1 Finance Corp. / Diamond 2 Finance Corp., Callable	200,000	7.125%	15-Jun-24	257,273	275,344	1.39
DJO Finco Inc. / DJO Finance LLC / DJO Finance Corp., Callable	100,000	8.125%	15-Jun-21	117,531	118,158	0.60
Eagle Holding Co. II LLC, Callable	164,000	7.625%	15-May-22	215,643	208,725	1.06
Endo Finance LLC / Endo Finco Inc., Callable	350,000	7.250%	15-Jan-22	473,222	382,756	1.94
Energizer Holdings Inc., Callable	50,000	5.500%	15-Jun-25	65,546	65,619	0.33
FirstCash Inc., Callable	5,000	5.375%	01-Jun-24	6,803	6,584	0.03
Freeport-McMoRan Inc., Callable	226,000	6.875%	15-Feb-23	324,283	311,070	1.57
Frontier Communications Corp., Callable	100,000	8.125%	01-Oct-18	132,653	125,530	0.64
Gray Television Inc., Callable	103,000	5.875%	15-Jul-26	141,625	133,031	0.67
HealthSouth Corp., Callable	100,000	5.750%	01-Nov-24	132,740	129,157	0.65
Hertz Corp. (The), Callable	100,000	5.500%	15-Oct-24	129,290	114,073	0.58
Holly Energy Partners L.P. / Holly Energy FinanceCorp., Callable	6,000	6.000%	01-Aug-24	7,605	7,900	0.04
Hologic Inc., Restricted, Callable	3,000	4.375%	15-Oct-25	3,743	3,837	0.02
Infor (US) Inc., Callable	25,000	6.500%	15-May-22	30,165	32,682	0.17
inVentiv Group Holdings Inc. / inVentiv Health Inc. / inVentiv Health Clinical Inc., Callable	36,000	7.500%	01-Oct-24	48,043	49,098	0.25
Jaguar Holding Co. II / Pharmaceutical Product Development LLC, Callable	50,000	6.375%	01-Aug-23	69,023	63,636	0.32
JDA Escrow LLC / JDA Bond Finance Inc., Callable	111,000	7.375%	15-Oct-24	153,798	146,503	0.74
Jeld-Wen Inc., Restricted, Callable	3,000	4.625%	15-Dec-25	3,855	3,809	0.02
Jeld-Wen Inc., Restricted, Callable	3,000	4.875%	15-Dec-27	3,855	3,818	0.02
KAR Auction Services Inc., Callable	15,000	5.125%	01-Jun-25	20,275	19,374	0.10
KB Home, Callable	200,000	7.000%	15-Dec-21	260,836	280,311	1.42
Kindred Healthcare Inc., Callable	250,000	6.375%	15-Apr-22	289,658	320,535	1.62
Level 3 Communications Inc., Callable	300,000	5.750%	01-Dec-22	420,269	379,570	1.92
LifePoint Health Inc., Callable	100,000	5.375%	01-May-24	126,520	123,657	0.63
LPL Holdings Inc., Callable	70,000	5.750%	15-Sep-25	93,653	89,750	0.45
Meritage Homes Corp., Callable	20,000	5.125%	06-Jun-27	27,033	25,643	0.13
MGM Resorts International	50,000	7.750%	15-Mar-22	73,978	71,806	0.36
MPH Acquisition Holdings LLC, Callable	309,000	7.125%	01-Jun-24	415,187	414,631	2.10
Murphy Oil Corp., Callable	50,000	6.875%	15-Aug-24	65,620	67,249	0.34
Murphy Oil USA Inc., Callable	5,000	5.625%	01-May-27	6,736	6,624	0.03
Nexstar Escrow Corp., Callable	66,000	5.625%	01-Aug-24	86,386	85,866	0.43
Nexstar Finance Inc., Callable	250,000	6.125%	15-Feb-22	319,087	326,820	1.65
NRG Energy Inc., Callable	100,000	6.250%	15-Jul-22	134,524	131,357	0.66
NRG Energy Inc., Restricted, Callable	23,000	5.750%	15-Jan-28	29,673	29,272	0.15
Paris Las Vegas Holding LLC / Harrah's Las Vegas LLC / Flamingo Las Vegas Holding LLC	25,000	11.000%	01-Oct-21	36,554	33,381	0.17
Peabody Securities Finance Corp., Callable	6,000	6.000%	31-Mar-22	7,892	7,853	0.04
Peabody Securities Finance Corp., Callable	11,000	6.375%	31-Mar-25	14,469	14,432	0.07
Penn National Gaming Inc., Callable	51,000	5.625%	15-Jan-27	67,239	66,671	0.34
Post Holdings Inc., Callable	220,000	5.500%	01-Mar-25	291,664	286,910	1.45
RBS Global Inc. / Rexnord LLC, Restricted, Callable	3,000	4.875%	15-Dec-25	3,870	3,818	0.02
Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer (Luxembourg) SA, Callable	100,000	7.000%	15-Jul-24	130,966	134,735	0.68
Sanchez Energy Corp., Callable	100,000	7.750%	15-Jun-21	115,260	118,787	0.60
SBA Communications Corp., Callable	3,000	4.000%	01-Oct-22	3,731	3,795	0.02
Select Medical Corp., Callable	250,000	6.375%	01-Jun-21	312,018	323,678	1.64
Service Corp. International, Callable	3,000	4.625%	15-Dec-27	3,809	3,836	0.02
Sinclair Television Group Inc., Callable	300,000	5.625%	01-Aug-24	404,625	389,827	1.97
Six Flags Entertainment Corp., Callable	150,000	4.875%	31-Jul-24	198,010	191,850	0.97

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

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
Six Flags Entertainment Corp., Callable	150,000	5.500%	15-Apr-27	200,010	195,621	0.99
Sprint Capital Corp., Callable	25,000	6.900%	01-May-19	26,340	32,957	0.17
Sprint Communications Inc.	28,000	9.000%	15-Nov-18	38,802	37,091	0.19
Standard Industries Inc., Callable	10,000	5.000%	15-Feb-27	13,054	12,884	0.07
Station Casinos LLC, Callable	1,000	5.000%	01-Oct-25	1,213	1,266	0.01
Summit Materials LLC / Summit Materials Finance Corp., Callable	1,000	5.125%	01-Jun-25	1,342	1,285	0.01
Tallgrass Energy Partners L.P. / Tallgrass Energy Finance Corp., Callable	120,000	5.500%	15-Sep-24	157,127	155,554	0.79
Tallgrass Energy Partners L.P. / Tallgrass Energy Finance Corp., Callable	96,000	5.500%	15-Jan-28	125,210	122,295	0.62
Tenet Healthcare Corp., Callable	152,000	7.500%	01-Jan-22	199,610	201,334	1.02
Tenet Healthcare Corp., Callable	312,000	8.125%	01-Apr-22	420,669	400,518	2.03
Tennessee Merger Sub Inc., Callable	80,000	6.375%	01-Feb-25	104,269	90,253	0.46
TRI Pointe Holdings Inc.	68,000	5.875%	15-Jun-24	91,271	91,673	0.46
Tribune Media Co., Callable	100,000	5.875%	15-Jul-22	129,895	129,785	0.66
United Rentals North America Inc., Callable	200,000	5.750%	15-Nov-24	262,657	265,541	1.34
West Street Merger Sub Inc., Callable	5,000	6.375%	01-Sep-25	6,371	6,332	0.03
Wrangler Buyer Corp., Callable	2,000	6.000%	01-Oct-25	2,455	2,602	0.01
Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp., Callable	5,000	5.250%	15-May-27	6,881	6,379	0.03
Zayo Group LLC / Zayo Capital Inc., Callable	54,000	5.750%	15-Jan-27	71,981	69,405	0.35
				<b>12,334,631</b>	<b>12,040,940</b>	<b>60.92</b>
<b>Senior Loans—21.68%</b>						
Acosta Inc.	294,697	4.250%	26-Sep-21	383,896	324,129	1.64
Advantage Sales & Marketing Inc.	354,639	4.250%	23-Jul-21	458,421	433,940	2.19
Advantage Sales & Marketing Inc.	126,388	7.500%	25-Jul-22	166,503	147,153	0.74
Albertson's LLC	56,190	3.750%	21-Dec-22	71,089	69,138	0.35
Albertson's LLC	134,788	3.750%	22-Jun-23	169,345	165,757	0.84
Amaya Holdings BV	293,875	4.500%	01-Aug-21	390,325	371,248	1.88
Amplify Snack Brands Inc.	99,000	6.500%	31-Aug-23	126,727	124,630	0.63
Arch Coal Inc.	9,828	4.250%	07-Mar-24	12,127	12,434	0.06
Asurion LLC	50,000	6.000%	31-Jul-25	63,630	64,519	0.33
BJ's Wholesale Club Inc.	299,704	8.500%	03-Feb-25	396,188	366,839	1.86
BMC Software Finance Inc.	138,455	3.250%	10-Sep-22	178,164	174,057	0.88
Brickman Group Ltd. LLC (The)	17,651	7.500%	18-Dec-21	22,275	22,260	0.11
Capital Automotive LLC	98,660	7.000%	24-Mar-25	130,473	127,116	0.64
Compuware Corp.	42,056	5.250%	15-Dec-21	53,887	53,129	0.27
Concordia Healthcare Corp.	101,587	5.250%	21-Oct-21	130,800	104,284	0.53
Duff & Phelps Corp.	31,621	4.250%	05-Dec-24	40,313	39,797	0.20
Formula One (Delta 2 Lux S.A.R.L.)	36,761	4.250%	01-Feb-24	47,865	46,429	0.23
Healogics Inc. (CDRH Parent, Inc.)	48,867	5.250%	01-Jul-21	54,906	53,317	0.27
Horizon Pharma Inc.	119,400	4.250%	29-Mar-24	149,584	150,602	0.76
Immucor Inc.	49,875	6.000%	30-Jul-21	61,536	63,633	0.32
Infor (US) Inc.	67,399	3.750%	02-Feb-22	87,541	84,986	0.43
Numericable U.S. LLC (Altice France SA)	13,107	3.000%	06-Jan-26	16,396	15,843	0.08
Portillo's Holdings LLC	343,797	5.500%	02-Aug-21	439,480	436,475	2.21
Reynolds Group Holdings Inc.	45,744	3.000%	05-Feb-23	60,208	57,739	0.29
JDA Software Group (RP Crown Parent Inc.)	49,625	4.000%	12-Oct-23	61,934	62,613	0.32
Team Health Inc.	8,902	3.750%	06-Feb-24	10,911	10,889	0.06
Toys "R" US-Delaware Inc.	127,708	5.250%	25-May-18	135,495	51,369	0.26
Tribune Media Co.	2,016	3.750%	27-Dec-20	2,616	2,535	0.01
Tribune Media Co.	25,126	3.750%	27-Jan-24	33,401	31,603	0.16
U.S. Renal Care Inc.	98,744	5.250%	30-Dec-22	125,396	122,156	0.62
Univision Communications Inc.	48,811	3.750%	15-Mar-24	65,764	61,116	0.31
Valeant Pharmaceuticals International Inc.	134,663	4.250%	01-Apr-22	171,918	171,560	0.87

First Trust Short Duration High Yield Bond ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Par Value USD	Coupon Rate/Yield	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Total
Victory Capital Operating LLC	88,667	8.500%	29-Oct-21	110,297	112,708	0.57
Western Digital Corp.	118,505	2.000%	29-Apr-23	151,271	149,444	0.76
				<b>4,580,682</b>	<b>4,285,447</b>	<b>21.68</b>
<b>Total International Bonds</b>				<b>17,904,122</b>	<b>17,308,800</b>	<b>87.57</b>
<b>Total investments</b>				<b>18,545,554</b>	<b>17,942,360</b>	<b>90.77</b>
Unrealized appreciation on derivatives - see Schedule 1					<b>99,575</b>	<b>0.50</b>
Other assets, less liabilities					<b>1,724,224</b>	<b>8.73</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>				<b>18,545,554</b>	<b>19,766,159</b>	<b>100.00</b>

**Schedule 1 - Foreign Exchange Contracts**

Counterparty	Credit Rating of Counterparty*	Settlement Date	Currency Sell	Amount Currency		Amount Bought	Forward Rate	Appreciation Current (Depreciation)	
				Sold	Buy			Rate	\$
Bank of New York Mellon (The), New York	A-1+	31/01/2018	USD	15,679,443	CAD	19,800,000	0.792	0.796	99,575
									<b>99,575</b>

\* Per Standard and Poor's Rating

# First Trust Canadian Capital Strength ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017, December 31, 2016, and June 30, 2016

	December 31 2017 (\$)	December 31 2016 (\$)	June 30, 2016 (\$)
<b>Assets</b>			
Investments (non-derivative financial assets)	75,160,513	41,701,759	41,257,504
Cash	287,194	53,895	855,022
Accrued dividend receivable	101,343	98,882	117,962
Receivable for portfolio securities sold	-	-	6,198,942
Subscriptions receivable	-	-	179
Other assets	47,815	50,971	45,341
	75,596,865	41,905,507	48,474,950
<b>Liabilities</b>			
Accrued liabilities	143,969	72,092	230,820
Distributions payable to holders of redeemable units	90,761	-	6,066,640
Redemptions payable	-	-	100,652
	234,730	72,092	6,398,112
<b>Total net assets attributable to holders of redeemable units</b>	<b>75,362,135</b>	<b>41,833,415</b>	<b>42,076,838</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units per class</b>			
Advisor Class	35,547,473	34,626,123	35,432,854
Common Class	39,814,662	7,207,292	6,643,984
<b>Redeemable units outstanding [note 6]</b>			
Advisor Class	1,263,337	1,402,854	1,630,111
Common Class	1,190,807	247,534	260,571
<b>Net assets attributable to holders of redeemable units per unit</b>			
Advisor Class	28.14	24.68	21.74
Common Class	33.44	29.12	25.50

## STATEMENTS OF COMPREHENSIVE INCOME

For the twelve months ended December 31, 2017, six months ended December 31, 2016, and twelve months ended June 30, 2016

	December 31 2017 (\$)	December 31 2016 (\$)	June 30 2016 (\$)
<b>Revenues</b>			
Dividends	1,012,035	512,697	1,355,145
Interest income for distribution purposes	-	-	104,886
Other income	-	17	-
<b>Other changes in fair value of investments</b>			
Net realized gain (loss) on investments	4,031,803	1,905,554	(505,026)
Change in unrealized appreciation (depreciation) of foreign exchange	389	(207)	1,359
Change in unrealized appreciation (depreciation) of investments	3,294,396	3,524,115	(4,196,415)
	8,338,623	5,942,176	(3,240,051)
Foreign exchange gain (loss) on cash	(855)	72	750
	8,337,768	5,942,248	(3,239,301)
<b>Expenses [note 7]</b>			
Service fees	347,676	199,658	483,712
Management fees	311,312	175,764	424,592
HST expense	66,426	40,601	113,038
Transaction costs [note 3 and note 9]	14,981	7,947	17,742
Independent Review Committee fees	11,025	(298)	13,470
Interest expense	32	-	-
Other expenses	-	40,660	31,260
Audit fees	-	17,680	11,680
Custody fees	-	2,325	109,307
Trustee fees	-	2,500	5,000
Securityholder reporting costs	-	(1,012)	50,027
	751,452	485,825	1,259,829
Expenses waived by manager	(11,025)	-	-
	740,427	485,825	1,259,829
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>7,597,341</b>	<b>5,456,423</b>	<b>(4,499,130)</b>
<b>Withholding taxes</b>	<b>1,371</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>7,595,970</b>	<b>5,456,423</b>	<b>(4,499,130)</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>			
Advisor Class	4,659,361	4,556,160	(3,901,540)
Common Class	2,936,609	900,263	(597,590)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>			
Advisor Class	3.55	3.01	(2.07)
Common Class	5.46	3.62	(2.06)

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 Canadian Capital Strength ETF

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

For the twelve months ended December 31, 2017, six months ended December 31, 2016, and twelve months ended June 30, 2016

	December 31 2017 (\$)	December 31 2016 (\$)	June 30 2016 (\$)	December 31 2017 (\$)	December 31 2016 (\$)	June 30 2016 (\$)
	Advisor Class	Advisor Class	Advisor Class	Common Class	Common Class	Common Class
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	34,626,123	35,432,854	49,649,866	7,207,292	6,643,984	8,258,335
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	4,659,361	4,556,160	(3,901,540)	2,936,609	900,263	(597,590)
<b>Redeemable unit transactions [note 6]</b>						
Proceeds from redeemable units issued	988,362	958,994	922,059	33,027,050	1,266,036	1,493,469
Reinvested distributions	-	-	-	-	-	-
Redemption of redeemable units	(4,616,984)	(6,321,885)	(11,237,531)	(3,205,953)	(1,602,991)	(2,510,230)
	(3,628,622)	(5,362,891)	(10,315,472)	29,821,097	(336,955)	(1,016,761)
<b>Distributions to holders of redeemable units from:</b>						
Net investment income	-	-	-	(54,880)	-	-
Capital gains	-	-	-	-	-	-
Return of capital	(109,389)	-	-	(95,456)	-	-
	(109,389)	-	-	(150,336)	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	921,350	(806,731)	(14,217,012)	32,607,370	563,308	(1,614,351)
<b>Net assets attributable to holders of redeemable units, end of year</b>	35,547,473	34,626,123	35,432,854	39,814,662	7,207,292	6,643,984
				<b>December 31 2017 (\$) Total</b>	<b>December 31 2016 (\$) Total</b>	<b>June 30 2016 (\$) Total</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>				41,833,415	42,076,838	57,908,201
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>				7,595,970	5,456,423	(4,499,130)
<b>Redeemable unit transactions [note 6]</b>						
Proceeds from redeemable units issued				34,015,412	2,225,030	2,415,528
Reinvested distributions				-	-	-
Redemption of redeemable units				(7,822,937)	(7,924,876)	(13,747,761)
				26,192,475	(5,699,846)	(11,332,233)
<b>Distributions to holders of redeemable units from:</b>						
Net investment income				(54,880)	-	-
Capital gains				-	-	-
Return of capital				(204,845)	-	-
				(259,725)	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>				33,528,720	(243,423)	(15,831,363)
<b>Net assets attributable to holders of redeemable units, end of year</b>				75,362,135	41,833,415	42,076,838

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



# First Trust Canadian Capital Strength ETF

## STATEMENTS OF CASH FLOW

For the twelve months ended December 31, 2017, six months ended December 31, 2016, and twelve months ended June 30, 2016

	December 31 2017 (\$)	December 31 2016 (\$)	June 30 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>			
Increase (Decrease) in net assets attributable to holders of redeemable units	7,595,970	5,456,423	(4,499,130)
Adjustments for:			
Net realized (gain) loss on investments	(4,031,803)	(1,905,554)	505,026
Change in unrealized (appreciation) depreciation of investments	(3,294,396)	(3,524,115)	4,196,415
Interest receivable	-	19,080	80,173
Dividends receivable	(2,461)	-	(117,962)
Other assets	3,156	(5,630)	(27,144)
Other liabilities	71,877	(158,729)	28,297
Purchases of investments	(54,724,659)	(17,295,177)	(19,710,333)
Proceeds from the sale of investments	28,592,104	22,412,894	31,070,664
	<u>(25,790,212)</u>	<u>4,999,192</u>	<u>11,526,006</u>
<b>Cash flows from (used in) Financing Activities</b>			
Amount received from the issuance of units	34,015,412	2,225,209	2,445,192
Amount paid on redemptions of units	(7,822,937)	(8,025,528)	(13,783,588)
Distributions paid to unitholders	(168,964)	-	-
	<u>26,023,511</u>	<u>(5,800,319)</u>	<u>(11,338,396)</u>
<b>Increase (Decrease) in cash for the year</b>	233,299	(801,127)	187,610
<b>Cash, beginning of year</b>	53,895	855,022	667,412
<b>Cash, end of year</b>	<u>287,194</u>	<u>53,895</u>	<u>855,022</u>
Interest received	-	-	185,059
Dividends received, net of withholding taxes	1,008,203	531,777	1,237,183

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

# First Trust Canadian Capital Strength ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

**Background - First Trust Canadian Capital Strength ETF** (the “First Trust ETF” or “FST”).

First Trust AlphaDEX™ Canadian Dividend ETF (“FDY”) merged (the “Merger”) with FST in order to combine FDY and FST into one Canadian equity exchange-traded fund with FST being the continuing fund. The Merger took place after required Unitholders approval. Under the Merger, holders of units in FDY became unitholders of the First Trust ETF. The Merger was implemented effective October 16, 2017.

**A. INVESTMENT OBJECTIVE (NOTE 1)** - The First Trust ETF seeks to provide unitholders with long term capital appreciation by investing primarily in securities traded on a Canadian exchange or market.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	75,160,513	–	–	75,160,513
<b>Total</b>	<b>75,160,513</b>	<b>–</b>	<b>–</b>	<b>75,160,513</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	41,701,759	–	–	41,701,759
<b>Total</b>	<b>41,701,759</b>	<b>–</b>	<b>–</b>	<b>41,701,759</b>
	Financial Assets at Fair Value (\$) As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
Equities	41,257,504	–	–	41,257,504
<b>Total</b>	<b>41,257,504</b>	<b>–</b>	<b>–</b>	<b>41,257,504</b>

There have been no transfers from one Level to another for the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016.

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

First Trust Canadian Capital Strength ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during for the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016:

Redeemable Units	Common	Advisor
Beginning units – July 1, 2015	300,783	2,097,763
Redeemable units issued	56,941	40,933
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(97,153)	(508,585)
Outstanding units – June 30, 2016	260,571	1,630,111
Redeemable units issued	46,269	40,551
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(59,306)	(267,808)
Outstanding units – December 31, 2016	247,534	1,402,854
Redeemable units issued	1,043,273	36,123
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(100,000)	(175,640)
Outstanding units – December 31, 2017	1,190,807	1,263,337

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below are the current annual management fees charged to the First Trust ETF:

Annual Management Fee	
Common Class	Advisor Class <sup>1</sup>
0.60%	1.60%

<sup>1</sup>Includes a service fee of 1.00%

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
24,106,211	26,164,485	–	–

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016:

Transaction Cost (\$)		
Dec. 31, 2017	Dec. 31, 2016	Jun. 30, 2016
14,981	7,947	17,742

First Trust Canadian Capital Strength ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the year ended December 31, 2017, for the period ended December 31, 2016, and for the fiscal year ended June 30, 2016, including amounts owing as at December 31, 2017, December 31, 2016, and June 30, 2016 are as follows:

Management Fee Expense (\$)			Management Fee Payable (\$)		
Dec. 31, 2017	Dec. 31, 2016	Jun. 30, 2016	Dec. 31, 2017	Dec. 30, 2016	Jun. 30, 2016
311,312	175,764	424,592	37,961	21,683	29,296

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
S&P/TSX Composite Index	3,285,789	(3,285,789)	1,872,045	(1,872,045)
Index	At June 30, 2016			
	5% Increase (\$)	5% Decrease (\$)		
S&P/TSX Composite Index	1,741,213	(1,741,213)		

**Concentration Risk** - The table below summarizes the concentration risk as at December 31, 2017, December 31, 2016, and June 30, 2016:

Sector	As a % of net assets attributable to holders of redeemable units		
	At December 31, 2017	At December 31, 2016	At June 30, 2016
Financials	32.20	35.93	35.26
Industrials	16.00	11.93	15.80
Consumer Discretionary	15.69	15.45	7.89
Information Technology	11.38	16.24	15.69
Energy	8.75	-	-
Consumer Staples	8.35	8.04	7.94
Materials	7.36	8.09	11.57
Telecommunication Services	-	4.01	3.90
Total	99.73	99.69	98.05

# First Trust Canadian Capital Strength ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Consumer Discretionary—15.69%</b>				
Canadian Tire Corp. Ltd., Class 'A'	18,591	2,585,215	3,047,065	4.04
Gildan Activewear Inc.	75,549	2,894,958	3,068,045	4.07
Linamar Corp.	37,086	2,408,074	2,715,066	3.60
Magna International Inc.	42,084	2,095,672	2,998,064	3.98
		<b>9,983,919</b>	<b>11,828,240</b>	<b>15.69</b>
<b>Consumer Staples—8.35%</b>				
Alimentation Couche-Tard Inc., Class 'B'	49,323	2,185,127	3,235,096	4.29
Saputo Inc.	67,656	2,766,244	3,056,698	4.06
		<b>4,951,371</b>	<b>6,291,794</b>	<b>8.35</b>
<b>Energy—8.75%</b>				
Encana Corp.	204,655	2,919,484	3,432,064	4.56
Enerplus Corp.	256,702	2,935,545	3,160,002	4.19
		<b>5,855,029</b>	<b>6,592,066</b>	<b>8.75</b>
<b>Financials—32.20%</b>				
Bank of Montreal	30,047	2,493,316	3,022,428	4.01
Bank of Nova Scotia	36,042	2,487,922	2,923,727	3.88
Canadian Imperial Bank of Commerce	26,109	2,677,165	3,199,397	4.25
Industrial Alliance Insurance and Financial Services Inc.	51,731	2,899,445	3,094,548	4.11
National Bank of Canada	47,396	2,638,621	2,972,677	3.94
Royal Bank of Canada	29,620	2,264,125	3,040,493	4.03
Sun Life Financial Inc.	57,607	2,667,332	2,988,651	3.97
Toronto-Dominion Bank (The)	41,075	2,279,534	3,025,174	4.01
		<b>20,407,460</b>	<b>24,267,095</b>	<b>32.20</b>
<b>Industrials—16.00%</b>				
CAE Inc.	134,338	2,483,217	3,136,792	4.16
Canadian National Railway Co.	28,754	2,528,617	2,980,352	3.96
Canadian Pacific Railway Ltd.	14,086	2,469,869	3,234,991	4.29
Transcontinental Inc., Class 'A'	108,914	2,933,992	2,705,424	3.59
		<b>10,415,695</b>	<b>12,057,559</b>	<b>16.00</b>
<b>Information Technology—11.38%</b>				
Celestica Inc.	185,778	2,916,084	2,448,554	3.25
CGI Group Inc., Class 'A'	44,280	2,259,527	3,024,324	4.01
Open Text Corp.	69,462	2,260,672	3,105,646	4.12
		<b>7,436,283</b>	<b>8,578,524</b>	<b>11.38</b>
<b>Materials—7.36%</b>				
Canfor Corp.	116,851	2,901,746	2,895,568	3.84
CCL Industries Inc., Class 'B'	45,621	1,684,729	2,649,667	3.52
		<b>4,586,475</b>	<b>5,545,235</b>	<b>7.36</b>
<b>Total investments</b>		<b>63,636,232</b>	<b>75,160,513</b>	<b>99.73</b>
Transaction costs		(10,363)		
Other assets, less liabilities			201,622	0.27
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>63,625,869</b>	<b>75,362,135</b>	<b>100.00</b>

# First Trust Global Risk Managed Income Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	64,862,492	53,853,654
Cash	132,795	74,007
Accrued dividend receivable	267,862	194,316
Other assets	37,132	36,903
	65,300,281	54,158,880
<b>Liabilities</b>		
Accrued liabilities	26,106	22,079
Distributions payable to holders of redeemable units	214,803	164,211
	240,909	186,290
<b>Total net assets attributable to holders of redeemable units</b>	<b>65,059,372</b>	<b>53,972,590</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
Common Class	61,861,576	51,773,769
Advisor Class	3,197,796	2,198,821
<b>Redeemable units outstanding [note 6]</b>		
Common Class	3,186,214	2,686,214
Advisor Class	163,800	113,800
<b>Net assets attributable to holders of redeemable units per unit</b>		
Common Class	19.42	19.27
Advisor Class	19.52	19.32

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	2,127,373	1,771,141
<b>Other changes in fair value of investments</b>		
Net realized gain (loss) on sale of investments	429,275	(625,062)
Net change in unrealized appreciation (depreciation) of investments	414,440	2,722,914
	2,971,088	3,868,993
<b>Expenses [note 7]</b>		
Management fees	340,629	279,854
HST expense	24,852	20,337
Transaction costs [note 3 and note 9]	13,352	26,486
Service fees	11,449	10,841
Independent Review Committee fees	11,146	9,382
Interest expense	6	10
	401,434	346,910
Expenses waived by manager	(119,136)	(94,657)
	282,298	252,253
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>2,688,790</b>	<b>3,616,740</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
Common Class	2,589,587	3,454,991
Advisor Class	99,203	161,749
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
Common Class	0.93	1.47
Advisor Class	0.83	1.42

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 Global Risk Managed Income Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Common Class	December 31 2016 (\$) Common Class	December 31 2017 (\$) Advisor Class	December 31 2016 (\$) Advisor Class
Net assets attributable to holders of redeemable units, beginning of year	51,773,769	46,757,342	2,198,821	2,222,875
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>2,589,587</b>	<b>3,454,991</b>	<b>99,203</b>	<b>161,749</b>
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	15,586,603	13,552,039	973,668	-
Reinvested distributions	-	-	-	-
Redemption of units	(5,852,588)	(10,250,416)	-	(113,768)
	9,734,015	3,301,623	973,668	(113,768)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	(1,807,385)	(1,522,989)	(63,022)	(63,044)
Capital gains	-	-	-	-
Return of capital	(428,410)	(217,198)	(10,874)	(8,991)
	(2,235,795)	(1,740,187)	(73,896)	(72,035)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	<b>10,087,807</b>	<b>5,016,427</b>	<b>998,975</b>	<b>(24,054)</b>
<b>Net assets attributable to holders of redeemable units, end of year</b>	<b>61,861,576</b>	<b>51,773,769</b>	<b>3,197,796</b>	<b>2,198,821</b>
			<b>December 31 2017 (\$) Total</b>	<b>December 31 2016 (\$) Total</b>
Net assets attributable to holders of redeemable units, beginning of year			53,972,590	48,980,217
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>			<b>2,688,790</b>	<b>3,616,740</b>
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			16,560,271	13,552,039
Reinvested distributions			-	-
Redemption of units			(5,852,588)	(10,364,184)
			10,707,683	3,187,855
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			(1,870,407)	(1,586,033)
Capital gains			-	-
Return of capital			(439,284)	(226,189)
			(2,309,691)	(1,812,222)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>			<b>11,086,782</b>	<b>4,992,373</b>
<b>Net assets attributable to holders of redeemable units, end of year</b>			<b>65,059,372</b>	<b>53,972,590</b>

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

# First Trust Global Risk Managed Income Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	2,688,790	3,616,740
Adjustments for:		
Net realized (gain) loss on sale of investments	(429,275)	625,062
Change in unrealized (appreciation) depreciation of investments	(414,440)	(2,722,914)
Dividends receivable	(73,545)	22,857
Other assets	(229)	2,739
Other liabilities	4,027	2,981
Purchases of investments	(29,025,800)	(40,159,928)
Proceeds from the sale of investments	18,860,676	37,129,407
	(8,389,796)	(1,483,056)
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	16,560,271	13,552,039
Amount paid on redemptions of units	(5,852,588)	(10,364,184)
Distributions paid to unitholders	(2,259,099)	(1,810,235)
	8,448,584	1,377,620
<b>Increase (Decrease) in cash for the year</b>	58,788	(105,436)
<b>Cash, beginning of year</b>	74,007	179,443
<b>Cash, end of year</b>	132,795	74,007
Dividends received, net of withholding taxes	2,053,827	1,793,998

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



**First Trust Global Risk Managed Income Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the NASDAQ Global Risk Managed Income CAD TR 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 the Index.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	64,862,492	–	–	64,862,492
Total	64,862,492	–	–	64,862,492
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	53,853,654	–	–	53,853,654
Total	53,853,654	–	–	53,853,654

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Common	Advisor
Beginning units – January 1, 2016	2,530,000	120,000
Redeemable units issued	706,214	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(550,000)	(6,200)
Outstanding units – December 31, 2016	2,686,214	113,800
Redeemable units issued	800,000	50,000
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(300,000)	–
Outstanding units – December 31, 2017	3,186,214	163,800

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below are the current annual management fees charged to the First Trust ETF:

Annual Management Fee <sup>1</sup>	
Common Class	Advisor Class <sup>2</sup>
0.41%	0.91%

<sup>1</sup>Pays a management fee up to a maximum of 0.60%

<sup>2</sup>Includes a service fee of 0.50%

First Trust Global Risk Managed Income Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
437,022	661,355	-	-

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
13,352	26,486

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
340,629	279,854	22,624	19,072

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and interest rates. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Reference Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
NASDAQ Global Risk Managed Income CAD TR Index	2,911,407	(2,911,407)	2,442,260	(2,442,260)

**Concentration Risk** - The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Holdings	At December 31, 2017		At December 31, 2016	
	Fair Value (\$)	% Net Assets	Fair Value (\$)	% Net Assets
Bonds	30,810,507	47.36%	23,669,382	43.85%
Senior Loans	7,657,271	11.77%	11,917,368	22.08%
REITs and Preferred Shares	13,379,097	20.56%	9,006,215	16.69%
Equities	13,015,617	20.01%	9,260,689	17.16%
Total	64,862,492	99.70%	53,853,654	99.78%

# First Trust Global Risk Managed Income Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Exchange Traded Funds—99.70%</b>				
BMO Emerging Markets Bond Hedged to CAD Index ETF	342,876	5,793,313	5,708,885	8.77
BMO Equal Weight REITs Index ETF	185,939	3,745,444	3,887,985	5.98
BMO Equal Weight Utilities Index ETF	144,736	2,446,702	2,554,590	3.93
BMO High Yield US Corporate Bond Hedged to CAD ETF	484,778	7,111,765	6,912,934	10.62
BMO Mid-Term US IG Corporate Bond Index ETF	57,968	1,124,018	1,048,061	1.61
First Trust Senior Loan ETF (CAD-Hedged)	398,194	7,765,331	7,657,271	11.77
iShares Canadian Corporate Bond Index ETF	96,855	2,080,961	2,052,357	3.15
iShares Canadian Government Bond Index ETF	82,480	1,824,553	1,774,145	2.73
iShares Convertible Bond Index ETF, Convertible Bonds	298,251	5,582,323	5,613,084	8.63
iShares Core Canadian Long Term Bond Index ETF	66,659	1,605,111	1,611,815	2.48
iShares Core S&P / TSX Composite High Dividend Index ETF	146,896	3,045,567	3,234,650	4.97
iShares Global Monthly Dividend Index ETF (CAD-Hedged)	103,450	1,889,037	2,079,345	3.20
iShares Global Real Estate Index ETF	50,682	1,469,055	1,413,521	2.17
iShares S&P/TSX Canadian Preferred Share Index ETF	561,724	7,794,367	8,077,591	12.42
iShares S&P/TSX Capped Financials Index ETF	48,512	1,712,830	1,874,504	2.88
Vanguard Canadian Aggregate Bond Index ETF	92,824	2,366,597	2,347,519	3.61
Vanguard Canadian Short-Term Bond Index ETF	157,413	3,870,495	3,741,707	5.75
Vanguard FTSE Canadian High Dividend Yield Index ETF	75,514	2,442,904	2,623,356	4.03
Vanguard U.S. Dividend Appreciation Index ETF	14,845	561,645	649,172	1.00
		<b>64,232,018</b>	<b>64,862,492</b>	<b>99.70</b>
<b>Total investments</b>		<b>64,232,018</b>	<b>64,862,492</b>	<b>99.70</b>
Transaction costs		<b>(14,598)</b>		
Other assets, less liabilities			<b>196,880</b>	<b>0.30</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>64,217,420</b>	<b>65,059,372</b>	<b>100.00</b>

# First Trust Tactical Bond Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	34,000,247	34,990,532
Cash	68,640	87,297
Accrued dividend receivable	142,671	136,999
Other assets	6,903	7,588
	34,218,461	35,222,416
<b>Liabilities</b>		
Accrued liabilities	16,355	19,982
Distributions payable to holders of redeemable units	105,000	119,880
	121,355	139,862
<b>Total net assets attributable to holders of redeemable units</b>	<b>34,097,106</b>	<b>35,082,554</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Common Class</b>	<b>34,097,106</b>	<b>35,082,554</b>
<b>Redeemable units outstanding [note 6]</b>		
<b>Common Class</b>	<b>1,750,000</b>	<b>1,800,000</b>
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	<b>19.48</b>	<b>19.49</b>

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	1,497,777	1,645,135
<b>Other changes in fair value of investments</b>		
Net realized gain (loss) on sale of investments	(432,651)	(198,968)
Net realized gain (loss) on foreign exchange	-	589
Net change in unrealized appreciation (depreciation) of investments	475,710	(72,998)
	1,540,836	1,373,758
Foreign exchange gain (loss) on cash	-	(1,250)
	1,540,836	1,372,508
<b>Expenses [note 7]</b>		
Management fees	171,059	209,006
Transaction costs [note 3 and note 9]	20,554	29,195
HST expense	15,399	19,990
Independent Review Committee fees	6,713	8,374
Interest expense	5	60
	213,730	266,625
Expenses waived by manager	6,713	8,374
	207,017	258,251
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>1,333,819</b>	<b>1,114,257</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Common Class</b>	<b>1,333,819</b>	<b>1,114,257</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	<b>0.76</b>	<b>0.54</b>

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 Tactical Bond Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	35,082,554	25,382,400
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	1,333,819	1,114,257
<b>Redeemable unit transactions [note 6]</b>		
Proceeds from issuance of units	1,967,707	41,260,764
Reinvested distributions	-	147,780
Redemption of units	(2,934,394)	(31,176,827)
	(966,687)	10,231,717
<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(1,270,488)	(1,439,278)
Capital gains	-	(206,448)
Return of capital	(82,092)	(94)
	(1,352,580)	(1,645,820)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units, for the year</b>	(985,448)	9,700,154
<b>Net assets attributable to holders of redeemable units, end of year</b>	34,097,106	35,082,554

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

# First Trust Tactical Bond Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	1,333,819	1,114,257
Adjustments for:		
Net realized (gain) loss on sale of investments	432,651	198,968
Change in unrealized (appreciation) depreciation of investments	(475,710)	72,998
Dividends receivable	(5,672)	(65,834)
Other assets	685	(6,602)
Other liabilities	(3,627)	(12,043)
Purchases of investments	(22,998,528)	(64,956,696)
Proceeds from the sale of investments	24,031,872	54,999,097
	2,315,490	(8,655,855)
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	1,967,707	41,260,764
Amount paid on redemptions of units	(2,934,394)	(31,176,827)
Distributions paid to unitholders	(1,367,460)	(1,450,310)
	(2,334,147)	8,633,627
<b>Increase (Decrease) in cash for the year</b>	(18,657)	(22,228)
<b>Cash, beginning of year</b>	87,297	109,525
<b>Cash, end of year</b>	68,640	87,297
Dividends received, net of withholding taxes	1,492,105	1,579,301

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

First Trust Tactical Bond Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of a total return fixed income index, net of expenses. Currently, the First Trust ETF seeks to replicate the performance of the NASDAQ IBIS Canadian Preservation Index CAD TR<sup>SM</sup>, net of expenses. The First Trust ETF will invest in and hold the Constituent Securities of the Index in the same proportion as they are reflected in the Index. The Index will consist of an equal weighted basket of TSX-listed ETFs that provide exposure to global fixed income securities which may include short-term and long-term Canadian government bonds, Canadian real return bonds, preferred shares, convertible, corporate, high yield, floating-rate, and developed and emerging market bonds.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The below fair value hierarchy table presents information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	34,000,247	–	–	34,000,247
Total	34,000,247	–	–	34,000,247
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	34,990,532	–	–	34,990,532
Total	34,990,532	–	–	34,990,532

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Common
Beginning units – January 1, 2016	1,300,000
Redeemable units issued	2,100,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(1,600,000)
Outstanding units – December 31, 2016	1,800,000
Redeemable units issued	100,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(150,000)
Outstanding units – December 31, 2017	1,750,000

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee
Common Class
0.50%

First Trust Tactical Bond Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
523,773	-	-	-

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016, are as follows:

Transaction Cost (\$)	
2017	2016
20,554	29,195

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
171,059	209,006	14,473	17,683

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and interest rates. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
NASDAQ IBIS Canadian Preservation Index CAD TR <sup>SM</sup>	1,437,193	(1,437,193)	1,543,632	(1,543,632)

**Concentration Risk** - The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Holdings	At December 31, 2017		At December 31, 2016	
	Fair Value (\$)	% Net Assets	Fair Value (\$)	% Net Assets
Bonds	34,000,247	99.72%	34,990,532	99.74%
Total	34,000,247	99.72%	34,990,532	99.74%



First Trust Tactical Bond Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Exchange Traded Funds—99.72%</b>				
BMO Emerging Markets Bond Hedged to CAD Index ETF	406,201	6,777,732	6,763,247	19.84
BMO High Yield US Corporate Bond Hedged to CAD ETF	468,479	6,450,363	6,680,510	19.59
iShares Floating Rate Index ETF	339,845	6,846,552	6,854,674	20.10
iShares S&P/TSX Canadian Preferred Share Index ETF	483,026	6,845,352	6,945,914	20.37
iShares U.S. High Yield Bond Index ETF	340,691	6,775,633	6,755,902	19.82
		<b>33,695,632</b>	<b>34,000,247</b>	<b>99.72</b>
<b>Total investments</b>		<b>33,695,632</b>	<b>34,000,247</b>	<b>99.72</b>
Transaction costs		(17,090)		
Other assets, less liabilities			96,859	0.28
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>33,678,542</b>	<b>34,097,106</b>	<b>100.00</b>

# First Trust Value Line® Dividend Index ETF (CAD-Hedged)

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	8,089,647	8,442,985
Cash	130,194	32,750
Accrued dividend receivable	13,510	19,995
Receivable for portfolio securities sold	459,906	-
Derivative assets	41,203	76,804
Other assets	1,918	1,879
	8,736,378	8,574,413
<b>Liabilities</b>		
Accrued liabilities	9,347	8,348
Payable for portfolio securities purchased	533,845	-
Distributions payable to holders of redeemable units	32,183	31,185
	575,375	39,533
<b>Total net assets attributable to holders of redeemable units</b>	<b>8,161,003</b>	<b>8,534,880</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Common Class</b>	6,820,897	7,333,541
<b>Advisor Class</b>	1,340,106	1,201,339
<b>Redeemable units outstanding [note 6]</b>		
<b>Common Class</b>	250,663	300,663
<b>Advisor Class</b>	49,335	49,335
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	27.21	24.39
<b>Advisor Class</b>	27.16	24.35

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	281,085	336,547
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	949,438	90,779
Net realized gain (loss) on derivatives	420,847	185,275
Net realized gain (loss) on foreign exchange	4,288	4,336
Net change in unrealized appreciation (depreciation) of investments	(473,328)	588,465
Net change in unrealized appreciation (depreciation) of derivatives	(35,602)	65,626
	1,146,728	1,271,028
Foreign exchange gain (loss) on cash	(5)	1,120
	1,146,723	1,272,148
<b>Expenses [note 7]</b>		
Management fees	48,764	56,801
Service fees	12,657	11,159
HST expense	5,939	6,956
Transaction costs [note 3 and note 9]	4,202	6,662
Independent Review Committee fees	1,570	1,918
Interest expense	27	106
	73,159	83,602
Expenses waived by manager	(1,570)	(1,918)
	71,589	81,684
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>1,075,134</b>	<b>1,190,464</b>
<b>Withholding taxes</b>	<b>33,595</b>	<b>43,533</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>1,041,539</b>	<b>1,146,931</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Common Class</b>	883,965	1,001,046
<b>Advisor Class</b>	157,574	145,885
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	3.39	2.69
<b>Advisor Class</b>	3.20	2.97

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 Value Line® Dividend Index ETF (CAD-Hedged)

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Common Class	December 31 2016 (\$) Common Class	December 31 2017 (\$) Advisor Class	December 31 2016 (\$) Advisor Class
Net assets attributable to holders of redeemable units, beginning of year	7,333,541	9,797,583	1,201,339	1,086,388
Increase (Decrease) in net assets attributable to holders of redeemable units	883,965	1,001,046	157,574	145,885
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	2,562,146	3,521,816	-	-
Reinvested distributions	-	-	-	-
Redemption of units	(3,786,073)	(6,769,423)	-	(13,746)
	(1,223,927)	(3,247,607)	-	(13,746)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	(172,682)	(217,239)	(18,807)	(17,188)
Capital gains	-	-	-	-
Return of capital	-	(242)	-	-
	(172,682)	(217,481)	(18,807)	(17,188)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	<b>(512,644)</b>	<b>(2,464,042)</b>	<b>138,767</b>	<b>114,951</b>
Net assets attributable to holders of redeemable units, end of year	6,820,897	7,333,541	1,340,106	1,201,339
			<b>December 31 2017 (\$) Total</b>	<b>December 31 2016 (\$) Total</b>
Net assets attributable to holders of redeemable units, beginning of year			8,534,880	10,883,971
Increase (Decrease) in net assets attributable to holders of redeemable units			1,041,539	1,146,931
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			2,562,146	3,521,816
Reinvested distributions			-	-
Redemption of units			(3,786,073)	(6,783,169)
			(1,223,927)	(3,261,353)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			(191,489)	(234,427)
Capital gains			-	-
Return of capital			-	(242)
			(191,489)	(234,669)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>			<b>(373,877)</b>	<b>(2,349,091)</b>
Net assets attributable to holders of redeemable units, end of year			8,161,003	8,534,880

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

# First Trust Value Line® Dividend Index ETF (CAD-Hedged)

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	1,041,539	1,146,931
Adjustments for:		
Net realized (gain) loss on sale of investments	(949,438)	(90,779)
Change in unrealized (appreciation) depreciation of investments and derivatives	508,930	(654,091)
Dividends receivable	6,485	10,244
Other assets	(39)	9,573
Other liabilities	999	(7,916)
Purchases of investments	(11,225,687)	(16,403,555)
Proceeds from the sale of investments	12,129,073	19,369,200
	1,511,862	3,379,607
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	2,562,146	3,521,816
Amount paid on redemptions of units	(3,786,073)	(6,783,169)
Distributions paid to unitholders	(190,491)	(234,559)
	(1,414,418)	(3,495,912)
<b>Increase (Decrease) in cash for the year</b>	97,444	(116,305)
<b>Cash, beginning of year</b>	32,750	149,055
<b>Cash, end of year</b>	130,194	32,750
Dividends received, net of withholding taxes	253,975	303,258

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

First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**Background - First Trust Value Line® Dividend Index ETF (CAD-Hedged)** (fka First Trust AlphaDEX™ U.S. Dividend ETF (CAD-Hedged)) (the "First Trust ETF").

On October 25, 2017, unitholders of the First Trust ETF approved a proposal to (a) change the investment objective (the "Proposal"), (b) change the management fee in respect of the common units and (c) change the name to "First Trust Value Line® Dividend Index ETF (CAD-Hedged)". The Proposal was implemented as of November 22, 2017.

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the Value Line® Dividend Index (the "Index") on a currency hedged basis, net of expenses. The Index is a modified equal-dollar weighted index comprised of U.S. exchange-listed securities of companies that pay above-average dividends and have the potential for capital appreciation.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets and Financial Liabilities at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	8,089,647	–	–	8,089,647
Derivative assets	–	41,203	–	41,203
<b>Total</b>	<b>8,089,647</b>	<b>41,203</b>	<b>–</b>	<b>8,130,850</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	8,442,985	–	–	8,442,985
Derivative assets	–	76,804	–	76,804
<b>Total</b>	<b>8,442,985</b>	<b>76,804</b>	<b>–</b>	<b>8,519,789</b>

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Common	Advisor
Beginning units – January 1, 2016	450,000	50,000
Redeemable units issued	150,663	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(300,000)	(665)
<b>Outstanding units – December 31, 2016</b>	<b>300,663</b>	<b>49,335</b>
Redeemable units issued	100,000	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(150,000)	–
<b>Outstanding units – December 31, 2017</b>	<b>250,663</b>	<b>49,335</b>

First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
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**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below are the current annual management fees charged to the First Trust ETF:

Annual Management Fee	
Common Class	Advisor Class <sup>1</sup>
0.70%	1.70%

<sup>1</sup>Includes a service fee of 1.00%

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
543,047	968,662	-	-

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
4,202	6,662

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
48,764	56,801	4,874	4,387

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
S&P 500 Index (CAD-Hedged)	378,671	(378,671)	367,853	(367,853)
Dow Jones U.S. Select Dividend™ Index USD	441,510	(441,510)	-	-
S&P High Yield Dividend Aristocrats Index Total Return (CAD-Hedged)	-	-	398,579	(398,579)

First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
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**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	(36,992)	(0.45)%	(62,583)	(0.73)%

As at December 31, 2017, 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 \$370 (December 31, 2016 - \$626). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Concentration Risk** - The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
<i>Canada</i>		
Financials	2.62	—
Utilities	0.53	—
Consumer Discretionary	0.52	—
Telecommunication Services	0.52	—
Information Technology	0.52	—
<i>United States</i>		
Utilities	21.47	12.45
Financials	16.05	23.51
Consumer Staples	12.37	3.85
Industrials	10.91	11.75
Consumer Discretionary	5.66	14.97
Information Technology	5.17	11.25
Health Care	5.16	2.80
Materials	2.60	5.08
Energy	1.54	4.92
Telecommunication Services	1.03	2.48
<i>International</i>		
United Kingdom	3.65	—
Bermuda	2.59	0.53
Switzerland	1.56	1.91
Ireland	1.04	2.77
France	1.03	—
Japan	1.02	—
Taiwan	0.53	—
Belgium	0.52	—
India	0.52	—
<b>Total</b>	<b>99.13</b>	<b>98.92</b>

First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
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**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>CANADA EQUITIES</b>				
<b>Consumer Discretionary—0.52%</b>				
Thomson Reuters Corp.	780	43,635	42,738	0.52
		<b>43,635</b>	<b>42,738</b>	<b>0.52</b>
<b>Financials—2.62%</b>				
Bank of Montreal	424	42,205	42,648	0.52
Bank of Nova Scotia	520	43,635	42,179	0.52
Canadian Imperial Bank of Commerce	348	39,915	42,611	0.52
Royal Bank of Canada	418	42,377	42,901	0.53
Toronto-Dominion Bank (The)	588	43,801	43,298	0.53
		<b>211,933</b>	<b>213,637</b>	<b>2.62</b>
<b>Information Technology—0.52%</b>				
Shaw Communications Inc., Class 'B'	1,462	41,282	41,955	0.52
		<b>41,282</b>	<b>41,955</b>	<b>0.52</b>
<b>Telecommunication Services—0.52%</b>				
TELUS Corp	891	43,113	42,414	0.52
		<b>43,113</b>	<b>42,414</b>	<b>0.52</b>
<b>Utilities—0.53%</b>				
Fortis Inc.	937	44,824	43,190	0.53
		<b>44,824</b>	<b>43,190</b>	<b>0.53</b>
		<b>384,787</b>	<b>383,934</b>	<b>4.71</b>
<b>UNITED STATES EQUITIES</b>				
<b>Consumer Discretionary—5.66%</b>				
Cracker Barrel Old Country Store Inc.	207	38,898	41,343	0.51
Genuine Parts Co.	353	38,973	42,158	0.52
Home Depot Inc.	177	34,884	42,168	0.52
Leggett & Platt Inc.	707	41,904	42,417	0.52
McDonald's Corp.	196	40,336	42,405	0.52
Omnicom Group Inc.	458	40,071	41,929	0.51
Starbucks Corp.	589	42,758	42,520	0.52
Target Corp.	511	40,862	41,912	0.51
Tiffany & Co.	320	38,248	41,813	0.51
V.F. Corp.	451	42,025	41,951	0.52
Williams-Sonoma Inc.	631	37,101	41,007	0.50
		<b>436,060</b>	<b>461,623</b>	<b>5.66</b>
<b>Consumer Staples—12.37%</b>				
Altria Group Inc.	467	45,101	41,919	0.51
Archer-Daniels-Midland Co.	835	44,800	42,068	0.52
Campbell Soup Co.	696	41,423	42,090	0.52
Clorox Co.	225	39,217	42,067	0.51
Coca-Cola Co. (The)	734	42,734	42,331	0.52
Colgate-Palmolive Co.	446	40,653	42,299	0.52
Conagra Brands Inc.	880	39,703	41,669	0.51
CVS Health Corp.	456	46,857	41,556	0.51
Dr. Pepper Snapple Group Inc.	349	38,305	42,580	0.52



First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
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**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
General Mills Inc.	559	38,101	41,661	0.51
Hershey Co. (The)	292	43,976	41,663	0.51
Hormel Foods Corp.	915	40,381	41,854	0.51
J.M. Smucker Co. (The)	268	40,604	41,853	0.51
Kellogg Co.	493	40,528	42,127	0.52
Kimberly-Clark Corp.	277	40,835	42,012	0.51
Kraft Heinz Co. (The)	431	48,135	42,128	0.52
McCormick & Co. Inc.	330	42,416	42,273	0.52
Mondelez International Inc., Class 'A'	774	41,626	41,641	0.51
PepsiCo Inc.	283	43,013	42,659	0.52
Philip Morris International Inc.	323	49,963	42,895	0.53
Procter & Gamble Co. (The)	364	40,844	42,040	0.51
Sysco Corp.	553	34,354	42,215	0.52
Walgreens Boots Alliance Inc.	459	41,593	41,899	0.51
Wal-Mart Stores Inc.	339	30,981	42,080	0.52
		<b>996,143</b>	<b>1,009,579</b>	<b>12.37</b>
<b>Energy—1.54%</b>				
Chevron Corp.	267	36,371	42,016	0.51
Exxon Mobil Corp.	400	42,446	42,054	0.51
Schlumberger Ltd.	497	39,235	42,101	0.52
		<b>118,052</b>	<b>126,171</b>	<b>1.54</b>
<b>Financials—16.05%</b>				
Aflac Inc.	384	37,009	42,370	0.52
American Tower Corp.	239	42,938	42,861	0.53
Arthur J. Gallagher & Co.	535	36,144	42,556	0.52
Assurant Inc.	332	40,453	42,083	0.52
Avalonbay Communities Inc.	188	43,528	42,161	0.52
Bank of Hawaii Corp.	386	39,302	41,582	0.51
BB&T Corp.	672	39,450	41,999	0.51
BlackRock Inc.	65	39,543	41,973	0.51
Capitol Federal Financial Inc.	2,462	42,488	41,500	0.51
Cincinnati Financial Corp.	453	41,835	42,690	0.52
CNA Financial Corp.	641	43,420	42,744	0.52
Cullen/Frost Bankers Inc.	351	42,560	41,760	0.51
Equity Residential	525	45,180	42,083	0.52
Erie Indemnity Co., Class 'A'	280	43,294	42,883	0.53
Federal Realty Investment Trust	255	42,681	42,570	0.52
FNF Group	856	43,566	42,222	0.52
Franklin Resources Inc.	772	44,330	42,048	0.52
Hanover Insurance Group Inc.	312	42,695	42,387	0.52
JPMorgan Chase & Co.	314	30,418	42,209	0.52
Mercury General Corp.	634	44,064	42,588	0.52
Northwest Bancshares Inc.	1,998	41,672	42,017	0.51
Park National Corp.	318	43,469	41,572	0.51
People's United Financial Inc.	1,782	41,222	41,888	0.51
PNC Financial Services Group Inc.	232	33,107	42,078	0.52

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**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
Public Storage Inc.	162	43,437	42,560	0.52
Realty Income Corp.	598	42,770	42,861	0.52
Simon Property Group Inc.	199	40,024	42,960	0.53
T. Rowe Price Group Inc.	319	30,849	42,075	0.52
Travelers Cos. Inc. (The)	250	35,960	42,625	0.52
U.S. Bancorp	623	41,086	41,959	0.51
Wells Fargo & Co.	550	38,382	41,944	0.51
		<b>1,256,876</b>	<b>1,309,808</b>	<b>16.05</b>
<b>Health Care—5.16%</b>				
Abbott Laboratories	590	42,623	42,325	0.52
Amgen Inc.	191	39,726	41,751	0.51
Bristol-Myers Squibb Co.	549	42,642	42,289	0.52
Cardinal Health Inc.	537	42,633	41,358	0.51
Eli Lilly and Co.	396	42,084	42,042	0.51
Johnson & Johnson	240	40,275	42,151	0.52
Merck & Co. Inc.	597	41,237	42,227	0.52
Owens & Minor Inc.	1,783	43,053	42,314	0.52
Patterson Cos. Inc.	928	48,510	42,145	0.51
Pfizer Inc.	929	41,825	42,296	0.52
		<b>424,608</b>	<b>420,898</b>	<b>5.16</b>
<b>Industrials—10.91%</b>				
3M Co.	143	39,175	42,308	0.52
Boeing Co. (The)	114	25,630	42,260	0.52
C.H. Robinson Worldwide Inc.	379	38,151	42,443	0.52
Caterpillar Inc.	215	27,786	42,587	0.52
Cummins Inc.	191	31,785	42,409	0.52
Dover Corp.	333	34,721	42,272	0.52
Emerson Electric Co.	484	38,048	42,399	0.52
Fastenal Co.	621	38,462	42,691	0.52
General Electric Co.	1,929	44,351	42,312	0.52
Honeywell International Inc.	219	36,916	42,217	0.52
Hubbell Inc.	245	37,658	41,680	0.51
Lockheed Martin Corp.	106	35,008	42,777	0.52
MSC Industrial Direct Co. Inc., Class 'A'	352	36,439	42,769	0.52
Republic Services Inc.	504	34,805	42,833	0.52
Snap-On Inc.	192	39,357	42,066	0.52
Union Pacific Corp.	250	34,811	42,141	0.52
United Parcel Service Inc., Class 'B'	284	41,045	42,535	0.52
United Technologies Corp.	264	40,387	42,334	0.52
W.W. Grainger Inc.	142	36,772	42,169	0.52
Waste Management Inc.	392	37,622	42,524	0.52
Watsco Inc., Class 'A'	199	41,489	42,534	0.52
		<b>770,418</b>	<b>890,260</b>	<b>10.91</b>
<b>Information Technology—5.17%</b>				
Analog Devices Inc.	379	42,587	42,414	0.52
Automatic Data Processing Inc.	286	38,889	42,130	0.52

First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
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**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
CA Inc.	999	41,363	41,791	0.51
Cisco Systems Inc.	874	33,481	42,077	0.51
Intel Corp.	730	30,347	42,357	0.52
International Business Machines Corp.	220	43,497	42,427	0.52
Microsoft Corp.	394	38,983	42,364	0.52
Paychex Inc.	488	40,099	41,761	0.51
QUALCOMM Inc.	523	40,129	42,088	0.52
Texas Instruments Inc.	323	31,024	42,404	0.52
		<b>380,399</b>	<b>421,813</b>	<b>5.17</b>
<b>Materials—2.60%</b>				
Air Products and Chemicals Inc.	206	41,170	42,487	0.52
Bemis Co. Inc.	710	41,124	42,651	0.52
DowDuPont Inc.	471	34,152	42,166	0.52
Praxair Inc.	220	38,654	42,775	0.52
Sonoco Products Co.	632	41,102	42,216	0.52
		<b>196,202</b>	<b>212,295</b>	<b>2.60</b>
<b>Telecommunication Services—1.03%</b>				
AT&T Inc.	861	43,901	42,079	0.52
Verizon Communications Inc.	632	38,726	42,049	0.51
		<b>82,627</b>	<b>84,128</b>	<b>1.03</b>
<b>Utilities—21.47%</b>				
Allele Inc.	460	45,290	42,996	0.53
Alliant Energy Corp.	797	42,319	42,688	0.52
Ameren Corp.	577	38,331	42,785	0.52
American Electric Power Co. Inc.	461	42,063	42,632	0.52
Aqua America Inc.	867	40,251	42,754	0.52
Atmos Energy Corp.	397	44,757	42,862	0.53
Avangrid Inc.	668	43,845	42,471	0.52
Avista Corp.	653	42,861	42,264	0.52
Black Hills Corp.	573	42,229	43,295	0.53
CMS Energy Corp.	718	41,961	42,689	0.52
Consolidated Edison Inc.	399	40,240	42,606	0.52
Dominion Energy Inc.	419	44,009	42,693	0.52
DTE Energy Co.	311	41,299	42,791	0.53
Duke Energy Corp.	402	41,763	42,502	0.52
Edison International	525	46,235	41,734	0.51
El Paso Electric Co.	616	46,161	42,858	0.53
Eversource Energy	543	39,971	43,124	0.53
Hawaiian Electric Industries Inc.	934	43,464	42,441	0.52
IDACORP Inc.	374	45,490	42,950	0.53
MDU Resources Group Inc.	1,286	43,880	43,452	0.53
MGE Energy Inc.	543	43,624	43,069	0.53
New Jersey Resources Corp.	870	47,453	43,962	0.54
NextEra Energy Inc.	218	36,920	42,800	0.53
Northwest Natural Gas Co.	574	47,901	43,039	0.53
OGE Energy Corp.	1,024	45,157	42,361	0.52

First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
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**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
ONE Gas Inc.	465	45,113	42,821	0.53
Otter Tail Corp.	763	44,898	42,632	0.52
Pinnacle West Capital Corp.	399	40,081	42,721	0.52
Portland General Electric Co.	746	45,592	42,741	0.52
PPL Corp.	1,093	48,891	42,522	0.52
Public Services Enterprise Group Inc.	660	43,101	42,725	0.52
Sempra Energy	312	43,896	41,932	0.51
South Jersey Industries Inc.	1,093	45,316	42,907	0.53
Southern Co.	700	44,498	42,314	0.52
Spire Inc.	456	45,089	43,075	0.53
UGI Corp.	724	43,842	42,728	0.52
Vectren Corp.	523	44,722	42,745	0.52
WEC Energy Group Inc.	515	41,673	43,004	0.53
Westar Energy Inc.	641	45,377	42,543	0.52
WGL Holdings Inc.	392	41,932	42,297	0.52
Xcel Energy Inc.	703	40,397	42,513	0.52
		<b>1,781,892</b>	<b>1,752,038</b>	<b>21.47</b>
		<b>6,443,277</b>	<b>6,688,613</b>	<b>81.96</b>
<b>INTERNATIONAL EQUITIES</b>				
<b>Belgium—0.52%</b>				
Anheuser-Busch InBev NV, ADR	302	44,262	42,350	0.52
		<b>44,262</b>	<b>42,350</b>	<b>0.52</b>
<b>Bermuda—2.59%</b>				
Aspen Insurance Holdings Ltd.	824	42,447	42,052	0.51
Axis Capital Holdings Ltd.	670	43,894	42,328	0.52
Everest Re Group Ltd.	153	42,620	42,553	0.52
Validus Holdings Ltd.	716	44,367	42,229	0.52
XL Group Ltd.	954	46,842	42,163	0.52
		<b>220,170</b>	<b>211,325</b>	<b>2.59</b>
<b>France—1.03%</b>				
Sanofi SA, ADR	785	45,209	42,430	0.52
Total SA, ADR	607	43,384	42,179	0.51
		<b>88,593</b>	<b>84,609</b>	<b>1.03</b>
<b>India—0.52%</b>				
Infosys Technologies Ltd., ADR	2,075	40,089	42,306	0.52
		<b>40,089</b>	<b>42,306</b>	<b>0.52</b>
<b>Ireland—1.04%</b>				
Eaton Corp. PLC	435	36,994	43,202	0.53
Medtronic PLC	413	42,660	41,921	0.51
		<b>79,654</b>	<b>85,123</b>	<b>1.04</b>
<b>Japan—1.02%</b>				
Canon Inc., ADR	871	42,575	40,947	0.50
Toyota Motor Corp., ADR	263	42,123	42,041	0.52
		<b>84,698</b>	<b>82,988</b>	<b>1.02</b>

First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Switzerland—1.56%</b>				
ABB Ltd., ADR	1,261	40,700	42,512	0.52
Chubb Ltd.	231	42,444	42,431	0.52
Novartis AG, ADR	405	43,445	42,743	0.52
		<b>126,589</b>	<b>127,686</b>	<b>1.56</b>
<b>Taiwan—0.53%</b>				
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	863	46,140	43,012	0.53
		<b>46,140</b>	<b>43,012</b>	<b>0.53</b>
<b>United Kingdom—3.65%</b>				
British American Tobacco PLC, ADR	507	43,007	42,693	0.52
Diageo PLC, ADR	235	41,082	43,137	0.53
GlaxoSmithKline PLC, ADR	951	42,365	42,401	0.52
Nielsen Holdings PLC	929	43,163	42,506	0.52
Royal Dutch Shell PLC, Class 'B', ADR	496	40,485	42,577	0.52
Unilever PLC, ADR	606	42,965	42,155	0.52
WPP PLC, ADR	371	39,811	42,232	0.52
		<b>292,878</b>	<b>297,701</b>	<b>3.65</b>
		<b>1,023,073</b>	<b>1,017,100</b>	<b>12.46</b>
<b>Total investments</b>		<b>7,851,137</b>	<b>8,089,647</b>	<b>99.13</b>
Transaction costs		(1,327)		
Unrealized appreciation on derivatives - see Schedule 1			41,203	0.50
Other assets, less liabilities			30,153	0.37
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>7,849,810</b>	<b>8,161,003</b>	<b>100.00</b>

**Schedule 1 - Foreign Exchange Contracts**

Counterparty	Credit Rating of Counterparty*	Settlement Date	Currency Sell	Amount Currency		Amount Bought	Forward Rate	Appreciation Current (Depreciation)	
				Sold	Buy			Rate	\$
Bank of New York Mellon (The), New York	A-1+	2018/01/31	USD	6,487,963	CAD	8,193,000	0.792	0.796	41,203
									<b>41,203</b>

\* Per Standard and Poor's Rating

# First Trust AlphaDEX™ U.S. Financial Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	4,199,960	2,570,412
Cash	31,080	22,815
Accrued dividend receivable	23,699	4,737
Other assets	1,784	759
	<b>4,256,523</b>	<b>2,598,723</b>
<b>Liabilities</b>		
Accrued liabilities	7,091	1,725
Redemptions payable	12,517	-
Distributions payable to holders of redeemable units	16,650	10,000
	<b>36,258</b>	<b>11,725</b>
<b>Total net assets attributable to holders of redeemable units</b>	<b>4,220,265</b>	<b>2,586,998</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Units</b>	4,220,265	2,586,998
<b>Redeemable units outstanding [note 6]</b>		
<b>Units</b>	150,000	100,000
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	28.14	25.87

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	171,526	93,042
<b>Other changes in fair value of investments</b>		
Net realized gain (loss) on sale of investments	573,654	232,839
Net realized gain (loss) on foreign exchange	(5,532)	728
Net change in unrealized (depreciation) appreciation of investments	(345,387)	(125,867)
	<b>394,261</b>	<b>200,742</b>
Foreign exchange gain (loss) on cash	(279)	466
	<b>393,982</b>	<b>201,208</b>
<b>Expenses [note 7]</b>		
Management fees	36,191	26,010
HST expense	3,680	2,638
Transaction costs [note 3 and note 9]	1,865	1,931
Independent Review Committee fees	1,032	761
Interest expense	1	55
	<b>42,769</b>	<b>31,395</b>
Expenses waived by manager	(1,032)	(761)
	<b>41,737</b>	<b>30,634</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>352,245</b>	<b>170,574</b>
<b>Withholding taxes</b>	<b>20,906</b>	<b>13,129</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>331,339</b>	<b>157,445</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Units</b>	331,339	157,445
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	1.72	0.93

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 AlphaDEX™ U.S. Financial Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	2,586,998	5,755,704
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	331,339	157,445
<b>Redeemable unit transactions [note 6]</b>		
Proceeds from issuance of units	9,823,760	-
Reinvested distributions	-	79,314
Redemption of units	(8,471,687)	(3,276,631)
	1,352,073	(3,197,317)
<b>Distributions to holders of redeemable units from:</b>		
Net investment income	-	-
Capital gains	-	(128,834)
Return of capital	(50,145)	-
	(50,145)	(128,834)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	1,633,267	(3,168,706)
<b>Net assets attributable to holders of redeemable units, end of year</b>	4,220,265	2,586,998

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

# First Trust AlphaDEX™ U.S. Financial Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	331,339	157,445
Adjustments for:		
Net realized (gain) loss on sale of investments	(573,654)	(232,839)
Change in unrealized (appreciation) depreciation of investments	345,387	125,867
Dividends receivable	(18,962)	10,132
Other assets	(1,025)	(683)
Other liabilities	5,366	(9,529)
Purchases of investments	(13,343,745)	(3,262,703)
Proceeds from the sale of investments	11,942,464	6,490,524
	(1,312,830)	3,278,214
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	9,823,760	-
Amount paid on redemptions of units	(8,459,170)	(3,276,631)
Distributions paid to unitholders	(43,495)	(74,520)
	1,321,095	(3,351,151)
<b>Increase (Decrease) in cash for the year</b>	8,265	(72,937)
<b>Cash, beginning of year</b>	22,815	95,752
<b>Cash, end of year</b>	31,080	22,815
Dividends received, net of withholding taxes	131,658	90,045

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



First Trust AlphaDEX™ U.S. Financial Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Financials Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Financial Services Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets (Liabilities) at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	4,199,960	–	–	4,199,960
Total	4,199,960	–	–	4,199,960
	Financial Assets (Liabilities) at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	2,570,412	–	–	2,570,412
Total	2,570,412	–	–	2,570,412

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Units
Beginning units – January 1, 2016	250,000
Redeemable units issued	–
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(150,000)
Outstanding units – December 31, 2016	100,000
Redeemable units issued	350,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(300,000)
Outstanding units – December 31, 2017	150,000

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee
Units
0.70%

First Trust AlphaDEX™ U.S. Financial Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
-	-	281,856	510,601

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
1,865	1,931

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
36,191	26,010	6,276	1,526

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Financial Services Index	198,361	(198,361)	120,166	(120,166)
Russell 1000® Index	204,691	(204,691)	128,574	(128,574)
S&P 500 Financials Index	168,818	(168,818)	110,206	(110,206)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	4,223,545	100.08%	2,577,371	99.63%

As at December 31, 2017, 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 \$42,235 (December 31, 2016 – \$25,774). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

First Trust AlphaDEX™ U.S. Financial Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**Concentration Risk** – The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Financials	87.12	86.91
Information Technology	10.30	8.14
Consumer Discretionary	1.11	2.21
Industrials	0.99	2.10
Total	99.52	99.36

# First Trust AlphaDEX™ U.S. Financial Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Consumer Discretionary—1.11%</b>				
CoreCivic Inc.	1,096	33,992	30,998	0.73
Lamar Advertising Co., Class 'A'	171	16,271	15,958	0.38
		<b>50,263</b>	<b>46,956</b>	<b>1.11</b>
<b>Financials—87.12%</b>				
Affiliated Managers Group Inc.	61	14,189	15,738	0.37
Aflac Inc.	216	22,562	23,833	0.56
AGNC Investment Corp .	1,352	35,351	34,312	0.81
Alleghany Corp.	31	22,822	23,228	0.55
Allstate Corp. (The)	255	31,146	33,563	0.80
Ally Financial Inc.	1,208	37,882	44,278	1.05
American Express Co.	63	7,244	7,864	0.19
American Financial Group Inc.	226	29,260	30,834	0.73
American International Group Inc.	190	14,823	14,230	0.34
American Tower Corp.	85	15,135	15,244	0.36
Ameriprise Financial Inc.	197	38,881	41,966	0.99
Annaly Capital Management Inc.	2,405	36,156	35,945	0.85
Aon PLC	121	21,150	20,381	0.48
Apple Hospitality REIT Inc.	620	15,413	15,283	0.36
Arch Capital Group Ltd.	177	21,166	20,195	0.48
Arthur J. Gallagher & Co.	287	22,734	22,829	0.54
Aspen Insurance Holdings Ltd.	726	40,064	37,051	0.88
Associated Banc-Corp.	725	23,054	23,148	0.55
Assurant Inc.	245	31,415	31,055	0.74
Assured Guaranty Ltd.	777	35,202	33,080	0.78
Avalonbay Communities Inc.	31	7,378	6,952	0.16
Axis Capital Holdings Ltd.	510	35,742	32,220	0.76
Bank of America Corp.	693	22,462	25,715	0.61
Bank of New York Mellon Corp. (The)	331	21,772	22,409	0.53
Bank of the Ozarks	118	7,299	7,186	0.17
BankUnited Inc.	494	23,166	25,285	0.60
BB&T Corp.	375	22,584	23,437	0.56
Berkshire Hathaway Inc., Class 'B'	96	22,184	23,920	0.57
BGC Partners Inc., Class 'A'	2,025	39,157	38,461	0.91
Brixmor Property Group Inc.	304	7,248	7,131	0.17
Brown & Brown Inc.	117	7,259	7,568	0.18
Camden Property Trust	62	7,170	7,175	0.17
Capital One Financial Corp.	278	31,683	34,798	0.82
Cboe Global Markets Inc.	272	38,816	42,598	1.01
CBRE Group Inc., Class 'A'	618	31,272	33,644	0.80
Charles Schwab Corp. (The)	269	15,610	17,370	0.41
Chimera Investment Corp.	1,549	35,713	35,982	0.85
Chubb Ltd.	204	38,567	37,472	0.89
Cincinnati Financial Corp.	75	6,897	7,068	0.17
Citigroup Inc.	321	28,367	30,024	0.71
Citizens Financial Group Inc.	310	14,811	16,358	0.39
CNA Financial Corp.	466	31,423	31,075	0.74
Colony NorthStar Inc., Class 'A'	453	7,135	6,497	0.15
Columbia Property Trust Inc.	809	23,535	23,338	0.55
Comerica Inc.	75	7,224	8,184	0.19

First Trust AlphaDEX™ U.S. Financial Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
Coresite Realty Corp.	209	29,269	29,923	0.71
Credit Acceptance Corp.	104	37,611	42,288	1.00
Cullen/Frost Bankers Inc.	60	7,066	7,139	0.17
CyrusOne Inc.	297	22,512	22,224	0.53
Digital Realty Trust Inc.	99	14,626	14,174	0.34
Discover Financial Services	365	31,917	35,291	0.84
Douglas Emmett Inc.	146	7,422	7,535	0.18
Duke Realty Corp.	204	7,403	6,977	0.17
E*TRADE Financial Corp.	130	7,426	8,100	0.19
East West Bancorp Inc.	295	22,008	22,557	0.53
Eaton Vance Corp.	238	15,679	16,870	0.40
Entertainment Properties Trust	168	15,320	13,824	0.33
Equinix Inc.	26	14,918	14,812	0.35
Equity Commonwealth	186	7,319	7,133	0.17
Equity Residential	86	7,452	6,894	0.16
Everest Re Group Ltd.	128	35,472	35,600	0.84
Extra Space Storage Inc.	71	7,534	7,805	0.19
F.N.B. Corp.	405	7,465	7,036	0.17
Federated Investors Inc., Class 'B'	791	32,342	35,874	0.85
Fifth Third Bancorp	628	22,494	23,950	0.57
First American Financial Corp.	586	37,888	41,279	0.98
First Data Corp.	649	13,661	13,632	0.32
First Hawaiian Inc.	188	7,044	6,896	0.16
First Horizon National Corp.	613	14,804	15,403	0.37
First Republic Bank	169	20,131	18,405	0.44
FNF Group	857	43,186	42,271	1.00
Franklin Resources Inc.	658	36,943	35,839	0.85
Gaming and Leisure Properties Inc.	153	7,176	7,116	0.17
GGP Inc.	848	25,489	24,932	0.59
Goldman Sachs Group Inc. (The)	99	30,581	31,703	0.75
Hanover Insurance Group Inc.	122	15,781	16,575	0.39
Hartford Financial Services Group Inc. (The)	104	7,183	7,357	0.17
Hospitality Properties Trust	200	7,922	7,504	0.18
Host Hotels & Resorts Inc.	633	15,603	15,794	0.37
Huntington Bancshares Inc.	840	14,835	15,374	0.36
Intercontinental Exchange Inc.	170	14,353	15,078	0.36
Invesco Ltd.	503	22,759	23,103	0.55
Iron Mountain Inc.	452	23,050	21,437	0.51
Jones Lang LaSalle Inc.	191	34,680	35,756	0.85
JPMorgan Chase & Co.	185	22,416	24,868	0.59
KeyCorp	303	7,433	7,682	0.18
Lazard Ltd., Class 'A'	519	30,632	34,250	0.81
Legg Mason Inc.	745	37,724	39,313	0.93
Leucadia National Corp.	1,162	39,411	38,692	0.92
Lincoln National Corp.	239	21,730	23,094	0.55
Loews Corp.	366	23,267	23,017	0.55
LPL Financial Holdings Inc.	567	33,735	40,725	0.97
M&T Bank Corp.	74	15,462	15,905	0.38
Marsh & McLennan Cos. Inc.	139	13,965	14,221	0.34
Medical Properties Trust Inc.	1,339	22,835	23,193	0.55
MFA Financial Inc.	3,347	34,409	33,321	0.79

# First Trust AlphaDEX™ U.S. Financial Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
Moody's Corp.	169	30,295	31,357	0.74
Morgan Stanley	488	28,987	32,186	0.76
National Retail Properties Inc.	136	7,423	7,373	0.17
Navient Corp.	1,561	27,328	26,136	0.62
New Residential Investment Corp.	1,753	38,063	39,399	0.93
New York Community Bancorp Inc.	1,365	23,866	22,340	0.53
Northern Trust Corp.	61	7,429	7,659	0.18
Old Republic International Corp.	1,488	38,536	39,990	0.95
Omega Healthcare Investors Inc.	551	20,997	19,074	0.45
OneMain Holdings Inc.	833	27,065	27,214	0.64
Outfront Media Inc.	467	14,359	13,619	0.32
PacWest Bancorp	349	21,610	22,110	0.52
Paramount Group Inc.	356	7,339	7,093	0.17
People's United Financial Inc.	645	15,339	15,161	0.36
Pinnacle Financial Partners Inc.	176	15,175	14,668	0.35
PNC Financial Services Group Inc.	129	21,259	23,397	0.55
Popular Inc.	490	22,490	21,859	0.52
Principal Financial Group Inc.	182	15,297	16,142	0.38
ProAssurance Corp.	323	25,409	23,204	0.55
Progressive Corp. (The)	605	36,787	42,831	1.01
Prologis Inc.	90	7,205	7,298	0.17
Prosperity Bancshares Inc.	177	15,528	15,590	0.37
Prudential Financial Inc.	166	23,214	23,992	0.57
Raymond James Financial Inc.	347	37,805	38,951	0.92
Rayonier Inc.	811	31,799	32,244	0.76
Realogy Holdings Corp.	889	33,371	29,613	0.70
Regions Financial Corp.	769	14,779	16,703	0.40
Reinsurance Group of America Inc.	168	31,396	32,929	0.78
RenaissanceRe Holdings Ltd.	218	36,654	34,415	0.82
Retail Properties of America Inc.	1,785	30,390	30,156	0.71
S&P Global Inc.	75	15,077	15,970	0.38
Santander Consumer USA Holdings Inc.	1,908	40,259	44,657	1.06
SBA Communications Corp.	82	16,420	16,838	0.40
SEI Investments Co.	384	32,660	34,686	0.82
SLM Corp.	497	7,320	7,059	0.17
Starwood Property Trust Inc.	810	22,619	21,738	0.52
State Street Corp.	245	27,947	30,060	0.71
Store Capital Corp.	228	7,472	7,463	0.18
SunTrust Banks Inc.	197	14,445	15,994	0.38
SVB Financial Group	95	25,531	27,916	0.66
Synchrony Financial	755	33,362	36,642	0.87
T. Rowe Price Group Inc.	323	38,455	42,603	1.01
Tanger Factory Outlet Centers Inc.	481	16,903	16,028	0.38
TCF Financial Corp.	1,376	33,506	35,457	0.84
TD Ameritrade Holding Corp.	481	30,538	30,914	0.73
Torchmark Corp.	146	15,159	16,647	0.39
Travelers Cos. Inc. (The)	239	39,241	40,749	0.97
Two Harbors Investment Corp.	1,777	38,846	36,320	0.86
U.S. Bancorp	219	14,873	14,750	0.35
Unum Group	459	29,817	31,670	0.75
Validus Holdings Ltd.	476	30,073	28,074	0.67

First Trust AlphaDEX™ U.S. Financial Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
Visa Inc., Class 'A'	224	30,700	32,104	0.76
Vornado Realty Trust	152	16,312	14,937	0.35
Voya Financial Inc.	441	23,894	27,423	0.65
W.R. Berkley Corp.	352	30,360	31,703	0.75
Webster Financial Corp.	109	7,703	7,695	0.18
Weingarten Realty Investors	185	8,179	7,644	0.18
Wells Fargo & Co.	425	30,263	32,411	0.77
Welltower Inc.	166	14,780	13,306	0.32
Western Alliance Bancorp	330	22,957	23,487	0.56
Willis Towers Watson PLC	38	7,607	7,198	0.17
WP Carey Inc.	85	7,508	7,362	0.17
XL Group Ltd.	743	36,871	32,838	0.78
Zions Bancorp	248	14,186	15,846	0.38
		<b>3,588,503</b>	<b>3,676,557</b>	<b>87.12</b>
<b>Industrials—0.99%</b>				
Dun & Bradstreet Corp. (The)	50	7,731	7,442	0.18
TransUnion	495	31,690	34,197	0.81
		<b>39,421</b>	<b>41,639</b>	<b>0.99</b>
<b>Information Technology—10.30%</b>				
Broadridge Financial Solutions Inc., ADR	363	38,900	41,331	0.98
CoreLogic Inc.	380	20,753	22,073	0.52
Euronet Worldwide Inc.	185	21,313	19,597	0.47
FactSet Research Systems Inc.	30	7,385	7,269	0.17
Fidelity National Information Services Inc.	250	28,565	29,568	0.70
Fiserv Inc.	92	15,084	15,164	0.36
FleetCor Technologies Inc.	38	8,387	9,192	0.22
Global Payments Inc.	248	30,780	31,248	0.74
Jack Henry & Associates Inc.	54	7,598	7,939	0.19
MasterCard Inc., Class 'A'	167	29,825	31,773	0.75
MSCI Inc., Class 'A'	200	30,927	31,812	0.75
PayPal Holdings Inc.	457	38,818	42,291	1.00
Square Inc., Class 'A'	1,019	40,452	44,408	1.05
Total System Service Inc.	448	39,315	44,538	1.06
Vantiv Inc., Class 'A'	333	30,636	30,787	0.73
WEX Inc.	104	16,316	18,463	0.44
Zillow Group Inc., Class 'C'	143	7,850	7,355	0.17
		<b>412,904</b>	<b>434,808</b>	<b>10.30</b>
<b>Total investments</b>		<b>4,091,091</b>	<b>4,199,960</b>	<b>99.52</b>
Transaction costs		(297)		
Other assets, less liabilities			20,305	0.48
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>4,090,794</b>	<b>4,220,265</b>	<b>100.00</b>

# First Trust AlphaDEX™ U.S. Energy Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	1,293,326	2,936,996
Cash	5,422	7,440
Accrued dividend receivable	365	122
Other assets	94	112
	1,299,207	2,944,670
<b>Liabilities</b>		
Accrued liabilities	967	1,695
	967	1,695
<b>Total net assets attributable to holders of redeemable units</b>	<b>1,298,240</b>	<b>2,942,975</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Units</b>	<b>1,298,240</b>	<b>2,942,975</b>
<b>Redeemable units outstanding [note 6]</b>		
<b>Units</b>	<b>100,000</b>	<b>200,000</b>
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	<b>12.98</b>	<b>14.71</b>

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	44,401	30,651
<b>Other changes in fair value of investments</b>		
Net realized gain (loss) on sale of investments	(259,471)	(421,436)
Net realized gain (loss) on foreign exchange	(65)	240
Net change in unrealized appreciation (depreciation) of investments	(139,872)	666,431
	(355,007)	275,886
Foreign exchange gain (loss) on cash	103	(151)
	(354,904)	275,735
<b>Expenses [note 7]</b>		
Management fees	14,347	11,958
Transaction costs [note 3 and note 9]	2,076	2,472
HST expense	1,745	1,434
Independent Review Committee fees	399	345
Interest expense	4	19
	18,571	16,228
Expenses waived by manager	(399)	(345)
	18,172	15,883
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>(373,076)</b>	<b>259,852</b>
<b>Withholding taxes</b>	<b>5,325</b>	<b>4,341</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>(378,401)</b>	<b>255,511</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Units</b>	<b>(378,401)</b>	<b>255,511</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	<b>(2.32)</b>	<b>1.91</b>

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 AlphaDEX™ U.S. Energy Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	2,942,975	1,911,061
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	(378,401)	255,511
<b>Redeemable unit transactions [note 6]</b>		
Proceeds from issuance of units	631,603	1,429,453
Redemption of units	(1,894,112)	(643,660)
	(1,262,509)	785,793
<b>Distributions to holders of redeemable units from:</b>		
Net investment income	-	-
Capital gains	-	-
Return of capital	(3,825)	(9,390)
	(3,825)	(9,390)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	(1,644,735)	1,031,914
<b>Net assets attributable to holders of redeemable units, end of year</b>	1,298,240	2,942,975

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

# First Trust AlphaDEX™ U.S. Energy Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	(378,401)	255,511
Adjustments for:		
Net realized (gain) loss on sale of investments	259,471	421,436
Change in unrealized (appreciation) depreciation of investments	139,872	(666,431)
Dividends receivable	(243)	59
Other assets	18	(34)
Other liabilities	(728)	(2,748)
Purchases of investments	(2,670,495)	(3,164,837)
Proceeds from the sale of investments	3,914,822	2,375,084
	1,264,316	(781,960)
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	631,603	1,429,453
Amount paid on redemptions of units	(1,894,112)	(643,660)
Distributions paid to unitholders	(3,825)	(9,390)
	(1,266,334)	776,403
<b>Increase (Decrease) in cash for the year</b>	(2,018)	(5,557)
<b>Cash, beginning of year</b>	7,440	12,997
<b>Cash, end of year</b>	5,422	7,440
Dividends received, net of withholding taxes	38,833	26,369

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

**First Trust AlphaDEX™ U.S. Energy Sector Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Energy Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Energy Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	1,293,326	–	–	1,293,326
<b>Total</b>	<b>1,293,326</b>	<b>–</b>	<b>–</b>	<b>1,293,326</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	2,936,996	–	–	2,936,996
<b>Total</b>	<b>2,936,996</b>	<b>–</b>	<b>–</b>	<b>2,936,996</b>

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Units
Beginning units – January 1, 2016	150,000
Redeemable units issued	100,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(50,000)
<b>Outstanding units – December 31, 2016</b>	<b>200,000</b>
Redeemable units issued	50,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(150,000)
<b>Outstanding units – December 31, 2017</b>	<b>100,000</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee
Units
0.70%

First Trust AlphaDEX™ U.S. Energy Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
-	-	1,368,623	928,105

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
2,076	2,472

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
14,347	11,958	850	1,500

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Energy Index	75,301	(75,301)	177,314	(177,314)
Russell 1000® Index	50,634	(50,634)	143,470	(143,470)
S&P 500 Energy Index	75,301	(75,301)	178,344	(178,344)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	1,297,859	99.97%	2,940,726	99.92%

As at December 31, 2017, 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 \$12,979 (December 31, 2016 - \$29,407). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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First Trust AlphaDEX™ U.S. Energy Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

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**Concentration Risk** – The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Energy	98.17	96.86
Materials	1.45	–
Information Technology	–	2.94
Total	99.62	99.80

First Trust AlphaDEX™ U.S. Energy Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Energy—98.17%</b>				
Anadarko Petroleum Corp.	388	24,272	26,161	2.02
Andeavor	184	20,652	26,445	2.04
Antero Resources Corp.	1,763	49,242	42,106	3.24
Apache Corp.	414	28,512	21,971	1.69
Cabot Oil & Gas Corp.	709	23,399	25,489	1.96
Cheniere Energy Inc.	140	8,543	9,475	0.73
Chevron Corp.	239	34,616	37,610	2.90
Cimarex Energy Co.	123	17,875	18,864	1.45
CNX Resources Corp.	1,984	40,677	36,486	2.81
Concho Resources Inc.	267	44,455	50,417	3.88
ConocoPhillips	126	8,126	8,694	0.67
Continental Resources Inc.	163	8,903	10,853	0.84
Devon Energy Corp.	956	45,535	49,750	3.83
Diamondback Energy Inc.	287	37,435	45,546	3.51
Energen Corp.	513	35,575	37,123	2.86
EOG Resources Inc.	65	7,985	8,817	0.68
EQT Corp.	291	23,875	20,821	1.60
Exxon Mobil Corp.	343	38,345	36,061	2.78
Gulfport Energy Corp.	441	7,874	7,073	0.55
Helmerich & Payne Inc.	363	30,303	29,495	2.27
HollyFrontier Corp.	781	36,969	50,284	3.87
Kinder Morgan Inc.	988	26,004	22,441	1.73
Laredo Petroleum Inc.	1,085	16,539	14,470	1.11
Marathon Oil Corp.	1,035	21,458	22,026	1.70
Marathon Petroleum Corp.	501	31,970	41,551	3.20
Murphy Oil Corp.	1,321	51,023	51,558	3.97
Nabors Industries Ltd.	1,739	18,518	14,930	1.15
Occidental Petroleum Corp.	219	18,869	20,277	1.56
Oceaneering International Inc.	534	19,438	14,190	1.09
ONEOK Inc.	342	22,114	22,978	1.77
Parsley Energy Inc., Class 'A'	240	9,538	8,881	0.68
Patterson-UTI Energy Inc.	905	26,741	26,176	2.02
PBF Energy Inc.	229	7,855	10,204	0.79
Phillips 66	207	22,628	26,319	2.03
Pioneer Natural Resources Co.	43	8,251	9,343	0.72
QEP Resources Inc.	4,095	52,594	49,261	3.79
Range Resources Corp.	1,793	50,417	38,450	2.96
RPC Inc.	1,415	40,544	45,409	3.50
RSP Permian Inc.	406	17,394	20,761	1.60
SM Energy Co.	1,978	52,291	54,899	4.23
Targa Resources Corp.	133	7,732	8,095	0.62
Valero Energy Corp.	456	38,281	52,682	4.06
Whiting Petroleum Corp.	289	16,018	9,619	0.74
Williams Cos. Inc. (The)	468	17,708	17,937	1.38
World Fuel Services Corp.	828	40,580	29,288	2.26
WPX Energy Inc.	2,441	36,218	43,171	3.33
		<b>1,243,891</b>	<b>1,274,457</b>	<b>98.17</b>

First Trust AlphaDEX™ U.S. Energy Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Materials—1.45%</b>				
Valvoline Inc.	599	18,076	18,869	1.45
		<b>18,076</b>	<b>18,869</b>	<b>1.45</b>
<b>Total investments</b>		<b>1,261,967</b>	<b>1,293,326</b>	<b>99.62</b>
Transaction costs		(435)		
Other assets, less liabilities			4,914	0.38
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>1,261,532</b>	<b>1,298,240</b>	<b>100.00</b>

# First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	3,772,147	2,278,180
Cash	66,695	5,632
Accrued dividend receivable	11,973	2,328
Other assets	1,693	1,155
	<b>3,852,508</b>	<b>2,287,295</b>
<b>Liabilities</b>		
Accrued liabilities	9,538	1,562
Redemptions payable	20,586	-
Distributions payable to holders of redeemable units	29,470	-
	<b>59,594</b>	<b>1,562</b>
<b>Total net assets attributable to holders of redeemable units</b>	<b>3,792,914</b>	<b>2,285,733</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Units</b>	3,792,914	2,285,733
<b>Redeemable units outstanding [note 6]</b>		
<b>Units</b>	150,000	100,000
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	25.29	22.86

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	158,036	59,182
<b>Other changes in fair value of investments</b>		
Net realized gain (loss) on sale of investments	1,348,882	46,817
Net realized gain (loss) on foreign exchange	618	134
Net change in unrealized appreciation (depreciation) of investments	177,825	(116,571)
	<b>1,685,361</b>	<b>(10,438)</b>
Foreign exchange gain (loss) on cash	(2,529)	(49)
	<b>1,682,832</b>	<b>(10,487)</b>
<b>Expenses [note 7]</b>		
Management fees	46,345	16,035
HST expense	4,245	1,209
Transaction costs [note 3 and note 9]	2,063	1,456
Independent Review Committee fees	1,395	463
Interest expense	2	32
	<b>54,050</b>	<b>19,195</b>
Expenses waived by manager	(1,395)	(463)
	<b>52,655</b>	<b>18,732</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>1,630,177</b>	<b>(29,219)</b>
<b>Withholding taxes</b>	<b>14,563</b>	<b>9,551</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>1,615,614</b>	<b>(38,770)</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Units</b>	1,615,614	(38,770)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	5.77	(0.37)

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 AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	2,285,733	3,443,080
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	1,615,614	(38,770)
<b>Redeemable unit transactions [note 6]</b>		
Proceeds from issuance of units	15,002,824	-
Reinvested distributions	20,995	-
Redemption of units	(15,053,787)	(1,078,577)
	(29,968)	(1,078,577)
<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(78,465)	(32,721)
Capital gains	-	-
Return of capital	-	(7,279)
	(78,465)	(40,000)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	1,507,181	(1,157,347)
<b>Net assets attributable to holders of redeemable units, end of year</b>	3,792,914	2,285,733

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

# First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	1,615,614	(38,770)
Adjustments for:		
Net realized (gain) loss on sale of investments	(1,348,882)	(46,817)
Change in unrealized (appreciation) depreciation of investments	(177,825)	116,571
Dividends receivable	(9,645)	402
Other assets	(538)	667
Other liabilities	7,976	(7,580)
Purchases of investments	(19,076,778)	(2,747,975)
Proceeds from the sale of investments	19,109,518	3,821,117
	119,440	1,097,615
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	15,002,824	-
Amount paid on redemptions of units	(15,033,201)	(1,078,577)
Distributions paid to unitholders	(28,000)	(52,750)
	(58,377)	(1,131,327)
<b>Increase (decrease) in cash for the year</b>	61,063	(33,712)
<b>Cash, beginning of year</b>	5,632	39,344
<b>Cash, end of year</b>	66,695	5,632
Dividends received, net of withholding taxes	133,827	50,033

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

**First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Consumer Discretionary Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Consumer Discretionary Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	3,772,147	–	–	3,772,147
<b>Total</b>	<b>3,772,147</b>	<b>–</b>	<b>–</b>	<b>3,772,147</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	2,278,180	–	–	2,278,180
<b>Total</b>	<b>2,278,180</b>	<b>–</b>	<b>–</b>	<b>2,278,180</b>

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Units
Beginning units – January 1, 2016	150,000
Redeemable units issued	–
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(50,000)
<b>Outstanding units – December 31, 2016</b>	<b>100,000</b>
Redeemable units issued	650,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(600,000)
<b>Outstanding units – December 31, 2017</b>	<b>150,000</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee
Units
0.70%

First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
29,096	29,096	-	-

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
2,063	1,456

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
46,345	16,035	8,441	1,382

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Consumer Discretionary and Services Index	189,654	(189,654)	108,801	(108,801)
Russell 1000® Index	182,068	(182,068)	108,458	(108,458)
S&P 500 Consumer Discretionary Index	183,964	(183,964)	105,487	(105,487)

First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	3,788,496	99.88%	2,283,578	99.91%

As at December 31, 2017, 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 \$37,885 (December 31, 2016 - \$22,836). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Concentration Risk** – The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Consumer Discretionary	92.92	90.49
Consumer Staples	2.46	3.22
Industrials	1.92	3.21
Information Technology	1.35	1.26
Telecommunication Services	0.80	1.49
Total	99.45	99.67

# First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Consumer Discretionary—92.92%</b>				
Advance Auto Parts Inc.	242	28,602	30,325	0.80
Amazon.com Inc.	7	8,621	10,290	0.27
AMC Networks Inc.	138	10,092	9,381	0.25
Aptiv PLC	403	47,101	42,972	1.13
Aramark	197	10,150	10,584	0.28
AutoNation Inc.	701	40,648	45,230	1.19
AutoZone Inc.	15	10,739	13,413	0.35
Bed Bath & Beyond Inc.	1,773	57,444	49,008	1.29
Best Buy Co. Inc.	418	28,034	35,976	0.95
BorgWarner Inc.	811	50,161	52,083	1.37
Bright Horizons Family Solutions Inc.	278	29,497	32,848	0.87
Brunswick Corp.	428	31,183	29,708	0.78
Burlington Stores Inc.	83	9,387	12,836	0.34
Cable One Inc.	10	9,102	8,841	0.23
CalAtlantic Group Inc.	1,135	53,748	80,451	2.12
CarMax Inc.	549	51,505	44,256	1.17
Carnival Corp.	515	41,522	42,965	1.13
Carter's Inc.	169	20,234	24,959	0.66
Charter Communications Inc.	90	39,740	38,007	1.00
Cinemark Holdings Inc.	659	31,011	28,844	0.76
Comcast Corp., Class 'A'	620	29,135	31,213	0.82
D.R. Horton Inc.	1,044	51,141	67,020	1.77
Dick's Sporting Goods Inc.	1,539	57,371	55,598	1.47
Discovery Communications Inc., Series 'A'	1,953	54,226	54,941	1.45
Dollar General Corp.	410	40,567	47,935	1.26
Dollar Tree Inc.	274	29,547	36,960	0.97
Domino's Pizza Inc.	42	10,646	9,976	0.26
Expedia Inc.	57	10,340	8,581	0.23
Extended Stay America Inc.	834	21,161	19,918	0.53
Foot Locker Inc.	1,181	57,340	69,594	1.84
Ford Motor Co.	2,782	43,642	43,677	1.15
GameStop Corp., Class 'A'	2,016	55,698	45,487	1.20
Gap Inc. (The)	1,127	38,844	48,251	1.27
Garmin Ltd.	615	41,081	46,051	1.21
General Motors Co.	1,029	54,721	53,019	1.40
Gentex Corp.	1,683	41,921	44,320	1.17
Genuine Parts Co.	82	9,950	9,793	0.26
Goodyear Tire & Rubber Co. (The)	1,252	52,634	50,848	1.34
Graham Holdings Co., Class 'B'	30	22,102	21,055	0.56
H&R Block Inc.	627	20,305	20,665	0.55
Hanesbrands Inc.	676	20,057	17,768	0.47
Harley-Davidson Inc.	346	21,133	22,129	0.58
Hasbro Inc.	82	10,011	9,368	0.25
Hilton Worldwide Holdings Inc.	239	20,807	23,992	0.63
Home Depot Inc.	101	20,177	24,062	0.63
Hyatt Hotels Corp., Class 'A'	269	20,304	24,866	0.66
International Game Technology PLC	678	19,070	22,593	0.60
Interpublic Group of Cos. Inc. (The)	382	10,494	9,680	0.26
Kohl's Corp.	911	49,955	62,100	1.64

# First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
Lear Corp.	241	48,704	53,517	1.41
Leggett & Platt Inc.	165	10,212	9,900	0.26
Lennar Corp., Class 'A'	462	31,959	36,726	0.97
Live Nation Inc.	954	47,197	51,049	1.35
LKQ Corp.	664	29,532	33,945	0.90
Lowe's Cos. Inc.	100	10,153	11,683	0.31
Lululemon Athletica Inc.	126	9,886	12,447	0.33
Macy's Inc.	1,906	53,650	60,351	1.59
Madison Square Garden Co. (The)	77	20,290	20,408	0.54
Marriott International Inc., Class 'A'	377	51,302	64,321	1.70
Mattel Inc.	1,077	21,690	20,821	0.55
MGM Resorts International	734	27,438	30,807	0.81
Michael Kors Holdings Ltd.	695	38,682	54,994	1.45
Michaels Cos. Inc. (The)	777	21,127	23,626	0.62
Mohawk Industries Inc.	97	29,953	33,640	0.89
Murphy USA Inc.	348	31,240	35,152	0.93
Netflix Inc.	184	42,847	44,398	1.17
Newell Brands Inc.	558	30,215	21,674	0.57
Norwegian Cruise Line Holdings Ltd.	443	31,534	29,625	0.78
NVR Inc.	14	48,552	61,738	1.63
Penske Automotive Group Inc.	701	40,746	42,163	1.11
Polaris Industries Inc.	318	41,543	49,562	1.31
PulteGroup Inc.	1,521	49,257	63,571	1.68
PVH Corp.	132	19,521	22,767	0.60
Regal Entertainment Group	497	10,767	14,375	0.38
Ross Stores Inc.	124	10,070	12,508	0.33
Royal Caribbean Cruises Ltd.	279	40,553	41,832	1.10
Sally Beauty Holdings Inc.	852	20,905	20,091	0.53
Scripps Networks Interactive Inc.	192	19,914	20,606	0.54
Service Corp. International	230	9,738	10,790	0.28
ServiceMaster Global Holdings Inc.	513	30,416	33,061	0.87
Skechers U.S.A. Inc., Class 'A'	1,328	42,940	63,166	1.67
Tapestry Inc.	592	29,500	32,914	0.87
Target Corp.	564	41,990	46,259	1.22
TEGNA Inc.	1,250	23,335	22,123	0.58
Tempur Sealy International Inc.	372	30,428	29,314	0.77
Tesla Motors Inc.	50	21,599	19,568	0.51
Thor Industries Inc.	331	49,212	62,710	1.65
Tiffany & Co.	86	9,767	11,237	0.30
Time Warner Inc.	77	9,778	8,853	0.23
Toll Brothers Inc.	801	40,744	48,349	1.27
Tractor Supply Co.	126	9,585	11,839	0.31
Tribune Media Co., Class 'A'	407	20,814	21,728	0.57
Twenty-First Century Fox Inc., Class 'A'	300	10,423	13,021	0.34
Urban Outfitters Inc.	1,743	51,866	76,815	2.03
V.F. Corp.	124	9,734	11,534	0.30
Vail Resorts Inc.	145	38,159	38,726	1.02
Visteon Corp.	268	39,581	42,157	1.11
WABCO Holdings Inc.	225	40,888	40,585	1.07
Walt Disney Co. (The)	241	30,638	32,569	0.86
Wayfair Inc., Class 'A'	493	42,611	49,743	1.31

First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
Whirlpool Corp.	91	20,343	19,290	0.51
Williams-Sonoma Inc.	666	42,794	43,281	1.14
Wyndham Worldwide Corp.	225	29,505	32,771	0.86
Wynn Resorts Ltd.	280	48,349	59,337	1.56
		<b>3,207,077</b>	<b>3,524,474</b>	<b>92.92</b>
<b>Consumer Staples—2.46%</b>				
Estée Lauder Cos. Inc., Class 'A'	156	21,084	24,951	0.66
L Brands Inc.	401	23,001	30,354	0.80
Wal-Mart Stores Inc.	305	31,067	37,859	1.00
		<b>75,152</b>	<b>93,164</b>	<b>2.46</b>
<b>Industrials—1.92%</b>				
AMERCO Inc.	65	30,194	30,877	0.81
Fortune Brands Home & Security Inc.	120	9,846	10,324	0.27
KAR Auction Services Inc.	499	29,923	31,682	0.84
		<b>69,963</b>	<b>72,883</b>	<b>1.92</b>
<b>Information Technology—1.35%</b>				
eBay Inc.	1,081	51,327	51,282	1.35
		<b>51,327</b>	<b>51,282</b>	<b>1.35</b>
<b>Telecommunication Services—0.80%</b>				
Lions Gate Entertainment Corp., Class 'A'	714	27,707	30,344	0.80
		<b>27,707</b>	<b>30,344</b>	<b>0.80</b>
<b>Total investments</b>		<b>3,431,226</b>	<b>3,772,147</b>	<b>99.45</b>
Transaction costs		(173)		
Other assets, less liabilities			20,767	0.55
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>3,431,053</b>	<b>3,792,914</b>	<b>100.00</b>



# First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	3,411,387	2,448,759
Cash	46,723	23,361
Accrued dividend receivable	1,522	3,149
Derivative assets	5,054	-
Other assets	-	1,233
	3,464,686	2,476,502
<b>Liabilities</b>		
Accrued liabilities	3,430	1,997
Distributions payable to holders of redeemable units	38,620	12,500
	42,050	14,497
<b>Total net assets attributable to holders of redeemable units</b>	<b>3,422,636</b>	<b>2,462,005</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Units</b>	2,421,369	2,462,005
<b>Hedged Units</b>	1,001,267	-
<b>Redeemable units outstanding [note 6]</b>		
<b>Units</b>	100,000	100,000
<b>Hedged Units</b>	50,000	-
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	24.21	24.62
<b>Hedged Units</b>	20.03	-

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	64,700	124,490
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	(70,229)	113,664
Net realized gain (loss) on derivatives	3,843	-
Net realized gain (loss) on foreign exchange	(20,203)	617
Net change in unrealized appreciation (depreciation) of investments	105,645	(252,390)
Net change in unrealized appreciation (depreciation) of derivatives	5,054	-
	88,810	(13,619)
Foreign exchange gain (loss) on cash	(616)	(266)
	88,194	(13,885)
<b>Expenses [note 7]</b>		
Management fees	25,595	34,685
HST expense	4,343	3,301
Transaction costs [note 3 and note 9]	3,936	2,922
Independent Review Committee fees	747	996
Interest expense	39	45
	34,660	41,949
Expenses waived by manager	(747)	(996)
	33,913	40,953
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>54,281</b>	<b>(54,838)</b>
<b>Withholding taxes</b>	<b>9,038</b>	<b>14,892</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>45,243</b>	<b>(69,730)</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Units</b>	43,976	(69,730)
<b>Hedged Units</b>	1,267	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	0.29	(0.34)
<b>Hedged Units</b>	0.03	-

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 AlphaDEX™ U.S. Consumer Staples Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Units	December 31 2016 (\$) Units	December 31 2017 (\$) Hedged Units	December 31 2016 (\$) Hedged Units
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	2,462,005	3,709,685	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	43,976	(69,730)	1,267	-
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	12,800,112	7,465,289	1,000,000	-
Reinvested distributions	-	104,080	-	-
Redemption of units	(12,839,729)	(8,561,989)	-	-
	(39,617)	(992,620)	1,000,000	-
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	(44,995)	(70,512)	-	-
Capital gains	-	(114,816)	-	-
Return of capital	-	(2)	-	-
	(44,995)	(185,330)	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	(40,636)	(1,247,680)	1,001,267	-
<b>Net assets attributable to holders of redeemable units, end of year</b>	2,421,369	2,462,005	1,001,267	-
			<b>December 31, 2017 (\$) Total</b>	<b>December 31, 2016 (\$) Total</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>			2,462,005	3,709,685
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>			45,243	(69,730)
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			13,800,112	7,465,289
Reinvested distributions			-	104,080
Redemption of units			(12,839,729)	(8,561,989)
			960,383	(992,620)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			(44,995)	(70,512)
Capital gains			-	(114,816)
Return of capital			-	(2)
			(44,995)	(185,330)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>			960,631	(1,247,680)
<b>Net assets attributable to holders of redeemable units, end of year</b>			3,422,636	2,462,005

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

# First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	45,243	(69,730)
Adjustments for:		
Net realized (gain) loss on sale of investments	70,229	(113,664)
Change in unrealized (appreciation) depreciation of investments and derivatives	(110,699)	252,390
Dividends receivable	1,627	(89)
Other assets	1,233	(1,035)
Other liabilities	1,433	(7,693)
Purchases of investments	(17,895,740)	(13,979,941)
Proceeds from the sale of investments	16,968,528	15,077,983
	(918,146)	1,158,221
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	13,800,112	7,465,289
Amount paid on redemptions of units	(12,839,729)	(8,561,989)
Distributions paid to unitholders	(18,875)	(86,375)
	941,508	(1,183,075)
<b>Increase (decrease) in cash for the year</b>	23,362	(24,854)
<b>Cash, beginning of year</b>	23,361	48,215
<b>Cash, end of year</b>	46,723	23,361
Dividends received, net of withholding taxes	57,289	109,509

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

**First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Consumer Staples Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Consumer Staples Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	3,411,387	–	–	3,411,387
Derivative assets*	–	5,054	–	5,054
<b>Total</b>	<b>3,411,387</b>	<b>5,054</b>	<b>–</b>	<b>3,416,441</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	2,448,759	–	–	2,448,759
<b>Total</b>	<b>2,448,759</b>	<b>–</b>	<b>–</b>	<b>2,448,759</b>

\* The derivative assets relate to the Hedged Units only.

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Units	Hedged Units
Beginning units – January 1, 2016	150,000	–
Redeemable units issued	300,000	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(350,000)	–
<b>Outstanding units – December 31, 2016</b>	<b>100,000</b>	<b>–</b>
Redeemable units issued	550,000	50,000
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(550,000)	–
<b>Outstanding units – December 31, 2017</b>	<b>100,000</b>	<b>50,000</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee	
Units	Hedged Units
0.70%	0.70%

First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** – There were no net capital losses and non-capital losses as at December 31, 2017 and 2016.

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
3,936	2,922

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
25,595	34,685	1,946	1,767

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Consumer Staples Index	155,737	(155,737)	108,451	(108,451)
Russell 1000® Index	142,046	(142,046)	90,356	(90,356)
S&P 500 Consumer Staples Index	154,025	(154,025)	107,713	(107,713)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	2,418,414	70.66%	2,451,680	99.58%

As at December 31, 2017, 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 \$24,184 (December 31, 2016 - \$24,517). A portion of this currency risk exposure has been hedged. Please refer to the Schedule of Portfolio Investments for more information. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

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**Concentration Risk** – The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Consumer Staples	94.92	86.60
Consumer Discretionary	4.75	10.62
Industrials	–	2.24
Total	99.67	99.46

First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Consumer Discretionary—4.75%</b>				
Nu Skin Enterprises Inc., Class 'A'	1,182	94,119	101,374	2.96
Rite Aid Corp.	24,719	60,632	61,212	1.79
		<b>154,751</b>	<b>162,586</b>	<b>4.75</b>
<b>Consumer Staples—94.92%</b>				
Archer-Daniels-Midland Co.	2,849	151,672	143,534	4.19
Blue Buffalo Pet Products Inc.	3,418	125,720	140,880	4.12
Bunge Ltd.	1,744	150,742	147,053	4.30
Campbell Soup Co.	1,552	92,380	93,856	2.74
Casey's General Stores Inc.	664	94,629	93,430	2.73
Clorox Co.	161	27,389	30,101	0.88
Colgate-Palmolive Co.	291	27,104	27,599	0.81
Conagra Brands Inc.	1,436	62,775	67,996	1.99
Constellation Brands Inc., Class 'A'	364	94,115	104,582	3.05
CVS Health Corp.	1,489	143,496	135,696	3.96
Edgewell Personal Care Co.	1,332	115,244	99,438	2.90
Flowers Foods Inc.	3,864	92,423	93,790	2.74
General Mills Inc.	936	63,096	69,758	2.04
Herbalife Ltd.	714	63,425	60,779	1.78
Hershey Co. (The)	194	26,726	27,680	0.81
Hormel Foods Corp.	3,015	127,808	137,913	4.03
Ingredion Inc.	803	127,919	141,110	4.12
J.M. Smucker Co. (The)	923	128,977	144,145	4.21
Kimberly-Clark Corp.	412	62,187	62,488	1.83
Kraft Heinz Co. (The)	625	63,097	61,090	1.78
Kroger Co. (The)	6,038	170,808	208,339	6.09
McCormick & Co. Inc.	207	26,001	26,517	0.77
Molson Coors Brewing Co., Class 'B'	1,484	156,820	153,092	4.47
Mondelez International Inc., Class 'A'	521	27,277	28,030	0.82
Monster Beverage Corp.	1,315	94,790	104,615	3.06
PepsiCo Inc.	190	27,201	28,640	0.84
Philip Morris International Inc.	191	26,719	25,365	0.74
Pilgrim's Pride Corp.	4,263	163,532	166,438	4.86
Procter & Gamble Co. (The)	533	61,087	61,558	1.80
Sysco Corp.	1,796	125,525	137,102	4.01
TreeHouse Foods Inc.	313	25,137	19,460	0.57
Tyson Foods Inc., Class 'A'	1,719	154,967	175,175	5.12
US Foods Holding Corp.	3,629	127,117	145,654	4.25
Walgreens Boots Alliance Inc.	941	87,733	85,898	2.51
		<b>3,115,638</b>	<b>3,248,801</b>	<b>94.92</b>
<b>Total investments</b>		<b>3,270,389</b>	<b>3,411,387</b>	<b>99.67</b>
Transaction costs		(530)		
Unrealized appreciation on derivatives - see Schedule 1			5,054	0.14
Other assets, less liabilities			6,195	0.19
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>3,269,859</b>	<b>3,422,636</b>	<b>100.00</b>

First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

Schedule 1 - Foreign Exchange Contracts\*

Counterparty	Credit Rating of Counterparty**	Settlement Date	Currency Sell	Amount Currency		Amount Bought	Forward Rate	Appreciation Current (Depreciation)	
				Sold	Buy			Rate	\$
Bank of New York Mellon (The), New York	A-1+	2018/01/31	USD	795,850	CAD	1,005,000	0.792	0.796	5,054
									<b>5,054</b>

\* The Foreign Exchange Contracts relate to the Hedged Units only

\*\* Per Standard and Poor's Rating



# First Trust AlphaDEX™ U.S. Health Care Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	5,827,199	4,236,791
Cash	16,513	6,345
Accrued dividend receivable	1,932	1,188
Receivable for portfolio securities sold	77,440	-
Derivative assets	5,150	-
Other assets	537	1,552
	5,928,771	4,245,876
<b>Liabilities</b>		
Accrued liabilities	3,809	2,854
Payable for portfolio securities purchased	78,504	-
	82,313	2,854
<b>Total net assets attributable to holders of redeemable units</b>	<b>5,846,458</b>	<b>4,243,022</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
Units	4,824,406	4,243,022
Hedged Units	1,022,052	-
<b>Redeemable units outstanding [note 6]</b>		
Units	200,000	200,000
Hedged Units	50,000	-
<b>Net assets attributable to holders of redeemable units per unit</b>		
Units	24.12	21.22
Hedged Units	20.44	-

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	29,155	53,742
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	304,944	(281,389)
Net realized gain (loss) on derivatives	3,844	-
Net realized gain (loss) on foreign exchange	230	1,103
Net change in unrealized appreciation (depreciation) of investments	237,062	(601,416)
Net change in unrealized appreciation (depreciation) of derivatives	5,150	-
	580,385	(827,960)
Foreign exchange gain (loss) on cash	(513)	(2,415)
	579,872	(830,375)
<b>Expenses [note 7]</b>		
Management fees	36,188	37,255
HST expense	3,917	3,552
Transaction costs [note 3 and note 9]	2,211	2,963
Independent Review Committee fees	1,007	1,086
Interest expense	7	3
	43,330	44,859
Expenses waived by manager	(1,007)	(1,086)
	42,323	43,773
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>537,549</b>	<b>(874,148)</b>
<b>Withholding taxes</b>	<b>4,011</b>	<b>4,872</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>533,538</b>	<b>(879,020)</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
Units	511,486	(879,020)
Hedged Units	22,052	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
Units	2.33	(3.48)
Hedged Units	0.45	-

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 AlphaDEX™ U.S. Health Care Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Units	December 31 2016 (\$) Units	December 31 2017 (\$) Hedged Units	December 31 2016 (\$) Hedged Units
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	4,243,022	9,273,217	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	511,486	(879,020)	22,052	-
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	1,238,134	1,073,134	1,000,000	-
Reinvested distributions	-	-	-	-
Redemption of units	(1,168,236)	(5,212,209)	-	-
	69,898	(4,139,075)	1,000,000	-
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	-	-	-	-
Capital gains	-	-	-	-
Return of capital	-	(12,100)	-	-
	-	(12,100)	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	581,384	(5,030,195)	1,022,052	-
<b>Net assets attributable to holders of redeemable units, end of year</b>	4,824,406	4,243,022	1,022,052	-
			<b>December 31, 2017 (\$) Total</b>	<b>December 31, 2016 (\$) Total</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>			4,243,022	9,273,217
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>			533,538	(879,020)
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			2,238,134	1,073,134
Reinvested distributions			-	-
Redemption of units			(1,168,236)	(5,212,209)
			1,069,898	(4,139,075)
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			-	-
Capital gains			-	-
Return of capital			-	(12,100)
			-	(12,100)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>			1,603,436	(5,030,195)
<b>Net assets attributable to holders of redeemable units, end of year</b>			5,846,458	4,243,022

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

# First Trust AlphaDEX™ U.S. Health Care Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	533,538	(879,020)
Adjustments for:		
Net realized (gain) loss on sale of investments	(304,944)	281,389
Change in unrealized (appreciation) depreciation of investments and derivatives	(242,212)	601,416
Dividends receivable	(745)	3,436
Other assets	1,015	(352)
Other liabilities	955	(16,650)
Purchases of investments	(8,259,799)	(8,426,943)
Proceeds from the sale of investments	7,212,462	12,571,052
	(1,059,730)	4,134,328
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	2,238,134	1,073,134
Amount paid on redemptions of units	(1,168,236)	(5,212,209)
Distributions paid to unitholders	-	(12,100)
	1,069,898	(4,151,175)
<b>Increase (Decrease) in cash for the year</b>	10,168	(16,847)
<b>Cash, beginning of year</b>	6,345	23,192
<b>Cash, end of year</b>	16,513	6,345
Dividends received, net of withholding taxes	24,400	52,306

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

**First Trust AlphaDEX™ U.S. Health Care Sector Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Health Care Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Health Care Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	5,827,199	–	–	5,827,199
Derivative assets*	–	5,150	–	5,150
<b>Total</b>	<b>5,827,199</b>	<b>5,150</b>	<b>–</b>	<b>5,832,349</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	4,236,791	–	–	4,236,791
<b>Total</b>	<b>4,236,791</b>	<b>–</b>	<b>–</b>	<b>4,236,791</b>

\* The derivative assets relate to the Hedged Units only.

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Units	Hedged Units
Beginning units – January 1, 2016	400,000	–
Redeemable units issued	50,000	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(250,000)	–
<b>Outstanding units – December 31, 2016</b>	<b>200,000</b>	<b>–</b>
Redeemable units issued	50,000	50,000
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(50,000)	–
<b>Outstanding units – December 31, 2017</b>	<b>200,000</b>	<b>50,000</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee	
Units	Hedged Units
0.70%	0.70%

First Trust AlphaDEX™ U.S. Health Care Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
168,063	241,817	-	19,735

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
2,211	2,963

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
36,188	37,255	3,371	2,526

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Health Care Index	274,795	(274,795)	194,967	(194,967)
Russell 1000® Index	268,949	(268,949)	205,150	(205,150)
S&P 500 Health Care Index	268,949	(268,949)	194,755	(194,755)

First Trust AlphaDEX™ U.S. Health Care Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	4,819,887	82.44%	4,240,209	99.93%

As at December 31, 2017, 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 \$48,199 (December 31, 2016 - \$42,402). A portion of this currency risk exposure has been hedged. Please refer to the Schedule of Portfolio Investments for more information. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Concentration Risk** – The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Health Care	98.73	98.45
Industrials	0.94	1.40
Total	99.67	99.85

# First Trust AlphaDEX™ U.S. Health Care Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Health Care—98.73%</b>				
AbbVie Inc.	906	92,582	110,137	1.88
ABIOMED Inc.	477	86,665	112,369	1.92
Acadia Pharmaceuticals Inc.	1,602	75,089	60,633	1.04
Aetna Inc.	506	89,110	114,736	1.96
Agilent Technologies Inc.	940	65,502	79,130	1.35
Agios Pharmaceuticals Inc.	904	77,605	64,964	1.11
Akom Inc.	606	24,228	24,551	0.42
Alexion Pharmaceuticals Inc.	430	73,165	64,640	1.11
Align Technology Inc.	540	83,039	150,818	2.58
Allergan PLC	98	24,555	20,151	0.34
Alnylam Pharmaceuticals Inc.	856	100,517	136,705	2.34
Amgen Inc.	432	97,123	94,432	1.61
Anthem Inc.	318	71,993	89,942	1.54
Baxter International Inc.	641	42,742	52,083	0.89
Biogen Inc.	193	70,036	77,285	1.32
BioMarin Pharmaceutical Inc.	216	24,690	24,211	0.41
Bio-Techne Corp.	333	51,197	54,227	0.93
Boston Scientific Corp.	1,380	43,711	43,002	0.74
Bristol-Myers Squibb Co.	1,263	99,036	97,288	1.66
Bruker Corp.	2,029	78,329	87,532	1.50
Cardinal Health Inc.	902	78,393	69,469	1.19
Celgene Corp.	552	93,149	72,412	1.24
Centene Corp.	1,040	100,353	131,878	2.26
Cerner Corp.	564	46,640	47,776	0.82
Charles River Laboratories International Inc.	745	88,891	102,496	1.75
Cigna Corp.	538	112,145	137,343	2.35
Cooper Cos. Inc. (The)	170	43,014	46,559	0.80
DaVita Inc.	1,694	141,943	153,846	2.63
Edwards Lifesciences Corp.	184	27,635	26,068	0.45
Eli Lilly and Co.	235	25,527	24,949	0.43
Envision Healthcare Corp.	448	23,630	19,462	0.33
Exelixis Inc.	2,491	80,617	95,188	1.63
Express Scripts Holding Co.	1,589	146,067	149,084	2.55
Gilead Sciences Inc.	1,242	112,744	111,844	1.91
HCA Healthcare Inc.	758	79,018	83,694	1.43
Henry Schein Inc.	245	25,936	21,521	0.37
Hill-Rom Holdings Inc.	272	23,530	28,819	0.49
Hologic Inc.	2,742	146,358	147,346	2.52
Humana Inc.	248	71,443	77,332	1.32
IDEXX Laboratories Inc.	129	20,039	25,357	0.43
Illumina Inc.	202	49,791	55,478	0.95
Intuitive Surgical Inc.	231	88,767	105,967	1.81
Ionis Pharmaceuticals Inc.	1,191	81,652	75,303	1.29
IQVIA Holdings Inc.	847	96,010	104,232	1.78
Johnson & Johnson	310	50,616	54,445	0.93
Laboratory Corp. of America Holdings	533	97,542	106,869	1.83
LifePoint Health Inc.	1,738	136,053	108,796	1.86
Mallinckrodt PLC	2,692	160,577	76,339	1.31
McKesson Corp.	655	134,135	128,399	2.20

# First Trust AlphaDEX™ U.S. Health Care Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
MEDNAX Inc.	2,333	157,099	156,717	2.68
Medtronic PLC	776	77,059	78,766	1.35
Merck & Co. Inc.	314	24,756	22,210	0.38
Mylan NV	2,566	129,063	136,469	2.33
Neurocrine Biosciences Inc.	657	52,793	64,078	1.10
Patterson Cos. Inc.	1,041	52,970	47,277	0.81
PerkinElmer Inc.	292	24,003	26,838	0.46
Pfizer Inc.	1,127	50,219	51,311	0.88
Premier Inc., Class 'A'	618	26,867	22,676	0.39
Quest Diagnostics Inc.	860	98,101	106,470	1.82
Regeneron Pharmaceuticals Inc.	45	26,288	21,266	0.36
ResMed Inc.	261	24,655	27,785	0.47
Stryker Corp.	283	46,972	55,081	0.94
Teleflex Inc.	333	91,692	104,151	1.78
Thermo Fisher Scientific Inc.	319	67,343	76,139	1.30
United Therapeutics Corp.	858	137,964	159,565	2.73
UnitedHealth Group Inc.	411	84,817	113,896	1.95
Universal Health Services Inc., Class 'B'	907	132,781	129,230	2.21
Veeva Systems Inc., Class 'A'	713	42,728	49,544	0.85
Vertex Pharmaceuticals Inc.	662	107,351	124,704	2.13
WellCare Health Plans Inc.	469	87,808	118,561	2.03
West Pharmaceutical Services Inc.	418	49,315	51,844	0.89
Zimmer Biomet Holdings Inc.	344	50,475	52,179	0.89
Zoetis Inc.	316	25,891	28,615	0.49
		<b>5,422,139</b>	<b>5,772,479</b>	<b>98.73</b>
<b>Industrials—0.94%</b>				
Danaher Corp.	469	51,127	54,720	0.94
		<b>51,127</b>	<b>54,720</b>	<b>0.94</b>
<b>Total investments</b>		<b>5,473,266</b>	<b>5,827,199</b>	<b>99.67</b>
Transaction costs		(666)		
Unrealized appreciation on derivatives - see Schedule 1			5,150	0.08
Other assets, less liabilities			14,109	0.25
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>5,472,600</b>	<b>5,846,458</b>	<b>100.00</b>

#### Schedule 1 - Foreign Exchange Contracts\*

Counterparty	Credit Rating of Counterparty**	Settlement Date	Currency Sell	Amount Currency		Amount Bought	Forward Rate	Appreciation Current (Depreciation)	
				Sold	Buy			Rate	\$
Bank of New York Mellon (The), New York	A-1+	2018/01/31	USD	810,896	CAD	1,024,000	0.792	0.796	5,150
									<b>5,150</b>

\* The Foreign Exchange Contracts relate to the Hedged Units only

\*\* Per Standard and Poor's Rating



# First Trust AlphaDEX™ U.S. Materials Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	2,583,624	2,383,132
Cash	248,435	36,006
Accrued dividend receivable	4,754	4,018
	2,836,813	2,423,156
<b>Liabilities</b>		
Accrued liabilities	4,262	1,640
Redemptions payable	35,847	-
Distributions payable to holders of redeemable units	141,795	25,000
	181,904	26,640
<b>Total net assets attributable to holders of redeemable units</b>	<b>2,654,909</b>	<b>2,396,516</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
Units	2,654,909	2,396,516
<b>Redeemable units outstanding [note 6]</b>		
Units	100,000	100,000
<b>Net assets attributable to holders of redeemable units per unit</b>		
Units	26.55	23.97

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	38,102	65,697
<b>Other changes in fair value of investments</b>		
Net realized gain (loss) on sale of investments	619,171	321,527
Net realized gain (loss) on foreign exchange	(1,455)	(107)
Net change in unrealized appreciation (depreciation) of investments	(209,047)	266,088
	446,771	653,205
Foreign exchange gain (loss) on cash	(332)	(152)
	446,439	653,053
<b>Expenses [note 7]</b>		
Management fees	15,838	18,743
HST expense	2,059	2,436
Transaction costs [note 3 and note 9]	815	1,717
Independent Review Committee fees	470	544
Interest expense	2	3
	19,184	23,443
Expenses waived by manager	(470)	(544)
	18,714	22,899
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>427,725</b>	<b>630,154</b>
<b>Withholding taxes</b>	<b>5,027</b>	<b>7,855</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>422,698</b>	<b>622,299</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
Units	422,698	622,299
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
Units	4.80	4.92

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 AlphaDEX™ U.S. Materials Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	2,396,516	2,947,305
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	422,698	622,299
<b>Redeemable unit transactions [note 6]</b>		
Proceeds from issuance of units	5,319,161	-
Reinvested distributions	339,300	550,723
Redemption of units	(5,335,621)	(1,116,838)
	322,840	(566,115)
<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(374,047)	(606,973)
Capital gains	-	-
Return of capital	(113,098)	-
	(487,145)	(606,973)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	258,393	(550,789)
<b>Net assets attributable to holders of redeemable units, end of year</b>	2,654,909	2,396,516

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

# First Trust AlphaDEX™ U.S. Materials Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	422,698	622,299
Adjustments for:		
Net realized (gain) loss on sale of investments	(619,171)	(321,527)
Change in unrealized (appreciation) depreciation of investments	209,047	(266,088)
Dividends receivable	(736)	222
Other liabilities	2,622	(4,186)
Purchases of investments	(6,753,390)	(2,941,572)
Proceeds from the sale of investments	6,963,022	4,087,678
	224,092	1,176,826
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	5,319,161	-
Amount paid on redemptions of units	(5,299,774)	(1,116,838)
Distributions paid to unitholders	(31,050)	(31,250)
	(11,663)	(1,148,088)
<b>Increase (Decrease) in cash for the year</b>	212,429	28,738
<b>Cash, beginning of year</b>	36,006	7,268
<b>Cash, end of year</b>	248,435	36,006
Dividends received, net of withholding taxes	32,339	58,064

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

**First Trust AlphaDEX™ U.S. Materials Sector Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Materials Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Materials and Processing Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	2,583,624	–	–	2,583,624
<b>Total</b>	<b>2,583,624</b>	<b>–</b>	<b>–</b>	<b>2,583,624</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	2,383,132	–	–	2,383,132
<b>Total</b>	<b>2,383,132</b>	<b>–</b>	<b>–</b>	<b>2,383,132</b>

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Units
Beginning units – January 1, 2016	150,000
Redeemable units issued	–
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(50,000)
<b>Outstanding units – December 31, 2016</b>	<b>100,000</b>
Redeemable units issued	200,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(200,000)
<b>Outstanding units – December 31, 2017</b>	<b>100,000</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee
Units
0.70%

First Trust AlphaDEX™ U.S. Materials Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** – There were no net capital losses and non-capital losses as at December 31, 2017 and 2016.

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
815	1,717

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
15,838	18,743	3,772	1,452

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Materials and Processing Index	130,096	(130,096)	111,438	(111,438)
Russell 1000® Index	135,406	(135,406)	108,083	(108,083)
S&P 500 Materials Index	124,786	(124,786)	107,364	(107,364)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	2,591,132	97.60%	2,387,096	99.61%

As at December 31, 2017, 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 \$25,911 (December 31, 2016 - \$23,871). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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First Trust AlphaDEX™ U.S. Materials Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

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**Concentration Risk** – The table below summarizes the concentration risk for years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Materials	85.10	76.60
Industrials	12.21	19.78
Utilities	–	2.47
Health Care	–	0.59
Total	97.31	99.44

# First Trust AlphaDEX™ U.S. Materials Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Industrials—12.21%</b>				
Acuity Brands Inc.	67	13,892	14,823	0.56
Armstrong World Industries Inc.	492	33,103	37,447	1.41
Hexcel Corp.	439	33,543	34,130	1.29
Ingersoll-Rand PLC	129	14,292	14,462	0.54
Masco Corp.	294	14,809	16,238	0.61
Owens Corning	652	61,478	75,351	2.84
Timken Co. (The)	779	46,068	48,128	1.81
USG Corp.	351	14,772	17,013	0.64
Valmont Industries Inc.	159	31,511	33,147	1.25
Watsco Inc., Class 'A'	157	33,067	33,557	1.26
		<b>296,535</b>	<b>324,296</b>	<b>12.21</b>
<b>Materials—85.10%</b>				
Air Products and Chemicals Inc.	76	15,311	15,675	0.59
Albemarle Corp.	277	49,089	44,530	1.68
Alcoa Corp.	811	47,005	54,916	2.07
AptarGroup Inc.	292	31,686	31,668	1.19
Ball Corp.	611	33,477	29,070	1.10
Bemis Co. Inc.	830	48,234	49,860	1.88
Berry Global Group Inc.	667	48,276	49,190	1.85
Cabot Corp.	1,130	85,202	87,483	3.30
Celanese Corp., Series 'A'	363	46,907	48,860	1.84
Chemours Co. (The)	1,245	86,846	78,342	2.95
Domtar Corp.	1,453	81,561	90,444	3.41
DowDuPont Inc.	729	64,048	65,263	2.46
Eagle Materials Inc.	355	48,582	50,558	1.90
Eastman Chemical Co.	557	63,271	64,862	2.44
FMC Corp.	423	46,196	50,332	1.90
Freeport-McMoRan Inc., Class 'B'	3,592	65,613	85,607	3.22
Graphic Packaging Holding Co.	1,807	35,014	35,093	1.32
Huntsman Corp.	1,379	51,004	57,705	2.17
International Paper Co.	202	14,652	14,712	0.55
LyondellBasell Industries NV, Class 'A'	637	78,110	88,334	3.33
Martin Marietta Materials Inc.	55	15,083	15,282	0.58
Mosaic Co. (The)	2,336	67,752	75,347	2.84
NewMarket Corp.	27	13,980	13,487	0.51
Newmont Mining Corp.	305	13,190	14,385	0.54
Nucor Corp.	1,125	85,458	89,910	3.39
Olin Corp.	335	14,745	14,983	0.56
Owens Illinois Inc.	2,005	59,605	55,875	2.10
Packaging Corp. of America	440	61,270	66,674	2.51
Platform Specialty Products Corp.	3,392	48,089	42,296	1.59
Praxair Inc.	82	14,973	15,943	0.60
Reliance Steel & Aluminum Co.	827	80,364	89,182	3.36
Royal Gold Inc.	293	30,878	30,245	1.14
Sherwin-Williams Co. (The)	71	34,958	36,595	1.38
Sonoco Products Co.	999	65,849	66,730	2.51
Southern Copper Corp.	1,269	68,026	75,689	2.85
Steel Dynamics Inc.	1,829	85,464	99,158	3.74
Tahoe Resources Inc.	11,962	78,556	72,024	2.71

First Trust AlphaDEX™ U.S. Materials Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
United States Steel Corp.	983	33,810	43,482	1.64
Versum Materials Inc.	1,624	84,368	77,266	2.91
Westlake Chemical Corp.	759	77,869	101,636	3.83
WestRock Co.	889	67,036	70,635	2.66
		<b>2,141,407</b>	<b>2,259,328</b>	<b>85.10</b>
<b>Total investments</b>		<b>2,437,942</b>	<b>2,583,624</b>	<b>97.31</b>
Transaction costs		(157)		
Other assets, less liabilities			71,285	2.69
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>2,437,785</b>	<b>2,654,909</b>	<b>100.00</b>



# First Trust AlphaDEX™ U.S. Industrials Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	7,933,452	7,195,613
Cash	31,443	24,833
Accrued dividend receivable	5,199	3,323
Derivative assets	5,175	-
Other assets	1,148	288
	7,976,417	7,224,057
<b>Liabilities</b>		
Accrued liabilities	8,503	3,082
Redemptions payable	2,278	-
Distributions payable to holders of redeemable units	7,500	-
	18,281	3,082
<b>Total net assets attributable to holders of redeemable units</b>	<b>7,958,136</b>	<b>7,220,975</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Units</b>	<b>6,926,065</b>	<b>7,220,975</b>
<b>Hedged Units</b>	<b>1,032,071</b>	<b>-</b>
<b>Redeemable units outstanding [note 6]</b>		
<b>Units</b>	<b>250,000</b>	<b>300,000</b>
<b>Hedged Units</b>	<b>50,000</b>	<b>-</b>
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	<b>27.70</b>	<b>24.07</b>
<b>Hedged Units</b>	<b>20.64</b>	<b>-</b>

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	131,641	29,888
Other income	-	793
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	962,128	(5,937)
Net realized gain (loss) on derivatives	3,844	-
Net realized gain (loss) on foreign exchange	(1,229)	39
Net change in unrealized appreciation (depreciation) of investments	284,360	311,924
Net change in unrealized appreciation (depreciation) of derivatives	5,175	-
	1,385,919	336,707
Foreign exchange gain (loss) on cash	(139)	26
	1,385,780	336,733
<b>Expenses [note 7]</b>		
Management fees	56,088	10,228
HST expense	6,432	986
Transaction costs [note 3 and note 9]	2,516	560
Independent Review Committee fees	1,660	288
Interest expense	6	10
	66,702	12,072
Expenses waived by manager	(1,660)	(288)
	65,042	11,784
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>1,320,738</b>	<b>324,949</b>
<b>Withholding taxes</b>	<b>14,542</b>	<b>3,256</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>1,306,196</b>	<b>321,693</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Units</b>	<b>1,274,125</b>	<b>321,693</b>
<b>Hedged Units</b>	<b>32,071</b>	<b>-</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	<b>4.08</b>	<b>4.65</b>
<b>Hedged Units</b>	<b>0.63</b>	<b>-</b>

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 AlphaDEX™ U.S. Industrials Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Units	December 31 2016 (\$) Units	December 31 2017 (\$) Hedged Units	December 31 2016 (\$) Hedged Units
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	7,220,975	984,809	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	1,274,125	321,693	32,071	-
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	7,807,404	5,917,403	1,000,000	-
Reinvested distributions	-	-	-	-
Redemption of units	(9,331,439)	-	-	-
	(1,524,035)	5,917,403	1,000,000	-
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	-	-	-	-
Capital gains	-	(56)	-	-
Return of capital	(45,000)	(2,874)	-	-
	(45,000)	(2,930)	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	(294,910)	6,236,166	1,032,071	-
<b>Net assets attributable to holders of redeemable units, end of year</b>	6,926,065	7,220,975	1,032,071	-
			<b>December 31 2017 (\$) Total</b>	<b>December 31 2016 (\$) Total</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>			7,220,975	984,809
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>			1,306,196	321,693
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			8,807,404	5,917,403
Reinvested distributions			-	-
Redemption of units			(9,331,439)	-
			(524,035)	5,917,403
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			-	-
Capital gains			-	(56)
Return of capital			(45,000)	(2,874)
			(45,000)	(2,930)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>			737,161	6,236,166
<b>Net assets attributable to holders of redeemable units, end of year</b>			7,958,136	7,220,975

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

# First Trust AlphaDEX™ U.S. Industrials Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	1,306,196	321,693
Adjustments for:		
Net realized loss (gain) on sale of investments	(962,128)	5,937
Change in unrealized (appreciation) depreciation of investments and derivatives	(289,535)	(311,924)
Dividends receivable	(1,876)	(2,136)
Other assets	(860)	587
Other liabilities	5,421	(563)
Purchases of investments	(15,669,776)	(6,986,024)
Proceeds from the sale of investments	16,178,425	1,073,557
	565,867	(5,898,873)
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	8,807,404	5,917,403
Amount paid on redemptions of units	(9,329,161)	-
Distributions paid to unitholders	(37,500)	(2,930)
	(559,257)	5,914,473
<b>Increase in cash for the year</b>	6,610	15,600
<b>Cash, beginning of year</b>	24,833	9,233
<b>Cash, end of year</b>	31,443	24,833
Dividends received, net of withholding taxes	115,223	24,496

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

**First Trust AlphaDEX™ U.S. Industrials Sector Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Industrials Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Industrials/Producer Durables Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	7,933,452	–	–	7,933,452
Derivative assets*	–	5,175	–	5,175
<b>Total</b>	<b>7,933,452</b>	<b>5,175</b>	<b>–</b>	<b>7,938,627</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	7,195,613	–	–	7,195,613
<b>Total</b>	<b>7,195,613</b>	<b>–</b>	<b>–</b>	<b>7,195,613</b>

\* The derivative assets relate to the Hedged Units only.

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Units	Hedged Units
Beginning units – January 1, 2016	50,000	–
Redeemable units issued	250,000	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	–	–
<b>Outstanding units – December 31, 2016</b>	<b>300,000</b>	<b>–</b>
Redeemable units issued	300,000	50,000
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(350,000)	–
<b>Outstanding units – December 31, 2017</b>	<b>250,000</b>	<b>50,000</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee	
Units	Hedged Units
0.70%	0.70%

First Trust AlphaDEX™ U.S. Industrials Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** - The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
-	-	4,656	147,927

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
2,516	560

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
56,088	10,228	7,525	2,727

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Producer Durables Index	393,945	(393,945)	367,548	(367,548)
Russell 1000® Index	427,370	(427,370)	352,023	(352,023)
S&P 500 Industrials Index	385,986	(385,986)	366,103	(366,103)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	6,924,830	87.02%	7,205,397	99.78%

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First Trust AlphaDEX™ U.S. Industrials Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

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As at December 31, 2017, 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 \$69,248 (December 31, 2016 – \$72,054). A portion of this currency risk exposure has been hedged. Please refer to the Schedule of Portfolio Investments for more information. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Concentration Risk** – The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Industrials	89.39	88.50
Information Technology	7.77	7.99
Materials	1.58	0.56
Health Care	0.95	1.82
Consumer Discretionary	–	0.78
Total	99.69	99.65

# First Trust AlphaDEX™ U.S. Industrials Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Health Care—0.95%</b>				
Mettler-Toledo International Inc.	97	74,529	75,537	0.95
		<b>74,529</b>	<b>75,537</b>	<b>0.95</b>
<b>Industrials—89.39%</b>				
A.O. Smith Corp.	721	52,230	55,538	0.70
AECOM	1,654	74,909	77,238	0.97
AGCO Corp.	580	48,747	52,077	0.65
Air Lease Corp.	2,516	128,589	152,090	1.91
Alaska Air Group Inc.	1,404	131,960	129,732	1.63
Allegion PLC	496	50,551	49,603	0.62
American Airlines Group Inc.	903	54,994	59,058	0.74
Ametek Inc.	648	52,914	59,029	0.74
Boeing Co. (The)	422	120,893	156,436	1.97
BWX Technologies Inc.	1,529	107,899	116,259	1.46
C.H. Robinson Worldwide Inc.	562	55,769	62,936	0.79
Carlisle Cos. Inc.	428	60,683	61,143	0.77
Caterpillar Inc.	687	111,558	136,080	1.71
Cintas Corp.	594	110,714	116,352	1.46
Colfax Corp.	487	24,414	24,254	0.31
Copa Holdings SA, Class 'A'	860	135,799	144,922	1.82
Copart Inc.	1,247	55,180	67,699	0.85
CSX Corp.	374	23,725	25,861	0.33
Cummins Inc.	362	76,100	80,377	1.01
Deere & Co.	485	76,552	95,415	1.20
Delta Air Lines Inc.	2,222	141,364	156,411	1.97
Dover Corp.	939	108,187	119,201	1.50
Eaton Corp. PLC	1,393	134,466	138,347	1.74
Expeditors International of Washington Inc.	338	25,726	27,485	0.35
FedEx Corp.	379	105,246	118,882	1.49
Fortive Corp.	860	78,495	78,212	0.98
General Dynamics Corp.	99	24,519	25,318	0.32
Genesee & Wyoming Inc., Class 'A'	823	77,683	81,447	1.02
Graco Inc.	2,076	105,031	118,003	1.48
HD Supply Holdings Inc.	562	25,771	28,279	0.36
Honeywell International Inc.	143	25,595	27,567	0.35
Hubbell Inc.	176	27,490	29,941	0.38
Huntington Ingalls Industries Inc.	378	106,467	111,992	1.41
Idex Corp.	502	77,645	83,275	1.05
Illinois Tool Works Inc.	138	26,202	28,943	0.36
ITT Inc.	1,375	79,801	92,243	1.16
J.B. Hunt Transport Services Inc.	963	132,146	139,182	1.75
Jacobs Engineering Group Inc.	349	26,270	28,936	0.36
JetBlue Airways Corp.	5,780	149,456	162,310	2.04
Kansas City Southern Industries Inc.	561	70,433	74,199	0.93
Kirby Corp.	1,300	112,662	109,158	1.37
L3 Technologies Inc.	108	25,072	26,859	0.34
Landstar System Inc.	1,075	137,109	140,668	1.77
Lockheed Martin Corp.	345	131,541	139,228	1.75
Macquarie Infrastructure Corp.	594	54,607	47,935	0.60
ManpowerGroup Inc.	172	24,226	27,265	0.34
MSC Industrial Direct Co. Inc., Class 'A'	807	84,923	98,052	1.23
Norfolk Southern Corp.	325	51,181	59,195	0.74
Northrop Grumman Corp.	298	107,471	114,964	1.44
Old Dominion Freight Line Inc.	973	137,978	160,894	2.02
Oshkosh Corp.	245	24,865	27,991	0.35

First Trust AlphaDEX™ U.S. Industrials Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
Paccar Inc.	841	75,111	75,141	0.94
Parker Hannifin Corp.	349	78,111	87,554	1.10
Quanta Services Inc.	2,864	132,623	140,798	1.77
Raytheon Co.	459	104,891	108,382	1.36
Regal-Beloit Corp.	1,356	133,685	130,564	1.64
Republic Services Inc.	307	24,040	26,091	0.33
Robert Half International Inc.	402	26,625	28,065	0.35
Rockwell Automation Inc.	342	78,746	84,410	1.06
Rockwell Collins Inc.	818	132,587	139,448	1.75
Rollins Inc.	1,857	98,296	108,613	1.37
Roper Technologies Inc.	250	78,968	81,391	1.02
Ryder System Inc.	1,013	103,942	107,177	1.35
Sensata Technologies Holding NV	892	54,170	57,307	0.72
Snap-On Inc.	574	118,698	125,761	1.58
Spirit Airlines Inc.	3,204	169,301	180,630	2.27
Stanley Black & Decker Inc.	402	75,793	85,747	1.08
Textron Inc.	1,129	73,889	80,310	1.01
Trinity Industries Inc.	3,359	131,746	158,166	1.99
Union Pacific Corp.	370	53,306	62,369	0.78
United Continental Holdings Inc.	1,759	142,920	149,026	1.87
United Parcel Service Inc., Class 'B'	356	53,733	53,319	0.67
United Rentals Inc.	618	113,340	133,544	1.68
United Technologies Corp.	370	55,721	59,331	0.75
W.W. Grainger Inc.	239	59,779	70,975	0.89
Waste Management Inc.	259	25,796	28,096	0.35
Welbilt Inc.	2,643	74,088	78,106	0.98
WESCO International Inc.	349	29,463	29,897	0.38
XPO Logistics Inc.	1,581	137,815	182,018	2.29
Xylem Inc.	1,369	108,524	117,361	1.47
		<b>6,539,515</b>	<b>7,114,078</b>	<b>89.39</b>
<b>Information Technology—7.77%</b>				
Accenture PLC, Class 'A'	150	26,651	28,865	0.36
Automatic Data Processing Inc.	187	27,125	27,547	0.35
Booz Allen Hamilton Holding Corp.	2,291	109,370	109,806	1.38
CoStar Group Inc.	76	27,823	28,368	0.36
Flir Systems Inc.	1,100	59,537	64,461	0.81
Genpact Ltd.	1,490	56,637	59,447	0.75
National Instruments Corp.	1,014	56,069	53,062	0.67
Trimble Inc.	1,551	75,690	79,232	0.99
Xerox Corp.	2,572	102,338	94,242	1.18
Zebra Technologies Corp., Class 'A'	561	71,409	73,197	0.92
		<b>612,649</b>	<b>618,227</b>	<b>7.77</b>
<b>Materials—1.58%</b>				
Avery Dennison Corp.	870	108,460	125,610	1.58
		<b>108,460</b>	<b>125,610</b>	<b>1.58</b>
<b>Total investments</b>		<b>7,335,153</b>	<b>7,933,452</b>	<b>99.69</b>
Transaction costs		(541)		
Unrealized appreciation on derivatives - see Schedule 1			5,175	0.06
Other assets, less liabilities			19,509	0.25
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>7,334,612</b>	<b>7,958,136</b>	<b>100.00</b>



First Trust AlphaDEX™ U.S. Industrials Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

Schedule 1 - Foreign Exchange Contracts\*

Counterparty	Credit Rating of Counterparty**	Settlement Date	Currency Sell	Amount		Forward Rate	Appreciation Current (Depreciation) Rate	\$	
				Sold	Buy				
Bank of New York Mellon (The), New York	A-1+	2018/01/31	USD	814,856	CAD	1,029,000	0.792	0.796	5,175
									<b>5,175</b>

\* The Foreign Exchange Contracts relate to the Hedged Units only

\*\* Per Standard and Poor's Rating

# First Trust AlphaDEX™ U.S. Technology Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	26,509,334	8,869,607
Cash	81,237	61,877
Accrued dividend receivable	10,071	3,249
Derivative assets	5,150	-
Other assets	2,944	1,179
	26,608,736	8,935,912
<b>Liabilities</b>		
Accrued liabilities	19,039	5,960
Distributions payable to holders of redeemable units	52,000	43,750
	71,039	49,710
<b>Total net assets attributable to holders of redeemable units</b>	<b>26,537,697</b>	<b>8,886,202</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Units</b>	25,513,428	8,886,202
<b>Hedged Units</b>	1,024,269	-
<b>Redeemable units outstanding [note 6]</b>		
<b>Units</b>	800,000	350,000
<b>Hedged Units</b>	50,000	-
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	31.89	25.39
<b>Hedged Units</b>	20.49	-

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	265,750	98,129
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	2,375,175	143,210
Net realized gain (loss) on derivatives	3,844	-
Net realized gain (loss) on foreign exchange	745	1,633
Net change in unrealized appreciation (depreciation) of investments	2,227,626	490,877
Net change in unrealized appreciation (depreciation) of derivatives	5,150	-
	4,878,290	733,849
Foreign exchange gain (loss) on cash	(2,832)	29
	4,875,458	733,878
<b>Expenses [note 7]</b>		
Management fees	151,420	35,007
HST expense	16,536	3,414
Transaction costs [note 3 and note 9]	9,311	3,533
Independent Review Committee fees	4,286	992
Interest expense	8	28
	181,561	42,974
Expenses waived by manager	(4,286)	(992)
	177,275	41,982
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>4,698,183</b>	<b>691,896</b>
<b>Withholding taxes</b>	<b>26,897</b>	<b>14,305</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>4,671,286</b>	<b>677,591</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Units</b>	4,647,017	677,591
<b>Hedged Units</b>	24,269	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Units</b>	6.38	3.10
<b>Hedged Units</b>	0.49	-

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 AlphaDEX™ U.S. Technology Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$) Units	December 31 2016 (\$) Units	December 31 2017 (\$) Hedged Units	December 31 2016 (\$) Hedged Units
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	8,886,202	4,617,359	-	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	4,647,017	677,591	24,269	-
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units	28,911,910	4,748,170	1,000,000	-
Reinvested distributions	126,080	-	2,540	-
Redemption of units	(16,729,701)	(1,069,968)	-	-
	12,308,289	3,678,202	1,002,540	-
<b>Distributions to holders of redeemable units from:</b>				
Net investment income	(68,515)	(43,911)	-	-
Capital gains	(259,565)	-	(2,540)	-
Return of capital	-	(43,039)	-	-
	(328,080)	(86,950)	(2,540)	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	16,627,226	4,268,843	1,024,269	-
<b>Net assets attributable to holders of redeemable units, end of year</b>	25,513,428	8,886,202	1,024,269	-
			<b>December 31, 2017 (\$) Total</b>	<b>December 31, 2016 (\$) Total</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>			8,886,202	4,617,359
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>			4,671,286	677,591
<b>Redeemable unit transactions [note 6]</b>				
Proceeds from issuance of units			29,911,910	4,748,170
Reinvested distributions			128,620	-
Redemption of units			(16,729,701)	(1,069,968)
			13,310,829	3,678,202
<b>Distributions to holders of redeemable units from:</b>				
Net investment income			(68,515)	(43,911)
Capital gains			(262,105)	-
Return of capital			-	(43,039)
			(330,620)	(86,950)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>			17,651,495	4,268,843
<b>Net assets attributable to holders of redeemable units, end of year</b>			26,537,697	8,886,202

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

# First Trust AlphaDEX™ U.S. Technology Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	4,671,286	677,591
Adjustments for:		
Net realized (gain) loss on sale of investments	(2,375,175)	(143,210)
Change in unrealized (appreciation) depreciation of investments and derivatives	(2,232,776)	(490,877)
Dividends receivable	(6,822)	(582)
Other assets	(1,765)	(1,038)
Other liabilities	13,079	(8,527)
Purchases of investments	(50,603,646)	(10,911,962)
Proceeds from the sale of investments	37,566,720	7,227,317
	(12,969,099)	(3,651,288)
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	29,911,910	4,748,170
Amount paid on redemptions of units	(16,729,701)	(1,069,968)
Distributions paid to unitholders	(193,750)	(63,200)
	12,988,459	3,615,002
<b>Increase (Decrease) in cash for the year</b>	19,360	(36,286)
<b>Cash, beginning of year</b>	61,877	98,163
<b>Cash, end of year</b>	81,237	61,877
Dividends received, net of withholding taxes	232,031	83,242

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

**First Trust AlphaDEX™ U.S. Technology Sector Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Technology Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Technology Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	26,509,334	–	–	26,509,334
Derivative assets*	–	5,150	–	5,150
<b>Total</b>	<b>26,509,334</b>	<b>5,150</b>	<b>–</b>	<b>26,514,484</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	8,869,607	–	–	8,869,607
<b>Total</b>	<b>8,869,607</b>	<b>–</b>	<b>–</b>	<b>8,869,607</b>

\* The derivative assets relate to the Hedged Units only.

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the years ended December 31, 2017 and 2016:

Redeemable Units	Units	Hedged Units
Beginning units – January 1, 2016	200,000	–
Redeemable units issued	200,000	–
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(50,000)	–
<b>Outstanding units – December 31, 2016</b>	<b>350,000</b>	<b>–</b>
Redeemable units issued	1,000,000	50,000
Redeemable units issued on reinvestments	–	–
Redeemable units redeemed	(550,000)	–
<b>Outstanding units – December 31, 2017</b>	<b>800,000</b>	<b>50,000</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee	
Units	Hedged Units
0.70%	0.70%

First Trust AlphaDEX™ U.S. Technology Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** – There were no net capital losses and non-capital losses as at December 31, 2017 and 2016.

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
9,311	3,533

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
151,420	35,007	16,848	5,275

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Technology Index	1,280,498	(1,280,498)	406,099	(406,099)
Russell 1000® Index	1,472,905	(1,472,905)	467,414	(467,414)
S&P 500 Information Technology Index	1,305,710	(1,305,710)	409,210	(409,210)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	25,508,709	96.12%	8,875,630	99.88%

As at December 31, 2017, 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 \$255,087 (December 31, 2016 - \$88,756). A portion of this currency risk exposure has been hedged. Please refer to the Schedule of Portfolio Investments for more information. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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First Trust AlphaDEX™ U.S. Technology Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

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**Concentration Risk** – The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Information Technology	99.89	98.34
Consumer Discretionary	–	1.47
Total	99.89	99.81

# First Trust AlphaDEX™ U.S. Technology Sector Index ETF

## Notes to Financial Statements - Specific Information

### For the year ended December 31, 2017

#### SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Information Technology—99.89%</b>				
Activision Blizzard Inc.	5,089	378,435	405,050	1.53
Adobe Systems Inc.	1,100	200,185	242,304	0.91
Advanced Micro Devices Inc.	6,437	105,595	83,179	0.31
Akamai Technologies Inc.	5,391	349,766	440,743	1.66
Alphabet Inc., Class 'A'	84	99,684	111,226	0.42
Amdocs Ltd.	4,083	330,378	336,065	1.27
Amphenol Corp., Class 'A'	3,103	322,265	342,461	1.29
Analog Devices Inc.	1,905	206,772	213,190	0.80
Apple Inc.	533	98,715	113,381	0.43
Applied Materials Inc.	8,403	459,948	539,959	2.03
Arista Networks Inc.	2,309	430,240	683,750	2.58
ARRIS Group Inc.	9,218	328,525	297,671	1.12
Arrow Electronics Inc.	4,083	391,913	412,691	1.56
Atlassian Corp. PLC	2,335	104,622	133,606	0.50
Autodesk Inc.	731	95,397	96,325	0.36
Avnet Inc.	8,353	421,073	415,999	1.57
Broadcom Ltd.	677	198,770	218,619	0.82
CA Inc.	7,868	328,212	329,142	1.24
Cadence Design Systems Inc.	6,654	307,366	349,786	1.32
CDW Corp.	4,974	370,790	434,474	1.64
Cisco Systems Inc.	7,809	319,565	375,949	1.42
Cognex Corp.	7,938	499,103	610,259	2.30
Cognizant Technology Solutions Corp., Class 'A'	4,526	395,907	404,046	1.52
Coherent Inc.	1,396	423,488	495,232	1.87
CommScope Holding Inc.	2,471	110,619	117,502	0.44
Corning Inc.	14,630	527,057	588,293	2.22
CSRA Inc.	5,087	204,534	191,319	0.72
Cypress Semiconductor Corp.	17,485	318,806	334,955	1.26
Dolby Laboratories Inc., Class 'A'	1,427	95,992	111,212	0.42
DST Systems Inc.	7,976	573,214	622,303	2.35
DXC Technology Co.	5,097	525,056	608,018	2.29
Electronic Arts Inc.	2,225	306,603	293,834	1.11
Facebook Inc., Class 'A'	1,537	307,159	340,922	1.28
Gartner Inc.	1,319	191,712	204,181	0.77
GoDaddy Inc., Class 'A'	3,773	196,358	238,461	0.90
Guidewire Software Inc.	3,373	315,854	314,852	1.19
Harris Corp.	1,247	209,022	222,033	0.84
Hewlett Packard Enterprise Co.	22,317	477,504	402,833	1.52
IAC/InterActiveCorp	2,234	281,786	343,379	1.29
Intel Corp.	11,495	534,119	666,976	2.51
International Business Machines Corp.	1,131	219,976	218,112	0.82
Intuit Inc.	1,155	200,859	229,071	0.86
IPG Photonics Corp.	2,365	448,275	636,567	2.40
Jabil Inc.	5,749	205,730	189,695	0.71
Juniper Networks Inc.	11,796	421,038	422,586	1.59
KLA-Tencor Corp.	3,097	394,220	409,030	1.54
Lam Research Corp.	2,366	445,966	547,436	2.06
LogMeIn Inc.	746	101,967	107,369	0.40
Match Group Inc.	14,156	424,864	557,133	2.10
Microchip Technology Inc.	3,657	384,342	403,971	1.52
Micron Technology Inc.	11,129	430,663	575,234	2.17
Microsemi Corp.	1,594	98,972	103,489	0.39
Microsoft Corp.	1,102	103,049	118,491	0.45
NetApp Inc.	1,875	96,229	130,382	0.49



First Trust AlphaDEX™ U.S. Technology Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017 (continued)**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
NVIDIA Corp.	2,448	428,751	595,426	2.24
NXP Semiconductors NV	2,903	409,618	427,270	1.61
ON Semiconductor Corp.	23,699	497,345	623,795	2.35
Oracle Corp.	1,697	99,022	100,854	0.38
Palo Alto Networks Inc.	570	98,747	103,848	0.39
Qorvo Inc.	2,322	207,876	194,389	0.73
QUALCOMM Inc.	5,066	358,285	407,677	1.54
Red Hat Inc.	2,961	380,086	447,009	1.68
salesforce.com inc.	1,757	207,671	225,780	0.85
ServiceNow Inc.	2,793	370,379	457,773	1.73
Splunk Inc.	1,235	102,247	128,600	0.48
SS&C Technologies Holdings Inc.	4,088	196,228	208,011	0.78
Symantec Corp.	8,005	327,533	282,348	1.06
Synopsys Inc.	2,038	190,874	218,365	0.82
Tableau Software Inc.	4,384	367,609	381,340	1.44
Take-Two Interactive Software Inc.	4,282	460,645	590,888	2.23
Teradyne Inc.	11,738	543,075	617,778	2.33
Texas Instruments Inc.	1,831	207,302	240,376	0.91
Universal Display Corp.	3,397	529,527	737,220	2.78
VeriSign Inc.	771	104,623	110,909	0.42
VMware Inc., Class 'A'	3,007	415,625	473,684	1.79
Western Digital Corp.	3,040	334,975	303,906	1.15
Workday Inc., Class 'A'	1,557	195,618	199,120	0.75
Xilinx Inc.	1,159	94,457	98,222	0.37
		<b>23,446,377</b>	<b>26,509,334</b>	<b>99.89</b>
<b>Total investments</b>		<b>23,446,377</b>	<b>26,509,334</b>	<b>99.89</b>
Transaction costs		(1,917)		
Unrealized appreciation on derivatives - see Schedule 1			5,150	0.02
Other assets, less liabilities			23,213	0.09
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>23,444,460</b>	<b>26,537,697</b>	<b>100.00</b>

**Schedule 1 - Foreign Exchange Contracts\***

Counterparty	Credit Rating of Counterparty**	Settlement Date	Currency Sell	Amount Currency		Amount Bought	Forward Rate	Appreciation Current (Depreciation)	
				Sold	Buy			Rate	\$
Bank of New York Mellon (The), New York	A-1+	2018/01/31	USD	810,896	CAD	1,024,000	0.792	0.796	5,150
									<b>5,150</b>

\* The Foreign Exchange Contracts relate to the Hedged Units only

\*\* Per Standard and Poor's Rating

# First Trust AlphaDEX™ U.S. Utilities Sector Index ETF

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	1,125,357	1,216,696
Cash	6,741	16,598
Accrued dividend receivable	2,740	1,355
Other assets	24	81
	1,134,862	1,234,730
<b>Liabilities</b>		
Accrued liabilities	788	812
Distributions payable to holders of redeemable units	5,500	6,250
	6,288	7,062
<b>Total net assets attributable to holders of redeemable units</b>	<b>1,128,574</b>	<b>1,227,668</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
Units	1,128,574	1,227,668
<b>Redeemable units outstanding [note 6]</b>		
Units	50,000	50,000
<b>Net assets attributable to holders of redeemable units per unit</b>		
Units	22.57	24.55

## STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	41,754	46,337
Other income	-	63
<b>Other changes in fair value of investments</b>		
Net realized gain (loss) on sale of investments	46,058	151,090
Net realized gain (loss) on foreign exchange	(92)	201
Net change in unrealized appreciation (depreciation) of investments	(146,172)	68,698
	(58,452)	266,389
Foreign exchange gain (loss) on cash	(321)	65
	(58,773)	266,454
<b>Expenses [note 7]</b>		
Management fees	8,501	9,300
HST expense	1,054	1,113
Transaction costs [note 3 and note 9]	970	698
Independent Review Committee fees	240	269
Interest expense	3	12
	10,768	11,392
Expenses waived by manager	(240)	(269)
	10,528	11,123
<b>Increase (Decrease) in net assets attributable to holders of redeemable units before tax</b>	<b>(69,301)</b>	<b>255,331</b>
<b>Withholding taxes</b>	<b>6,293</b>	<b>6,972</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>(75,594)</b>	<b>248,359</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
Units	(75,594)	248,359
<b>Increase in net assets attributable to holders of redeemable units per unit</b>		
Units	(1.51)	4.29

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 AlphaDEX™ U.S. Utilities Sector Index ETF

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

For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	1,227,668	1,061,867
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	(75,594)	248,359
<b>Redeemable unit transactions [note 6]</b>		
Proceeds from issuance of units	-	1,089,160
Reinvested distributions	24,787	80,199
Redemption of units	-	(1,147,733)
	24,787	21,626
<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(24,457)	(45,714)
Capital gains	(23,830)	(54,637)
Return of capital	-	(3,833)
	(48,287)	(104,184)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	(99,094)	165,801
<b>Net assets attributable to holders of redeemable units, end of year</b>	1,128,574	1,227,668

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

# First Trust AlphaDEX™ U.S. Utilities Sector Index ETF

## STATEMENTS OF CASH FLOW For the years ended December 31, 2017 and 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	(75,594)	248,359
Adjustments for:		
Net realized (gain) loss on sale of investments	(46,058)	(151,090)
Change in unrealized (appreciation) depreciation of investments	146,172	(68,698)
Dividends receivable	(1,385)	511
Other assets	57	(5)
Other liabilities	(24)	(1,412)
Purchases of investments	(938,961)	(1,937,144)
Proceeds from the sale of investments	930,186	1,991,659
	14,393	82,180
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	-	1,089,160
Amount paid on redemptions of units	-	(1,147,733)
Distributions paid to unitholders	(24,250)	(17,735)
	(24,250)	(76,308)
<b>Increase (Decrease) in cash for the year</b>	(9,857)	5,872
<b>Cash, beginning of year</b>	16,598	10,726
<b>Cash, end of year</b>	6,741	16,598
Dividends received, net of withholding taxes	34,075	39,876

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

**First Trust AlphaDEX™ U.S. Utilities Sector Index ETF**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to replicate, to the extent possible, the performance of the StrataQuant® Utilities Index ("Index"), net of expenses. The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the applicable Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Utilities Sector.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	1,125,357	–	–	1,125,357
<b>Total</b>	<b>1,125,357</b>	<b>–</b>	<b>–</b>	<b>1,125,357</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	1,216,696	–	–	1,216,696
<b>Total</b>	<b>1,216,696</b>	<b>–</b>	<b>–</b>	<b>1,216,696</b>

There have been no transfers from one Level to another for the years ended December 31, 2017 and 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during years ended December 31, 2017 and 2016:

Redeemable Units	Units
Beginning units – January 1, 2016	50,000
Redeemable units issued	50,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(50,000)
Outstanding units – December 31, 2016	50,000
Redeemable units issued	–
Redeemable units issued on reinvestments	–
Redeemable units redeemed	–
Outstanding units – December 31, 2017	50,000

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee
Units
0.70%

First Trust AlphaDEX™ U.S. Utilities Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** – The net capital losses and non-capital losses as at December 31, 2017 and 2016 were as follows:

Net Capital Losses (\$)		Non-Capital Losses (\$)	
2017	2016	2017	2016
32,912	32,912	–	–

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the years ended December 31, 2017 and 2016 are as follows:

Transaction Cost (\$)	
2017	2016
970	698

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the years ended December 31, 2017 and 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
8,501	9,300	697	719

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Russell 1000® Utilities Index	47,966	(47,966)	55,306	(55,306)
Russell 1000® Index	41,195	(41,195)	41,863	(41,863)
S&P 500 Utilities Index	46,274	(46,274)	49,168	(49,168)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	1,127,248	99.88%	1,217,627	99.18%

As at December 31, 2017, 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 \$11,272 (December 31, 2016 - \$12,176). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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First Trust AlphaDEX™ U.S. Utilities Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

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**Concentration Risk** – The table below summarizes the concentration risk for the years ended December 31, 2017 and 2016:

Sector	As a % of net assets attributable to holders of redeemable units	
	December 31, 2017	December 31, 2016
Utilities	79.97	64.70
Telecommunication Services	19.74	34.41
Total	99.71	99.11

First Trust AlphaDEX™ U.S. Utilities Sector Index ETF  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Telecommunication Services—19.74%</b>				
AT&T Inc.	906	44,803	44,278	3.92
CenturyLink Inc.	2,971	99,318	62,292	5.52
Sprint Corp.	2,280	17,558	16,880	1.50
Telephone and Data Systems Inc.	1,590	55,102	55,562	4.92
T-Mobile US Inc.	288	19,281	22,992	2.04
Verizon Communications Inc.	157	9,771	10,446	0.92
Zayo Group Holdings Inc.	225	9,824	10,408	0.92
		<b>255,657</b>	<b>222,858</b>	<b>19.74</b>
<b>Utilities—79.97%</b>				
Ameren Corp.	613	38,889	45,454	4.03
Atmos Energy Corp.	93	8,725	10,041	0.89
Avangrid Inc.	935	47,600	59,446	5.27
Calpine Corp.	525	9,112	9,985	0.88
Consolidated Edison Inc.	289	26,138	30,860	2.73
DTE Energy Co.	217	26,487	29,857	2.65
Duke Energy Corp.	423	43,387	44,722	3.96
Edison International	460	43,333	36,567	3.24
Eversource Energy	294	20,229	23,349	2.07
Exelon Corp.	1,177	51,241	58,307	5.17
Great Plains Energy Inc.	585	20,623	23,708	2.10
Hawaiian Electric Industries Inc.	698	29,420	31,717	2.81
MDU Resources Group Inc.	684	23,985	23,111	2.05
National Fuel Gas Co.	313	22,360	21,604	1.91
NextEra Energy Inc.	159	26,326	31,217	2.77
NiSource Inc.	303	9,130	9,777	0.87
NRG Energy Inc.	1,733	55,776	62,040	5.50
OGE Energy Corp.	646	27,845	26,724	2.37
PG&E Corp.	521	43,637	29,359	2.60
Pinnacle West Capital Corp.	420	39,203	44,970	3.98
PPL Corp.	614	26,510	23,887	2.12
SCANA Corp.	915	71,786	45,753	4.05
Sempra Energy	311	43,246	41,798	3.70
UGI Corp.	166	11,103	9,797	0.87
Vectren Corp.	118	6,890	9,644	0.85
Vistra Energy Corp.	2,373	56,090	54,646	4.84
WEC Energy Group Inc.	124	9,614	10,354	0.92
Westar Energy Inc.	469	30,539	31,127	2.76
Xcel Energy Inc.	375	19,264	22,678	2.01
		<b>888,488</b>	<b>902,499</b>	<b>79.97</b>
<b>Total investments</b>		<b>1,144,145</b>	<b>1,125,357</b>	<b>99.71</b>
Transaction costs		(531)		
Other assets, less liabilities			3,217	0.29
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>1,143,614</b>	<b>1,128,574</b>	<b>100.00</b>



# First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)

## STATEMENTS OF FINANCIAL POSITION As at December 31, 2017 and December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Assets</b>		
Investments (non-derivative financial assets)	2,240,262	994,705
Cash	42,350	5,944
Accrued dividend receivable	3,689	2,831
Derivative assets	11,607	9,044
	2,297,908	1,012,524
<b>Liabilities</b>		
Accrued liabilities	654	292
Distributions payable to holders of redeemable units	37,610	6,000
	38,264	6,292
<b>Total net assets attributable to holders of redeemable units</b>	<b>2,259,644</b>	<b>1,006,232</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units for each class</b>		
<b>Common Class</b>	2,259,644	1,006,232
<b>Redeemable units outstanding [note 6]</b>		
<b>Common Class</b>	100,000	50,000
<b>Net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	22.60	20.12

## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31, 2017 and the period from September 29, 2016 to December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Revenues</b>		
Dividends	6,505	4,087
<b>Other changes in fair value of investments and derivatives</b>		
Net realized gain (loss) on sale of investments	(2,678)	13,798
Net realized gain (loss) on derivatives	126,771	(29,337)
Net realized gain (loss) on foreign exchange	-	(5)
Net change in unrealized appreciation (depreciation) of investments	138,669	16,106
Net change in unrealized appreciation (depreciation) of derivatives	2,563	9,044
	271,830	13,693
Foreign exchange gain (loss) on cash	(4)	1
	271,826	13,694
<b>Expenses [note 7]</b>		
Management fees	5,313	765
Transaction costs [note 3 and note 9]	1,818	594
HST expense	688	100
Independent Review Committee fees	355	46
Interest expense	9	3
	8,183	1,508
Expenses waived by manager	(355)	(46)
	7,828	1,462
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	<b>263,998</b>	<b>12,232</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for each class</b>		
<b>Common Class</b>	263,998	12,232
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>		
<b>Common Class</b>	2.64	0.24

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 Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)

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

For the year ended December 31, 2017 and the period from September 29, 2016 to December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	1,006,232	-
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>	263,998	12,232
<b>Redeemable unit transactions [note 6]</b>		
Proceeds from issuance of units	2,092,132	1,000,020
Reinvested distributions	84,390	37,470
Redemption of units	(1,065,108)	(20)
	1,111,414	1,037,470
<b>Distributions to holders of redeemable units from:</b>		
Net investment income	-	(36,217)
Capital gains	(93,829)	(7,253)
Return of capital	(28,171)	-
	(122,000)	(43,470)
<b>Increase (Decrease) in net assets attributable to holders of redeemable units for the year</b>	1,253,412	1,006,232
<b>Net assets attributable to holders of redeemable units, end of year</b>	2,259,644	1,006,232

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

# First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)

## STATEMENTS OF CASH FLOW

For the year ended December 31, 2017 and the period from September 29, 2016 to December 31, 2016

	December 31 2017 (\$)	December 31 2016 (\$)
<b>Cash flows from (used in) Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable units	263,998	12,232
Adjustments for:		
Net realized (gain) loss on sale of investments	2,678	(13,798)
Change in unrealized (appreciation) depreciation of investments and derivatives	(141,232)	(25,150)
Dividends receivable	(858)	(2,831)
Other liabilities	362	292
Purchases of investments	(4,275,176)	(1,632,742)
Proceeds from the sale of investments	3,165,610	667,941
	(984,618)	(994,056)
<b>Cash flows from (used in) Financing Activities</b>		
Amount received from the issuance of units	2,092,132	1,000,020
Amount paid on redemptions of units	(1,065,108)	(20)
Distributions paid to unitholders	(6,000)	-
	1,021,024	1,000,000
<b>Increase in cash for the year</b>	<b>36,406</b>	<b>5,944</b>
<b>Cash, beginning of year</b>	<b>5,944</b>	<b>-</b>
<b>Cash, end of year</b>	<b>42,350</b>	<b>5,944</b>
Dividends received, net of withholding taxes	5,647	1,256

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

**First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)**  
**Notes to Financial Statements - Specific Information**  
**For the year ended December 31, 2017**

**A. INVESTMENT OBJECTIVE (NOTE 1)** – The First Trust ETF seeks to provide unitholders with exposure to the performance of a portfolio of dividend paying equity securities domiciled in the emerging markets and selected from the countries represented in the S&P BMI Emerging Markets Index as well as providing unitholders with monthly distributions.

**B. FAIR VALUE MEASUREMENT (NOTE 5)** - The following fair value hierarchy tables present information about the First Trust ETF assets measured at fair value on a recurring basis for the year ended December 31, 2017 and for the period ended December 31, 2016:

	Financial Assets at Fair Value (\$) As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equities	2,240,262	–	–	2,240,262
Derivative assets	–	11,607	–	11,607
<b>Total</b>	<b>2,240,262</b>	<b>11,607</b>	<b>–</b>	<b>2,251,869</b>
	Financial Assets at Fair Value (\$) As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Equities	944,705	–	–	944,705
Derivative assets	–	9,044	–	9,044
<b>Total</b>	<b>944,705</b>	<b>9,044</b>	<b>–</b>	<b>953,749</b>

There have been no transfers from one Level to another for the year ended December 31, 2017 and for the period ended December 31, 2016.

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

**C. REDEEMABLE UNITS (NOTE 6)** - The First Trust ETF issued (redeemed) the following units during the year ended December 31, 2017 and for the period ended December 31, 2016:

Redeemable Units	Common
Beginning units – January 1, 2016	–
Redeemable units issued	50,001
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(1)
<b>Outstanding units – December 31, 2016</b>	<b>50,000</b>
Redeemable units issued	100,000
Redeemable units issued on reinvestments	–
Redeemable units redeemed	(50,000)
<b>Outstanding units – December 31, 2017</b>	<b>100,000</b>

**D. MANAGEMENT FEES AND EXPENSES (NOTE 7)** - Below is the current annual management fee charged to the First Trust ETF:

Annual Management Fee
Common Class
0.30%

First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**E. TAXATION (NOTE 8)**

**Tax loss carry-forwards** – There were no net capital losses and non-capital losses as at December 31, 2017 and 2016.

**F. COMMISSION (NOTE 9)** - Total commissions and other transaction costs paid or payable to dealers by the First Trust ETF for its portfolio transactions during the year ended December 31, 2017 and for the period ended December 31, 2016, are as follows:

Transaction Cost (\$)	
2017	2016
1,818	594

**G. RELATED PARTY INFORMATION (NOTE 10)** - The total management fees earned by the Manager for the year ended December 31, 2017 and for the period ended December 31, 2016, including amounts owing as at December 31, 2017 and 2016 are as follows:

Management Fee Expense (\$)		Management Fee Payable (\$)	
2017	2016	2017	2016
5,313	765	582	259

**H. FINANCIAL RISK MANAGEMENT (NOTE 11)**

**Market risk** - As at December 31, 2017, the First Trust ETF's market risk is affected by changes in actual market prices and interest rates. If the following index had increased (decreased) by 5% at December 31, 2017, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

Index	At December 31, 2017		At December 31, 2016	
	5% Increase (\$)	5% Decrease (\$)	5% Increase (\$)	5% Decrease (\$)
Dorsey Wright U.S. Sector Focus Five Index	74,794	(74,794)	47,041	(47,041)

**Currency risk** - The table below summarizes the First Trust ETF's net currency exposure as at December 31, 2017 and 2016:

Currency	At December 31, 2017		At December 31, 2016	
	Net Exposure (\$)	% Net Assets	Net Exposure (\$)	% Net Assets
United States Dollar	(2,296,338)	(101.62)%	(1,002,397)	(99.62)%

As at December 31, 2017, 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 \$22,963 (December 31, 2016 - \$10,024). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

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**Concentration Risk** – The table below summarizes the concentration risk for the year ended December 31, 2017 and for the period ended December 31, 2016:

Holdings	At December 31, 2017		At December 31, 2016	
	Fair Value (\$)	% Net Assets	Fair Value (\$)	% Net Assets
Exchange-Traded Funds	2,240,262	99.14%	994,705	98.86%
Total	2,240,262	99.14%	994,705	98.86%

First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)  
Notes to Financial Statements - Specific Information  
For the year ended December 31, 2017

**SCHEDULE OF PORTFOLIO INVESTMENTS As at December 31, 2017**

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Total
<b>Exchange Traded Funds—99.14%</b>				
First Trust AlphaDEX U.S. Consumer Discretionary Sector Index ETF	17,696	455,495	447,482	19.80
First Trust AlphaDEX U.S. Financial Sector Index ETF	15,741	412,756	442,894	19.60
First Trust AlphaDEX U.S. Health Care Sector Index ETF	18,427	429,831	444,516	19.67
First Trust AlphaDEX U.S. Industrial Sector Index ETF	16,407	397,556	456,443	20.20
First Trust AlphaDEX U.S. Technology Sector Index ETF	14,076	390,282	448,927	19.87
		<b>2,085,920</b>	<b>2,240,262</b>	<b>99.14</b>
<b>Total investments</b>		<b>2,085,920</b>	<b>2,240,262</b>	<b>99.14</b>
Transaction costs		(433)		
Unrealized appreciation on derivatives - see Schedule 1			11,607	0.51
Other assets, less liabilities			7,775	0.35
<b>Total Net Assets Attributable to Holders of Redeemable Units</b>		<b>2,085,487</b>	<b>2,259,644</b>	<b>100.00</b>

**Schedule 1 - Foreign Exchange Contracts**

Counterparty	Credit Rating of Counterparty*	Settlement Date	Currency Sell	Amount Currency		Amount Bought	Forward Rate	Appreciation Current (Depreciation) \$	
				Sold	Buy			Rate	
Bank of New York Mellon (The), New York	A-1+	2018/01/31	USD	1,827,685	CAD	2,308,000	0.792	0.796	11,607
									<b>11,607</b>

\* Per Standard and Poor's Rating

**First Trust Exchange-Traded Funds**  
**Notes to Financial Statements**  
**For the year ended December 31, 2017**

**1. GENERAL INFORMATION**

The following First Trust exchange-traded funds (each, a “First Trust ETF” and collectively, the “First Trust ETFs”) are continuously distributed exchange-traded mutual funds established as trusts formed on the dates noted below under the laws of the Province of Ontario pursuant to a declaration of trust last amended on November 22, 2017. The units of the First Trust ETFs are listed for trading on the Toronto Stock Exchange (“TSX”), except for the Hedged Units<sup>1</sup> of the U.S. Sector Index ETFs.

First Trust ETF	Ticker Symbol	Inception Date
First Trust Value Line® Dividend Index ETF (CAD-Hedged) <sup>2</sup>	FUD FUD.A	May 15, 2013
First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)	FDE FDE.A	May 15, 2013
First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)	EUR EUR.A	February 4, 2014
First Trust Senior Loan ETF (CAD-Hedged)	FSL FSL.A	August 28, 2013
First Trust Short Duration High Yield Bond ETF (CAD-Hedged)	FSD FSD.A	May 20, 2011
First Trust Canadian Capital Strength ETF <sup>3</sup>	FST FST.A	November 30, 2001
First Trust Global Risk Managed Income Index ETF	ETP ETP.A	July 23, 2014
First Trust AlphaDEX™ U.S. Financial Sector Index ETF	FHF FHF.F	October 30, 2014 -
First Trust AlphaDEX™ U.S. Energy Sector Index ETF	FHE FHE.F	October 30, 2014 -
First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF	FHD FHD.F	October 30, 2014 -
First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF	FHC FHC.F	October 30, 2014 December 8, 2017
First Trust AlphaDEX™ U.S. Health Care Sector Index ETF	FHH FHH.F	October 30, 2014 December 8, 2017
First Trust AlphaDEX™ U.S. Materials Sector Index ETF	FHM FHM.F	October 30, 2014 -
First Trust AlphaDEX™ U.S. Industrials Sector Index ETF	FHG FHG.F	October 30, 2014 December 8, 2017
First Trust AlphaDEX™ U.S. Technology Sector Index ETF	FHQ FHQ.F	October 30, 2014 December 8, 2017
First Trust AlphaDEX™ U.S. Utilities Sector Index ETF	FHU FHU.F	October 30, 2014 -
First Trust Tactical Bond Index ETF	FTB	June 19, 2015
First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)	FSR	September 29, 2016

<sup>1</sup>The Hedged Units of the U.S. Sector Index ETFs were qualified for distribution by a prospectus dated June 1, 2017. As of the date of this annual financial statements, four of the U.S. Sector Index ETFs have offered securities to the public effective December 8, 2017 (i.e. FHC.F, FHH.F, FHG.F, FHQ.F).



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# First Trust Exchange-Traded Funds

## Notes to Financial Statements

### For the year ended December 31, 2017

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<sup>2</sup> On October 25, 2017, unitholders of the First Trust ETF approved a proposal to (a) change the investment objective (the "Proposal"), (b) change the management fee in respect of the common units and (c) change the name to "First Trust Value Line® Dividend Index ETF (CAD-Hedged)". The Proposal was implemented as of November 22, 2017.

<sup>3</sup> First Trust AlphaDEX™ Canadian Dividend ETF ("FDY") merged (the "Merger") with FST in order to combine FDY and FST into one Canadian equity exchange-traded fund with FST being the continuing fund. The Merger took place after required Unitholders approval. Under the Merger, holders of units in FDY became unitholders of the First Trust ETF. The Merger was implemented effective October 16, 2017.

The Manager is also the trustee and promoter of the First Trust ETFs. First Trust Advisors L.P., an affiliate of the Manager, is the Portfolio Advisor of the First Trust ETFs. CIBC Mellon Trust Company is the custodian of the assets of the First Trust ETFs.

The address of the Manager is 40 King Street West, Suite 5102, Scotia Plaza, Box 312, Toronto, Ontario M5H 3Y2. The financial statements were authorized for issuance by the Manager on March 22, 2018.

## 2. BASIS OF PRESENTATION

The information provided in these financial statements and related notes is as at December 31, 2017 and 2016, and for the periods then ended, as applicable, with the exception of FSD and FST which changed their fiscal year end from June 30 to December 31 in 2016. The current year figures for these two ETFs are for the 12-month period ended December 31, 2017, while the comparative figures are for 6-month period ended on December 31, 2016 and for the full year ended on June 30, 2016. The change was to align the year end dates of FSD and FST with the other First Trust ETFs.

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.

### Amendments to IAS 7

IAS 7 requires disclosures related to changes in liabilities arising from financing activities for annual periods beginning on or after January 1, 2017. Units issued by the First Trust ETFs are classified as financial liabilities in accordance with IAS 32, as they do not meet the definition of puttable instruments to be classified as equity in accordance with IAS 32 for financial reporting purposes. However, the Units are considered liabilities for the purposes of the IAS 7 disclosures, regardless of their classification for financial reporting purposes under IAS 32. A reconciliation between the opening and closing balances of the Units of the First Trust ETFs is presented in the statement of changes in net assets attributable to holders of redeemable Units for the year ended December 31, 2017, including changes from cash flows and non-cash changes.

## 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 ETFs classify the investments in debt and equity securities, open-ended investment funds 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.

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## First Trust Exchange-Traded Funds

### Notes to Financial Statements

#### For the year ended December 31, 2017

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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 ETFs manage together and has a recent actual pattern of short-term profit-taking. All derivatives are also included in this category. The First Trust ETFs do 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 with the First Trust ETFs' investment strategy as documented in its prospectus, and information about these financial assets and liabilities are evaluated by the management of the First Trust ETFs on a fair value basis together with other relevant financial information. All long equity and fixed income positions are included in this category.

All other financial assets and liabilities are classified as loans and receivables and other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost

#### **(ii) Recognition and measurement**

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, which is the date on which the First Trust ETFs become a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets and financial liabilities at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of comprehensive income. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Subsequent to initial recognition, financial assets and liabilities at FVTPL are measured at fair value. Net realized gain (loss) on sale of investments and net change in unrealized appreciation (depreciation) of investments 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.

#### **(iii) Derecognition**

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the First Trust ETF has transferred substantially all risks and rewards of ownership.

Financial liabilities at FVTPL are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Net realized gain (loss) on sale of investments and derivatives are determined on a weighted average cost basis.

#### **(iv) Fair value measurement**

For the majority of First Trust ETFs, investments in listed securities are measured at fair value, which is determined in reference to their quoted close prices on the principal securities exchange on which the issue is traded. The change in the difference between the fair value and average cost is included in the statement of comprehensive income as unrealized appreciation (depreciation) on investments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

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## First Trust Exchange-Traded Funds

### Notes to Financial Statements

#### For the year ended December 31, 2017

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Forward foreign exchange contracts are valued at the current market value thereof on the valuation date. The value of these forward contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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 primarily to value unlisted equity and debt securities 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.

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.

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.

The determination of what constitutes "observable" requires significant judgment by the First Trust ETF. The First Trust ETF considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Unobservable Inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

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

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# First Trust Exchange-Traded Funds

## Notes to Financial Statements

### For the year ended December 31, 2017

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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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the First Trust ETFs determine 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.

The carrying values of cash, other assets, other liabilities and the First Trust ETFs' obligation for net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature.

See Note 5 for additional details related to the First Trust ETFs' fair value measurements.

#### **Cash**

Cash consists of cash on deposit and bank overdraft.

#### **Receivable for portfolio securities sold and Payable for portfolio securities purchased**

Receivable for portfolio securities sold and Payable for portfolio securities purchased are recorded on the statement of financial position at the amount to be received or delivered.

#### **Net assets attributable to holders of redeemable units per unit**

First Trust ETFs under the U.S. Sector Funds currently have two classes of redeemable units in issue: Units and Hedged Units. However, the Hedged Units have not offered any securities to the public yet, except for FHC.F, FHH.F, FHQ.F, and FHG.F. Since the US Sector ETFs will seek to hedge their U.S. dollar currency exposure only in respect of the Hedged Units, all of the gains or losses associated with any hedging transactions in that regard will be solely for the account of the Hedged Units.

Majority of the First Trust ETFs not under U.S. Sectors Funds have two classes of redeemable units in issue: Common Class and Advisor Class. FTB and FSR have only one class of redeemable units (See note 1 – “The First Trust ETFs”). These classes of redeemable units are the most subordinate classes of financial instruments in First Trust ETFs 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 7 – “Management Fees and Expenses”).

A separate net asset value is calculated for each class of Units of the First Trust ETFs. The net asset value of a particular class 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 prospectuses of the First Trust ETFs. Income not distributed is included in net assets attributable to holders of redeemable shares.

#### **Investment income**

The “Interest income for distribution purposes” shown on the Statement of Comprehensive Income represents the coupon interest received by the First Trust ETFs accounted for on a straight line basis. The First Trust ETFs do 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.

Dividend income is recognized on the ex-dividend date in the statement of comprehensive income within dividend income, gross of withholding taxes, when the Fund's right to receive payments is established.

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## First Trust Exchange-Traded Funds

### Notes to Financial Statements

#### For the year ended December 31, 2017

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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 ETFs operate 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 ETFs measure 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.

#### **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 presented as a separate line item in the Statement of Comprehensive Income in the period incurred.

First Trust Senior Loan ETF (CAD-Hedged) ("FSL") and FSD typically do not incur transaction costs because these First Trust ETFs invest in senior loans and high yield bonds. Transaction costs are not incurred on the purchase and sale of senior loans and high yield bonds.

#### **Forward foreign exchange currency agreements**

Some of the First Trust ETFs may purchase forward foreign exchange currency agreements to hedge assets and liabilities denominated in foreign currencies.

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 net change in unrealized appreciation or depreciation of derivatives 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.

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.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Fund currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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# First Trust Exchange-Traded Funds

## Notes to Financial Statements

### For the year ended December 31, 2017

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#### ***Critical accounting estimates and assumptions***

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing these financial statements. Actual results may differ from these estimates.

#### ***Fair value of securities not quoted in an active market***

The fair value of such securities not quoted in an active market may be determined by the First Trust ETFs using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. The First Trust ETF would exercise judgment and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes 'observable' requires significant judgment by the First Trust ETFs. The First Trust ETFs considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of the First Trust ETFs' financial instruments.

#### **4. FORWARD FOREIGN EXCHANGE CURRENCY AGREEMENTS**

Certain First Trust ETFs may enter into forward foreign exchange currency agreements to minimize the impact of changes in the Canadian-U.S. foreign exchange rate or Canadian-CHF/EUR/GBP foreign exchange rates on the First Trust ETFs' 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. Bank of New York Mellon is the counterparty to all forward contracts of the First Trust ETFs.

*The forward foreign exchange currency agreements, as applicable, shown in the Notes to Financial Statements - Specific Information under Schedule of Portfolio Investments for each First Trust ETF.*

#### **5. FAIR VALUE MEASUREMENT**

Valuation techniques and inputs used for the fair value measurements categorized within Level 2 of the fair value hierarchy is given below:

##### **Unlisted debt securities**

Unlisted debt securities are valued based on the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices.

##### **Senior loans**

The senior loans in which the First Trust ETFs invest 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

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## First Trust Exchange-Traded Funds

### Notes to Financial Statements

### For the year ended December 31, 2017

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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 a 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.

#### **Forward foreign exchange currency contracts**

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 most significant observable input is the forward foreign currency exchange rate.

*The fair value hierarchy classifications of assets and liabilities are discussed in the Notes to Financial Statements - Specific Information for each First Trust ETF, where applicable.*

#### **6. REDEEMABLE UNITS**

Many of the First Trust ETFs 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 7). 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.

Majority of the U.S. Sector Funds currently have one class of redeemable units called Units. The Hedged Units have not offered any securities to the public yet, except for FHC.F, FHH.F, FHQ.F, and FHG.F. FTB and FSR have also only one class of redeemable units.

Units of each of the First Trust ETFs 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 ETFs are Canadian dollar denominated. The First Trust ETFs are listed on the TSX and an investor is able to buy or sell Units of the First Trust ETFs 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.

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

#### **7. MANAGEMENT FEES AND EXPENSES**

Each First Trust ETF will pay the Manager a management fee 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 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 1.00% per annum of the NAV of the Advisor Class Units in respect of all First Trust ETFs, other than First Trust Global Risk Managed Income Index ETF (“ETP”), FSL, and FSD, and 0.50% per annum of the NAV of the Advisor Class Units in respect of ETP, FSL, and FSD, 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

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### For the year ended December 31, 2017

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requirement introduced after the First Trust ETF was established. The Manager is responsible for all other costs and expenses of the First Trust ETFs, including the Advisor Class service fee (described above), the fees payable to the Portfolio Advisor, Custodian, Valuation Agent, Registrar, Transfer Agent and Plan Agent and fees payable to other service providers.

*The management fees charged are discussed in the Notes to Financial Statements - Specific Information for each First Trust ETF.*

## 8. TAXATION

### Income taxes

The First Trust ETFs are trusts and registered investments 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 Act. The First Trust ETFs 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.

### 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. Non cash distributions are reinvested back to the First Trust ETFs.

Distributions of sufficient net realized capital gains (reduced by loss carry-forwards, if any) are made after December 15 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 net capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. *The net capital losses and non-capital losses, as applicable, are discussed in the Notes to Financial Statements - Specific Information for each First Trust ETF.*

## 9. COMMISSION

*Total commissions and other transaction costs paid or payable to dealers by the First Trust ETFs for their portfolio transactions, where applicable, are discussed in the Specific Information for each First Trust ETF. Note that FSL and FSD typically do not incur transaction costs because these First Trust ETFs invest in senior loans and bonds (see note 3 - Significant Accounting Policies, under Transaction Costs).*

## 10. 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 ETFs pay management fees (see note 7 – Management Fees and Expenses).

*The total management fees earned by the Manager including amounts owing where applicable, are discussed in the Notes to Financial Statements - Specific Information for each First Trust ETF.*



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#### 11. FINANCIAL RISK MANAGEMENT

The First Trust ETFs are exposed to a number of risks due to the nature of their 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 ETFs' objective in managing these risks is the protection and enhancement of share value.

*The financial risk management (market risk, interest rate risk, credit risk, currency risk, liquidity risk, and concentration risk) as applicable, are discussed in the Notes to Financial Statements - Specific Information for each First Trust ETF.*

##### **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 ETFs are 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 ETFs 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 ETFs' 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.

ETP, FSR, and FTB hold other ETFs. There is no look-through of the financial risks. Thus, they are indirectly exposed to the market risk through the investments held by the ETFs in their investment portfolio.

For the years ended December 31, 2017 and 2016, 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.

Certain First Trust ETFs are exposed to interest rate risk as they invest 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 Advisors manage the First Trust ETFs' exposure to interest rate risk on a daily basis in accordance with the First Trust ETFs' investment objectives and policies. The First Trust ETFs' overall exposure to interest rate risk is monitored closely by the Portfolio Advisors.

Interest rate risk arises on interest-bearing financial instruments. The majority of the First Trust ETFs', except FSL, FTB, ETP, and FSD, financial assets and liabilities are non-interest bearing. As a result, the majority of the First Trust ETFs' are not subject to significant amounts of interest rate risks due to fluctuations in the prevailing level of market interest rates.

FSL, FTB, ETP, and FSD invest in interest-bearing securities. The income of these First Trust ETFs 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. FSL 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. FTB and ETP hold various exchange traded funds (the "Underlying ETFs") that invest in interest bearing securities, some of which are fixed rate. As a result, the price of the Underlying ETFs may fluctuate due to changes in the prevailing levels of market interest rates.

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## First Trust Exchange-Traded Funds

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#### For the year ended December 31, 2017

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ETP, FSR, and FTB hold other ETFs. There is no look-through of the financial risks. Thus, they are indirectly exposed to the interest rate risk through the investments held by the ETFs in their investment portfolio.

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.

#### **Credit risk**

Credit risk is the risk of non-payment of scheduled interest and/or principal payments because the issuer of the security experiences a decline in its financial status.

The First Trust ETFs, except FTB, ETP, FSL, and FSD, had no significant investments in debt instruments and/or derivatives as of December 31, 2017 and 2016, as applicable.

FTB and ETP - The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. For more information regarding the credit risk of underlying funds, refer to the underlying funds' financial statements available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

FSL - The value of senior loans 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 risks with respect to that lender. As at December 31, 2017, the maximum credit risk exposure of this First Trust ETF is \$127,790,540 (December 31, 2016 - \$147,543,703).

FSD - The value of senior loans 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 risks with respect to that lender. As at December 31, 2017, the maximum credit risk exposure of this First Trust ETF is \$17,942,360 (December 31, 2016 - \$22,638,631 and June 30, 2016 - \$24,132,153).

ETP, FSR, and FTB hold other ETFs. There is no look-through of the financial risks. Thus, they are indirectly exposed to the credit risk through the investments held by the ETFs in their investment portfolio.

#### **Currency risk**

Many of the First Trust ETFs hold assets and liabilities, including cash, short-term investments, equities, fixed income instruments and currency-based derivative contracts that are denominated in foreign currencies. These First Trust ETFs are therefore exposed to currency risk, as the value of the securities denominated in another currency fluctuates due to changes in exchange rates.

ETP, FSR, and FTB hold other ETFs. There is no look-through of the financial risks. Thus, they are indirectly exposed to the currency risk through the investments held by the ETFs in their investment portfolio.

ETP, FTB, and FST are Canadian funds therefore they have insignificant currency risk as at December 31, 2017 and 2016.

#### **Liquidity risk**

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

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# First Trust Exchange-Traded Funds

## Notes to Financial Statements

### For the year ended December 31, 2017

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FSL and FSD invest 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 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, these First Trust ETFs 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 these First Trust ETFs.

#### **Concentration Risk**

Concentration risk indicates the relative sensitivity of the First Trust ETFs' 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.

#### **12. CAPITAL MANAGEMENT**

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

The First Trust ETFs are not subject to any externally imposed capital requirements.

#### **13. SECURITIES LENDING**

A 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 December 31, 2017, there were no securities lending done by the First Trust ETFs.

#### **14. FUTURE ACCOUNTING POLICY CHANGES**

Standard issued but not yet effective up to the date of issuance of the First Trust ETFs' financial statements is listed below.

##### ***IFRS 9 Financial Instruments ("IFRS 9")***

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The First Trust ETFs plans to adopt the new standard the date it becomes effective.

##### **Classification and measurement of financial assets and financial liabilities**

Under IFRS 9, classification and measurement of financial assets will be driven by the First Trust ETFs' business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

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## First Trust Exchange-Traded Funds

### Notes to Financial Statements

#### For the year ended December 31, 2017

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IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income.

Based on the First Trust ETFs' initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the First Trust ETFs make decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the First Trust ETFs' financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

#### **Impairment of financial assets**

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact to the First Trust ETFs' financial assets given that the majority of the First Trust ETFs' financial assets will continue to be measured at FVTPL.

#### **Hedge accounting**

The First Trust ETFs do not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the First Trust ETFs' financial statements. Based on the First Trust ETFs' initial assessment, IFRS 9 is not expected to have a material impact to the First Trust ETFs' financial statements.

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40 King Street West, Suite 5102  
Scotia Plaza, Box 312  
Toronto, Ontario M5H 3Y2

[www.firsttrust.ca](http://www.firsttrust.ca)

