



First Trust Morningstar Dividend Leaders ETF
(CAD-Hedged) • FDL

Annual Management Report of Fund Performance
December 31, 2024

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2024

First Trust Morningstar Dividend Leaders ETF (CAD-Hedged) (the “First Trust ETF”)

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

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

Forward-looking Statements

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

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Investment Objective and Strategy

The fundamental investment objective of **First Trust Morningstar Dividend Leaders ETF (CAD-Hedged)** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of an index of U.S. companies that have shown dividend consistency and dividend sustainability, initially the Morningstar® Dividend Leaders IndexSM.

The Morningstar® Dividend Leaders IndexSM consist of stocks listed on one of the three major exchanges, NYSE, NYSE Amex or Nasdaq, that have shown dividend consistency and dividend sustainability. Real Estate Investment Trusts (REITs) are not included.

Risk

The First Trust ETF provides exposure to its index by investing all or substantially all of its assets in an underlying U.S. index fund known as First Trust Morningstar Dividend Leaders Index Fund (the “Underlying Fund”), which is managed by the First Trust ETF's portfolio advisor.

The risks associated with an investment in the First Trust ETF is discussed in the First Trust ETF's most recent prospectus.

Results of Operations

General

The First Trust ETF's net asset value as of December 31, 2024, was \$9,365,548 or \$33.45 per unit. The First Trust ETF's net asset value as of December 31, 2023, was \$9,347,744 or \$30.15 per unit.

For the year ended December 31, 2024, the First Trust ETF paid total cash distributions of \$1.1150 per unit. In addition, the First Trust ETF declared cash distributions of \$0.3000 per unit for record date of December 31, 2024, with payment date of January 8, 2025.

Investment Performance

For the year ended December 31, 2024, the First Trust ETF returned 15.00% compared to the S&P 500® Index (CAD-Hedged) (the “benchmark”) return of 23.78%. Unlike the benchmark, the First Trust ETF's return is net of fees and expenses.

The First Trust ETF's only holding, the Underlying Fund, held 95 equity securities as of December 31, 2024. The top ten equity holdings for the Underlying Fund accounted for 55.71% of the portfolio within the Underlying Fund.

The Underlying Fund underperformed the benchmark during this year mostly due to an underweight allocation to the Information Technology sector, which was one of the best-performing sectors during the year. An overweight position in the Energy sector also weighed on performance. Stock selection within the Consumer Staples and Health Care sectors mitigated the underperformance.

The Underlying Fund's top five stocks by contribution to return were Philip Morris International Inc., Altria Group, Inc., International Business Machines Corporation, AbbVie Inc., and Verizon Communications Inc. The Underlying Fund's bottom five stocks by contribution to return were CVS Health Corporation, Walgreens Boots Alliance, Inc., Dow Inc., Flagstar Financial, Inc., and Ford Motor Company.

The U.S. dollar appreciated 8.96% against the Canadian dollar from December 29, 2023, to December 31, 2024. The First Trust ETF hedges its exposure to the U.S. dollar.

Recent Developments

The S&P 500® Index returned 25.02%, including dividends, capping a strong year for stocks in 2024. The U.S. dollar appreciated relative to the Canadian dollar, meaning the index gained 36.36% over the same period measured in Canadian dollars. The gains were concentrated in a few mega-cap companies from the Information Technology, Communication Services, and Consumer Discretionary sectors. NVIDIA, in particular, benefitted from the booming

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demand for its artificial intelligence (“AI”) chips, which sent its market capitalization to over \$3 trillion, joining Apple and Microsoft. As a result of the AI-driven rally, Communication Services and Information Technology were the best-performing sectors during the year. Materials, a cyclical sector that didn’t benefit from the AI rally, was the period’s worst-performing sector. Health Care stocks also significantly underperformed during the year amid political uncertainty and higher costs. Inflation improved from 3.4% at the end of 2023 to 2.9% at the end of 2024, prompting the U.S. Federal Reserve to cut its target federal funds rate rates during the year. However, inflation progress stalled at the end of the year. Consequently, long-term interest rates rose during the year. For example, the 10-year Treasury yield finished the period at 4.57%, well above 3.88% where it began the year. Overall, the S&P 500® Index finished the year trading at a 24.7 P/E multiple with a 1.27% dividend yield, more expensive than 21.5 and 1.49%, respectively, at the end of 2023. In addition to multiple expansion, earnings growth also contributed to the strong year for stocks.

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 five years ended December 31. This information is derived from the First Trust ETF's audited annual financial statements.

Net Asset Value per Unit

FDL	2024	2023	2022	2021 ^(a)	2020
Net asset value, beginning of year ⁽¹⁾	\$30.15	\$30.92	\$30.58	\$24.43	\$25.04
Increase (Decrease) from operations:					
Total revenue	1.40	1.30	1.35	1.32	0.52
Total expenses	(0.26)	(0.24)	(0.25)	(0.25)	(0.11)
Realized gains (losses) for the year	(0.48)	(0.36)	(1.65)	6.02	(1.61)
Unrealized gains (losses) for the year	3.87	(1.17)	1.80	(0.21)	3.50
Total increase (decrease) from operations ⁽²⁾	\$4.53	\$(0.47)	\$1.25	\$6.88	\$2.30
Distributions:					
From income (excluding dividends)	(1.07)	(1.02)	(1.07)	(0.97)	(0.57)
From dividends	-	-	-	-	(0.05)
From capital gains	-	-	-	(2.11)	-
Return of capital	(0.13)	-	-	-	-
Total annual distributions ⁽³⁾	\$(1.20)	\$(1.02)	\$(1.07)	\$(3.08)	\$(0.62)
Net asset value, end of year ⁽⁴⁾	\$33.45	\$30.15	\$30.92	\$30.58	\$24.43

(a) For the years prior to February 12, 2021, represent returns for the First Trust ETF based on the First Trust ETF's investment objective prior to the change in investment objective which occurred on February 12, 2021.

(1) This information is provided as at December 31 of the years shown and is prepared under IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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

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

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

Ratios and Supplemental Data

FDL	2024	2023	2022	2021 ^(a)	2020
Net asset value (000's)	\$9,366	\$9,348	\$11,750	\$4,892	\$2,443
Number of units outstanding	280,000	310,000	380,000	160,000	100,000
Management expense ratio ⁽¹⁾	0.61%	0.61%	0.61%	0.66%	1.02%
Management expense ratio before waivers or absorption	0.62%	0.63%	0.63%	0.67%	1.04%
Trading expense ratio ⁽²⁾	0.00%	0.00%	0.01%	0.05%	0.23%
Portfolio turnover rate ⁽³⁾	12.88%	44.39%	26.80%	133.70%	280.86%

(a) For the years prior to February 12, 2021, represent returns for the First Trust ETF based on the First Trust ETF's investment objective prior to the change in investment objective which occurred on February 12, 2021.

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

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

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

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Management Fees

The First Trust ETF will pay the Manager a management fee of 0.15% 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's management fee will also bear the management fee of the Underlying Fund.

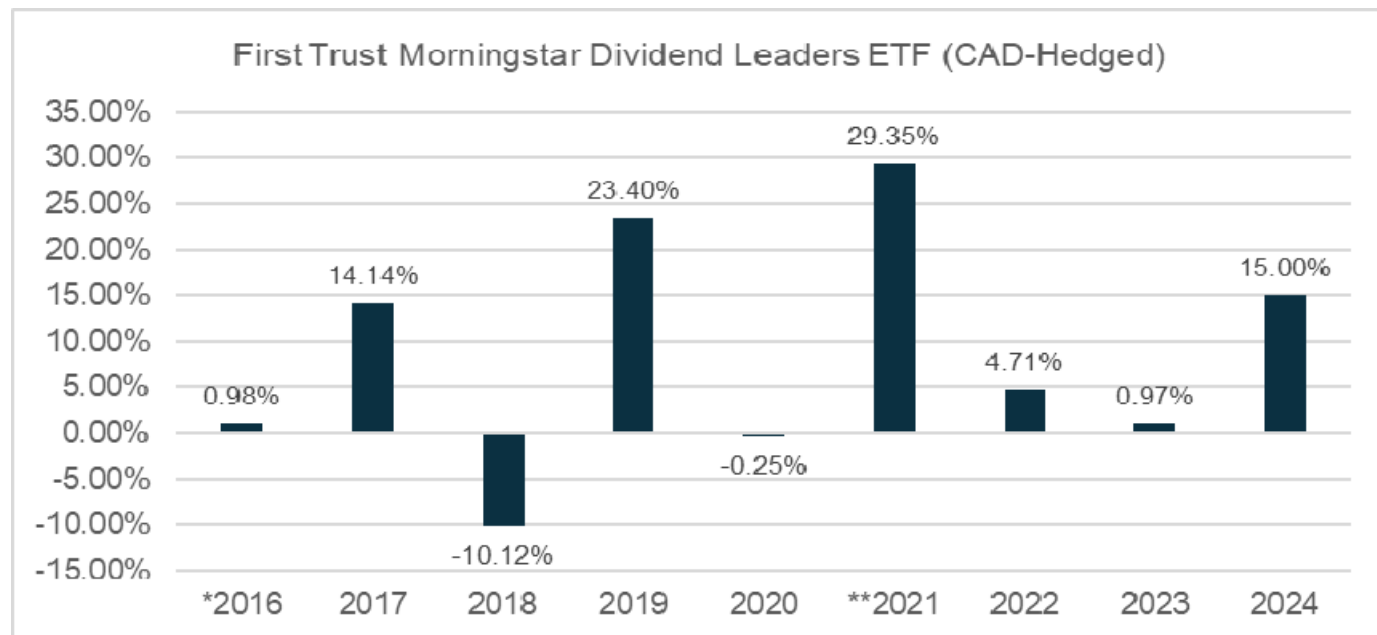
Past Performance

General

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

Year by Year Returns

The bar chart below shows the First Trust ETF's performance for the years ended December 31 and for the period from commencement of operations to December 31, 2016 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: September 29, 2016

**For the years prior to February 12, 2021, represent returns for the First Trust ETF based on the First Trust ETF's investment objective prior to the change in investment objective which occurred on February 12, 2021.

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Annual Compound Returns

The table below shows the First Trust ETF's annual compound total return since inception and for the year ended December 31, 2024. The annual compound return is compared to the returns of the relevant benchmark; however, the First Trust ETF's return is net of fees and expenses. See Results of Operations section of this report for further information regarding the current year performance of the First Trust ETF relative to the benchmark/index.

Returns	1-year	3-year	5-year	10-year	Since Inception
First Trust Morningstar Dividend Leaders ETF (CAD-Hedged)	15.00%	6.74%	9.43%	-	8.79%
S&P 500® CAD-Hedged Index	23.78%	7.94%	13.60%	-	13.86%

S&P 500® Index is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization. The S&P 500® CAD-Hedged Index uses a currency-hedged strategy to reduce the risk of currency fluctuations, although potential currency gains may be sacrificed. The amount hedged is adjusted on a monthly basis.

Summary of Investment Portfolio

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's holdings as at December 31, 2024. 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 Morningstar Dividend Leaders Index Fund	101.44%
Cash and Cash Equivalents	1.10%
Other Assets, Less Liabilities	-2.54%
Total	100.00%

Portfolio Breakdown

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio as at December 31, 2024.

Breakdown	% of ETF Total Net Asset Value
Exchange-Traded Fund	101.44%
Cash and Cash Equivalents	1.10%
Other Assets, Less Liabilities	-2.54%
Total	100.00%

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