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## First Trust JFL Global Equity ETF • FJFG

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Annual Management Report of Fund Performance  
December 31, 2021

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# **ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

## **December 31, 2021**

### **First Trust JFL Global Equity ETF** **(the “First Trust ETF”)**

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

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

### **Forward-looking Statements**

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

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# First Trust JFL Global Equity ETF

## Management Report of Fund Performance

### For the period ended December 31, 2021

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#### **Investment Objective and Strategy**

The fundamental investment objective of **First Trust JFL Global Equity ETF** (the “First Trust ETF”) is to provide unitholders with capital appreciation by investing primarily in equity securities of large multinational companies that have demonstrated global leadership in their industry. The Sub-Advisor will primarily target international companies that benefit from exposure to economies typically growing at a rate higher than the global gross domestic product (GDP). Emphasis will be on non-cyclical companies that have a competitive advantage in their industry. The First Trust ETF will not invest more than 20% of its net assets in securities of issuers located in emerging markets.

#### **Risk**

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

#### **Results of Operations**

##### ***General***

The First Trust ETF’s net asset value as of December 31, 2021 was \$15,519,690 or \$22.99 per unit.

For the year ended December 31, 2021, the First Trust ETF paid total cash distributions per unit of \$0.0130. In addition, the First Trust ETF also made total notional distributions per unit of \$0.0063 for the year ended December 31, 2021. These amounts were reinvested in the First Trust ETF and not paid in cash to unitholders.

##### ***Investment Performance***

For the period ended December 31, 2021, the First Trust ETF returned 15.41% compared to MSCI ACWI Index (the “benchmark”) total return of 15.22%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

In the second quarter, there were stark differences in performance. Structural winners, like Alphabet and Facebook, provided a strong benefit to portfolio performance while more idiosyncratic exposures, like Fiserv, proved to be a significant headwind. We continue to believe that the eventual re-opening of physical retailers will manifest Fiserv’s growth opportunity. The portfolio also saw continued headwinds from “COVID-19 winners” like Abbott, which guided to lower COVID-19 testing revenues in the quarter as the virus receded, and Interactive Brokers, where investors fear the incredible increase in trading activity during the pandemic will necessarily result in lower growth opportunity in the coming years. We continue to believe these issues are transitory and take a long-term view in which both companies enjoy meaningful opportunities to deploy growth capital at high rates of return.

During the third quarter, contributors to the First Trust ETF’s performance included a recent addition in the Health Care sector, Hoya. In addition to eye care, it participates in the semiconductor value chain, making products essential for leading edge chips, which are in high demand at this time. A continued rebound from pandemic lows in advertising drove Alphabet higher, and our less cyclical Industrials like Verisk, Copart, and Schneider Electric also contributed. Some offset was provided by our Chinese holdings: Alibaba and Tencent. Both companies fell along with the Chinese market, as the government has stepped up its regulation of the economy. Though the market has pulled back while investors assess the consequences, we believe our companies remain well positioned for long-term success.

During the fourth quarter, technology companies, especially large ones, did best, though Consumer sectors, Materials and Healthcare also did well. Lagging sectors were generally more cyclical, like Energy and Financials, as oil price and interest rates were flat over the quarter. Contributors to the portfolio’s outperformance were diverse, including Interactive Brokers and United Health. Interactive Brokers benefitted from rising rate expectations and market volatility, United Health was helped by continued growth and a brightening regulatory environment. Fiserv and Guidewire, were weak despite strong fundamentals, while (unowned) names like Apple and Nvidia were strong.

For the year-to-date reporting period, the top performing sectors in the index were Information Technology, Real Estate and Health Care. The worst performing sectors were Communication Services, Industrials and Materials. Top contributors to our performance were our stock selection in the Materials, Industrials, Communication Services and

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## Management Report of Fund Performance

### For the period ended December 31, 2021

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Healthcare sectors. Our stock selection in Financials, Consumer Discretionary and Information were the largest detractors to performance. The top performers in the period for the First Trust ETF were Dechra Pharmaceuticals, Sherwin Williams and Iqvia Holdings. The bottom performers were Alibaba, Tencent and Tsuruha.

#### **Recent Developments**

The fourth quarter saw U.S. equities outperform by a significant margin as large cap Technology names added to their relative outperformance in the year. Canadian markets were also positive, with Financial stocks rallying on the back of increased shareholder returns. International developed markets were more mixed but generally positive. The Swiss market was a notable outperformer, while major EAFE constituent Japan was a laggard among other developed regions. Emerging markets continued to underperform during the quarter, led by weakness in China as investors weighed continued regulatory uncertainty alongside a concerted slowdown in the domestic property market. Focusing on sectors, Technology was strongest from a global perspective. Notably, US-based large cap technology companies fared best, extending the group's multi-year rally and heavily contributing to the ongoing outperformance of U.S. equity indices.

For the year, Energy was the top performing sector in most markets as prices normalized from low levels during the height of the pandemic. Financials and Real Estate also fared well as these sectors weathered the pandemic better than expected. Conversely, both Utilities and Consumer Discretionary posted returns below most major indices. Canada was notably one of the top performing markets globally, given significant exposure to outperforming sectors. Despite ongoing challenges posed by COVID-19 and the emergence of a new variant, global equity markets were generally very strong and most closed near their historic peaks.

Inflation reached multi-year highs during the last quarter of the year, but we expect it to moderate at least in the near term, with or without central bank intervention. Energy prices have moved lower from their peak, supply chain issues should gradually improve, and consumers will likely return to a more normal balance of spending on services vs. goods. We continue to see price pressures concentrated in fuel, new and used cars, and rent. Rising labour costs could be a longer-term issue for inflation, but many of these pressures are likely to be offset by the constant technology innovations we are experiencing globally. Judging by gold's inability to rally in the face of these favourable macro factors, as well as the weakness in inflation-linked bonds, markets are not pricing in significant long-term inflation risks.

In the long run, we expect inflation to settle closer to 3%, rather than the 2% we have been accustomed to seeing over the last couple of decades. We do question the policy response to inflation: How does raising interest rates to punitive levels help address a monumental problem with the supply of goods? Today's situation is similar to the 1970s energy crisis in that it was also a supply issue (albeit with a different genesis). The proper response then, as now, was to concentrate efforts on facilitating an increased expansion of supply or creating alternatives. This requires increased investment and financing of that investment. A monetary response of higher interest rates would discourage investment beyond a certain interest rate level. We believe a fiscal policy response would be a suitable alternative to a monetary policy response to inflation, particularly in the current situation given the supply problem.

#### **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.

# First Trust JFL Global Equity ETF

## Management Report of Fund Performance

### For the period ended December 31, 2021

#### 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 period. The information are derived from the First Trust ETF's audited annual financial statements.

#### Net Asset Value per Unit

FJFG	December 31, 2021
Net asset value, beginning of period <sup>(1)</sup>	\$20.00 <sup>(a)</sup>
Increase (Decrease) from operations:	
Total revenue	0.16
Total expenses	(0.24)
Realized gains (losses) for the period	0.09
Unrealized gains (losses) for the period	1.69
Total increase (decrease) from operations <sup>(2)</sup>	\$1.70
Distributions:	
From income (excluding dividends)	-
From dividends	-
From capital gains	(0.02)
Return of capital	-
Total annual distributions <sup>(3)</sup>	\$(0.02)
Net asset value, end of period <sup>(4)</sup>	\$22.99

(a) Seed capital

(1) This information is provided for the period from March 19, 2021 (commencement of operations) to December 31, 2021 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.

(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

FJFG	December 31, 2021
Net asset value (000's)	\$15,520
Number of units outstanding	675,000
Management expense ratio <sup>(1)</sup>	0.97%
Management expense ratio before waivers or absorption	0.99%
Trading expense ratio <sup>(2)</sup>	0.27%
Portfolio turnover rate <sup>(3)</sup>	10.66%

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

(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.

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

# First Trust JFL Global Equity ETF Management Report of Fund Performance For the period ended December 31, 2021

## Management Fees

The First Trust ETF will pay the Manager a management fee of 0.85% based on the average daily NAV of the First Trust ETF. The management fee, plus applicable taxes including HST, will be accrued daily and paid monthly in arrears. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged at any given time.

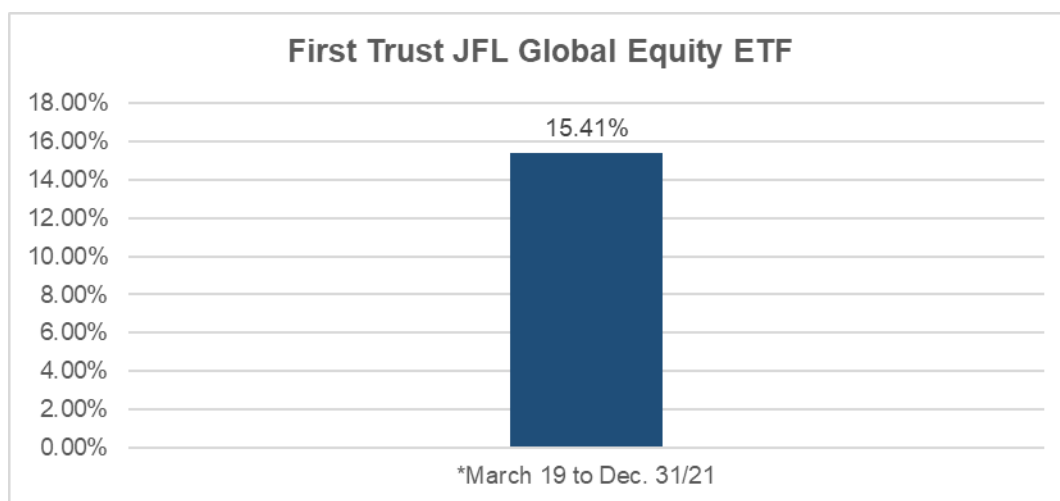
## Past Performance

### General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period 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 period from commencement of operations to December 31, 2021 and illustrates how the investment fund's performance has changed for the period.



\*First Trust ETF Commencement: March 19, 2021

### Annual Compound Returns

The table below shows the First Trust ETF's annual compound total return for the period from commencement of operations to December 31, 2021. 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 period performance of the First Trust ETF relative to the benchmark.

	Since Inception
First Trust JFL Global Equity ETF	15.41%
MSCI ACWI Index	15.22%

*MSCI ACWI Index - MSCI's flagship global equity index, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 27 emerging markets. It covers more than 2,900 constituents across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market. The index is built using MSCI's Global Investable Market Index (GIMI) methodology, which is designed to take into account variations reflecting conditions across regions, marketcap sizes, sectors, style segments and combinations.*

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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 top 25 holdings as at December 31, 2021. 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](http://www.firsttrust.ca).

Top 25 Holdings	% of ETF Total Net Asset Value
Microsoft Corp.	4.86%
Alphabet Inc., Class 'A'	4.65%
Amazon.com Inc.	3.70%
Meta Platforms Inc., Class 'A'	3.40%
Interactive Brokers Group Inc., Class 'A'	3.03%
UnitedHealth Group Inc.	2.99%
Keyence Corp.	2.87%
Boston Scientific Corp.	2.68%
Mastercard Inc., Class 'A'	2.49%
Sherwin-Williams Co. (The)	2.44%
IQVIA Holdings Inc.	2.34%
Abbott Laboratories	2.27%
Chubb Ltd.	2.25%
Sika AG, Registered	2.24%
Copart Inc.	2.22%
Becton	2.20%
Hoya Corp.	2.18%
ASML Holding NV	2.18%
Fiserv Inc.	2.17%
Tencent Holdings Ltd.	2.10%
Diageo PLC	2.05%
Booking Holdings Inc.	2.00%
LVMH Moet Hennessy Louis Vuitton SE	1.96%
PepsiCo Inc.	1.94%
Kinaxis Inc.	1.91%
<b>Total</b>	<b>65.12%</b>

**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, 2021.

Sector Weightings	% of ETF Total Net Asset Value
Information Technology	20.14%
Health Care	19.79%
Financials	16.64%
Consumer Discretionary	15.84%
Communication Services	10.05%
Industrials	6.39%
Consumer Staples	5.56%
Materials	4.11%
Cash and Cash Equivalents	1.53%
Other Assets, Less Liabilities	-0.05%
<b>Total</b>	<b>100.00%</b>



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The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio excluding cash, by country, as at December 31, 2021:

Country Weightings	% of ETF Total Net Asset Value
United States	55.07%
United Kingdom	8.37%
Japan	6.12%
France	5.49%
Switzerland	4.49%
China	4.07%
Canada	3.48%
Netherlands	2.18%
Taiwan	1.87%
India	1.77%
Spain	1.66%
Singapore	1.40%
Sweden	1.38%
Hong Kong	1.17%
Total	98.52%

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