



First Trust Indxx Innovative Transaction and Process ETF • BLCK

Interim Management Report of Fund Performance
June 30, 2020

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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2020

First Trust Indxx Innovative Transaction and Process ETF (the “First Trust ETF”)

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

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

Forward-looking Statements

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

First Trust Indxx Innovative Transaction and Process ETF

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Investment Objective and Strategy

The fundamental investment objective of **First Trust Indxx Innovative Transaction and Process ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of an innovative transaction and process index. Currently, the First Trust ETF seeks to replicate, to the extent possible, the performance of the Indxx Blockchain Index (the “Index”), provided by Indxx, LLC, net of expenses.

The investment strategy of the First Trust ETF is to obtain exposure to the Index by holding shares of a U.S.-listed index ETF, the First Trust Indxx Innovative Transaction & Process ETF (“LEGR”), which replicates or substantially replicates the performance of the Index by directly holding the Constituent Securities of the Index. The First Trust ETF may also hold cash and cash equivalents or other money market instruments to fund current liabilities. The Index seeks to track the performance of exchange-listed common shares (or corresponding ADRs or GDRs) of companies in various industries with their primary listing in developed or emerging market countries that are actively using, investing in, developing or have products that are poised to benefit from blockchain technology and/or the potential for increased efficiency that it provides to various business processes. The Index seeks to include only companies that have devoted material resources to the use of blockchain technologies. However, the Index may contain securities of issuers whose primary business operations are not blockchain related or do not include blockchain related activities.

Risk

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

Results of Operations

General

The First Trust ETF’s net asset value as of June 30, 2020 was \$2,016,234 or \$20.16 per unit. The First Trust ETF’s net asset value as of December 31, 2019 was \$2,090,768 or \$20.91 per unit.

For the six-month period ended June 30, 2020, the First Trust ETF paid total cash distributions of \$0.2900, however, it did not declare cash distributions for record date of June 30, 2020.

Investment Performance

For the six-month period ended June 30, 2020, the First Trust ETF returned -3.57% compared to the S&P 500 Index (the “benchmark”) total return of 1.80%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

The First Trust ETF’s only holding, LEGR, held 99 equity securities as of June 30, 2020. The top ten equity holdings for LEGR accounted for 19.80% of the portfolio within LEGR.

LEGR underperformed due to stock selection. Poor selection in the Information Technology and Financials sectors mostly detracted from relative performance, including all of the bottom five contributors to return. International information technology and financial companies suffered especially as the S&P 500 outperformed the MSCI ACWI ex United States Index during the period. Mitigating underperformance was positive sector allocation as the First Trust ETF was significantly overweight the Information Technology sector and underweight the Energy sector which were the best and worst performing sectors, respectively, in the benchmark during the period.

LEGR’s top five stocks by contribution to return were JD.com, Inc., PayPal Holdings, Inc., NVIDIA Corporation, Amazon.com, Inc., and Microsoft Corporation. The bottom five stocks by contribution to return were Wirecard AG, Atos SE, Axis Bank Limited, Societe Generale S.A., and Aspen Technology.

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Recent Developments

The First Trust ETF was created in March of 2018 to give investors exposure to companies that are either actively using, investing in, developing, or have products that are poised to benefit from blockchain technology and/or the potential for increased efficiency that it provides to various business processes. After an exuberant 2018 and disappointing 2019, 2020 has begun with cautious optimism around increasing use-cases for blockchain technology. A recent survey indicated that an increasing proportion of CEOs list blockchain investment as a top-5 strategic priority for the purposes of data validation, data access/sharing, and identity protection. A wider array of industries has invested in the blockchain than initially expected but the key beneficiaries are still expected to be supply chain and logistics, life sciences and health care, and financial services. Governments are increasingly investing in building their own internal solutions and attempting to provide checks to the private sector so that new offerings don't outpace regulations. In many cases, regulations provide a high hurdle and companies attribute the previous lack of adoption to human barriers not technological barriers.

Bitcoin remains the strong market leader in the cryptocurrency space at about 65% market share, followed by Ethereum which occupies close to 10% of the market. The price of Bitcoin experienced another rally to begin the year (similar to 2019) and peaked at a 45% gain year-to-date but fell sharply along with the equity market due to COVID-19. The price has generally rebounded in-line with the equity market since mid-March and finished the period near the \$9,000 mark. Initial Coin Offerings diminished after companies incurred fines from the SEC for fraudulent or unregistered solicitations and the future of this form of raising capital has been called into question. Despite regulatory hindrances, the trend toward the general digitization of assets is expected to continue for the long term.

2020 will continue to be a "wait and see" year for the adoption of blockchain technologies. CEOs have been known to engage in a form of "blockchain tourism" where they take a cursory look at potential blockchain solutions and gravitate back toward legacy systems. Despite slow uptake, opportunities abound in financial services, health care and life sciences, energy and manufacturing logistics, and cloud technologies.

Related Party Transactions

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

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

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

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Financial Highlights

The following tables show selected key financial information about the First Trust ETF and are intended to help you understand the First Trust ETF's financial performance for the past two years. This information is derived from the First Trust ETF's current unaudited interim financial statements and audited annual financial statements.

Net Asset Value per Unit

| BLCK | June 30, 2020 | December 31, 2019 | December 31, 2018 ^(a) |
|--|------------------|----------------------|-------------------------------------|
| Net asset value, beginning of period/year ⁽¹⁾ | \$20.91 | \$17.70 | \$20.00 ^(b) |
| Increase (Decrease) from operations: | | | |
| Total revenue | 0.12 | 0.38 | 0.26 |
| Total expenses | (0.03) | (0.09) | (0.06) |
| Realized gains (losses) for the period/year | - | 0.22 | - |
| Unrealized gains (losses) for the period/year | (0.83) | 3.41 | (3.07) |
| Total increase (decrease) from operations ⁽²⁾ | \$(0.74) | \$3.92 | \$(2.87) |
| Distributions: | | | |
| From income (excluding dividends) | - | (0.52) | (0.15) |
| From dividends | - | - | - |
| From capital gains | - | - | - |
| Return of capital | - | - | - |
| Total interim/annual distributions ⁽³⁾ | \$ - | \$(0.52) | \$(0.15) |
| Net asset value, end of period/year ⁽⁴⁾ | \$20.16 | \$20.91 | \$17.70 |

(a) December 31, 2018 does not relate to the full year as the First Trust ETF commenced operations on March 23, 2018.

(b) Seed capital

(1) This information is provided as at June 30, 2020 and December 31 of the period/year shown and is prepared under IFRS.

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

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

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

Ratios and Supplemental Data

| BLCK | June 30, 2020 | December 31, 2019 | December 31, 2018 |
|--|------------------|----------------------|----------------------|
| Net asset value (000's) | \$2,016 | \$2,091 | \$4,425 |
| Number of units outstanding | 100,000 | 100,000 | 250,000 |
| Management expense ratio ⁽¹⁾ | 0.81% | 0.81% | 0.81% |
| Management expense ratio before waivers or absorption | 0.84% | 0.83% | 0.83% |
| Trading expense ratio ⁽²⁾ | 0.00% | 0.00% | 0.00% |
| Portfolio turnover rate ⁽³⁾ | 0.00% | 0.42% | 0.25% |
| Net asset value per unit | \$20.16 | \$20.91 | \$17.70 |

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

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

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

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Management Fees

The First Trust ETF will pay the Manager a management fee of 0.15% based on the average daily NAV of the First Trust ETF. The management fee, plus applicable taxes including HST, will be accrued daily and paid monthly in arrears. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged at any given time.

The First Trust ETF will bear the Underlying Fund's, a US-listed index ETF (the "First Trust Indxx Innovative Transaction & Process ETF [Ticker: LEGR]"), management fee of 0.65% per annum on average daily net assets on the First Trust ETF's portfolio assets invested in the Underlying Fund. Accordingly, the management fee cost to unitholders of their investment will be 0.80% per annum of NAV of the Units plus applicable taxes.

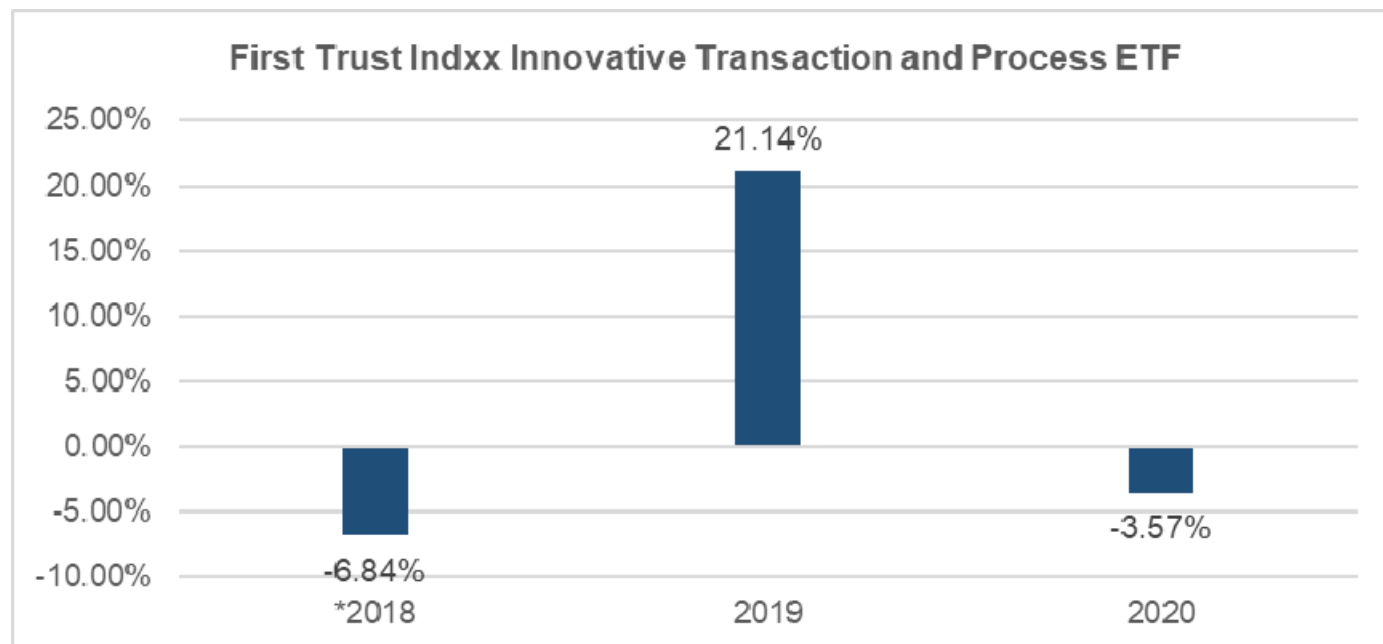
Past Performance

General

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

Year by Year Returns

The bar chart below shows the First Trust ETF's performance for the six-month period ended June 30, 2020, for the year ended December 31, 2019 and for the period from commencement of operations to December 31, 2018 and illustrates how the investment fund's performance has changed from year to year. The chart also shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



*First Trust ETF Commencement: March 23, 2018

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Summary of Investment Portfolio

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's holdings as at June 30, 2020. This summary of portfolio holdings may change due to ongoing portfolio transactions of the First Trust ETF. Daily and quarterly updates are available at www.firsttrust.ca.

| Holdings | % of ETF Total Net Asset Value |
|---|--------------------------------|
| First Trust Indxx Innovative Transaction & Process ETF ("LEGR") | 99.47% |
| Cash and Cash Equivalents | 0.53% |
| Other Assets, Less Liabilities | 0.00% |
| Total | 100.00% |

Portfolio Breakdown

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio as at June 30, 2020.

| Sector Weightings | % of ETF Total Net Asset Value |
|--------------------------------|--------------------------------|
| Exchange-Traded Fund | 99.47% |
| Cash and Cash Equivalents | 0.53% |
| Other Assets, Less Liabilities | 0.00% |
| Total | 100.00% |

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