



---

## First Trust Senior Loan ETF (CAD-Hedged) • FSL

---

Interim Management Report of Fund Performance  
June 30, 2022

(Page intentionally left blank)

## **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

### **June 30, 2022**

#### **First Trust Senior Loan ETF (CAD-Hedged)** **(the “First Trust ETF”)**

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

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

---

# First Trust Senior Loan ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2022

---

#### **Background**

As of February 28, 2022, **First Trust Senior Loan ETF (CAD-Hedged)** (the “First Trust ETF”) no longer offered Advisor Class Units (“FSL.A”) and FT Portfolios Canada Co. (the “Manager”) successfully redesignated FSL.A to Common Units (“FSL”) of the First Trust ETF providing unitholders with a lower cost solution going forward.

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

The fundamental investment objective of the First Trust ETF 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 designated credit rating organization (as defined in NI 81- 102) and debt securities by holding securities of First Trust Senior Loan Fund, a U.S. listed exchange-traded fund (the “Underlying Fund”). The First Trust ETF will generally seek to hedge substantially all of its U.S. dollar currency exposure back to the Canadian dollar.

The primary investment objective of the Underlying Fund is to provide high current income and its secondary investment objective is preservation of capital. The Underlying Fund seeks to achieve its investment objectives by investing 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 (as defined in NI 81-102) and debt securities.

#### **Risk**

The overall risk for the First Trust ETF during the period remains as discussed in the most recent prospectus for the First Trust ETF.

The ability of a company/issuer to pay interest and repay principal are not factors controlled by the First Trust ETF’s management. A company may default on their obligation to repay interest and principal which could impact the value of the holdings in the First Trust ETF or the ability to pay a dividend at or above the current level. Companies may also refinance their existing debt (the First Trust ETF’s holdings) which would also impact the level of income available to pay to shareholders.

The First Trust ETF is suitable for investors seeking a high level of current income and potential for capital gains through exposure to a diversified portfolio of below investment grade debt securities.

#### **Results of Operations**

##### **General**

The First Trust ETF’s total net asset value as of June 30, 2022 was \$ 41,630,905 or \$16.47 per unit. The First Trust ETF’s total net asset value as of December 31, 2021 was \$50,113,347 or \$17.91 per FSL and \$17.88 per FSL.A. As of February 28, 2022, the First Trust ETF no longer offered FSL.A and the Manager successfully redesignated FSL.A to FSL of the First Trust ETF.

For the six-month period ended June 30, 2022, the First Trust ETF paid total cash distributions per unit of \$0.2847 for FSL and \$0.0771 for FSL.A. In addition, FSL declared cash distributions of \$0.0550 per unit for record date of June 30, 2022 with payment date of July 8, 2022.

The First Trust ETF’s only holding, the Underlying Fund, held 229 individual positions (0.44% average position size) diversified across 34 industries at the end of the reporting period. The top ten holdings by issuer accounted for 23.90% of the portfolio. Software (22.34%), Health Care Technology (11.01%), and Health Care Providers & Services (10.61%) were the top three industries by market value. By comparison, the Underlying Fund held 231 individual positions (0.43% average position size) across 34 industries with the top 10 holdings by issuer comprising 20.08% of the portfolio at December 31, 2021.

---

# First Trust Senior Loan ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2022

---

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

For the six-month period ended June 30, 2022, the First Trust ETF returned -6.58% compared to the S&P/LSTA Leveraged Loan Index CAD-Hedged (“benchmark”) return of -4.55%. Unlike the benchmark, the First Trust ETF’s returns are net of fees and expenses.

The First Trust ETF’s only holding, the Underlying Fund, benefitted most significantly from its cash position as risk asset price returns generated negative returns during the period. To bolster the Underlying Fund’s liquidity and reduce overall volatility, the Underlying Fund’s cash position was increased throughout the period to 5.91% as of June 30, 2022, compared to 2.76% as of December 31, 2021. The Underlying Fund also benefitted from its underweight exposure to the home furnishings industry, which was the worst performing industry during the quarter. Home furnishing tends to be a highly cyclical area of the market, especially as the consumer comes under pressure from inflation and/or a weakening economy which impacts discretionary spending. The Underlying Fund had a 0.28% average weight to the home furnishing industry during the quarter, compared to the benchmark’s average weight of 1.10%. In addition, the Underlying Fund benefitted from security selection in Retail as the Underlying Fund avoided exposure to companies that primarily sell consumer discretionary products. The Underlying Fund’s security selection within cable & satellite television and overweight exposure to healthcare collectively proved to be a headwind during the period. Cable providers experienced general weakness across the space due to challenges with adding new broadband customers. With respect to healthcare, the Underlying Fund had a 24.64% average weight to the healthcare industry, compared to the benchmark’s average weight of 10.24% and healthcare underperformed the benchmark. While Healthcare is typically an a-cyclical industry, idiosyncratic challenges impacted performance during the period. The Underlying Fund’s position in a dialysis provider that underperformed due to an adverse court ruling detracted from performance. Moreover, healthcare providers across the industry continue to recover from the lingering impacts of the COVID pandemic, resulting in higher labor costs and lower volume growth. We anticipate a gradual return to normalcy over the remainder of the year. Finally, the Underlying Fund’s allocation to high-yield bonds was a headwind as senior loans outperformed high-yield bonds during the quarter. The Underlying Fund had a 10.80% allocation to high-yield bonds at quarter-end. As high-yield bonds have fallen over the course of the year, the Underlying Fund has increased its exposure to higher quality, relatively short dated, high-yield bonds to bolster the Underlying Fund’s liquidity and credit quality. While this has resulted in a near-term headwind, we believe this position will serve the Underlying Fund well over time.

The Leveraged Finance Investment Team’s investment process combines a balance of rigorous bottom-up fundamental credit analysis and disciplined portfolio construction to select securities for the First Trust ETF. This process led to the First Trust ETF having experienced zero defaults during the last twelve-month period. This compares to 5 issuers within the S&P/LSTA Leveraged Loan Index (“LLI”) that defaulted during the same period. Since inception, the First Trust ETF has experienced eight defaults, which compares favorably to the 144 defaults within the LLI.

#### **Recent Developments**

The senior loan market experienced a second consecutive monthly outflow in June totaling \$4.1 billion after 17 straight months of inflows which totaled \$71.8 billion. In the last six months, loan fund inflows totaled \$16.5 billion. The discounted spread to a 3-year life for the senior loan market widened 227 basis points (“bps”) ending the period at L+655. The current spread is 141 bps above the senior loan market’s long-term average spread of L+514 dating back to December 1997. The LLI default rate increased from 0.19% to 0.28% at the end of the quarter. The current default rate remains well below the long-term average default rate of 2.79% dating back to March 1999.

Corporate issuers generally entered the quarter with strong balance sheets and robust liquidity profiles. However, we expect market volatility to continue to be high as investors attempt to gauge the ultimate federal funds target rate as well as the likelihood and timing of a recession. While noting our expectation for a higher level of volatility, we also believe recent adjustments in credit valuations have created attractive opportunities in the corporate credit landscape. As we assess such market opportunities, we continue to employ our disciplined bottom-up credit underwriting process and rigorous approach to risk management.

---

**First Trust Senior Loan ETF (CAD-Hedged)**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2022**

---

**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 Senior Loan ETF (CAD-Hedged)**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2022**

**Financial Highlights**

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

**Net Asset Value per Unit**

| FSL  | Jun. 30,<br>2022 <sup>(a)</sup> | Dec. 31,<br>2021 <sup>(b)</sup> | Dec. 31,<br>2020 | Dec. 31,<br>2019 <sup>(c)</sup> | Dec. 31,<br>2018 | Dec. 31,<br>2017 |
|--|---------------------------------|---------------------------------|------------------|---------------------------------|------------------|------------------|
| Net asset value, beginning of period/year <sup>(1)</sup> | \$17.91                         | \$17.96                         | \$18.62          | \$18.14                         | \$19.29          | \$19.60          |
| Increase (Decrease) from operations:                     |                                 |                                 |                  |                                 |                  |                  |
| Total revenue  | 0.32                            | 0.59                            | 0.74             | 1.03                            | 1.04             | 0.91             |
| Total expenses   | (0.06)                          | (0.14)                          | (0.17)           | (0.17)                          | (0.18)           | (0.19)           |
| Realized gains (losses) for the period/year              | (0.31)                          | (0.61)                          | (0.34)           | (0.04)                          | (1.34)           | 1.10             |
| Unrealized gains (losses) for the period/year            | (1.10)                          | 0.62                            | (0.66)           | 0.64                            | 0.36             | (1.38)           |
| Total increase (decrease) from operations <sup>(2)</sup> | \$(1.15)                        | \$0.46                          | \$(0.43)         | \$1.46                          | \$(0.12)         | \$0.44           |
| Distributions:   |                                 |                                 |                  |                                 |                  |                  |
| From income (excluding dividends)                        | (0.28)                          | (0.52)                          | (0.61)           | (0.88)                          | (0.91)           | (0.73)           |
| From dividends   | -                               | -                               | -                | -                               | -                | -                |
| From capital gains                                       | -                               | -                               | -                | -                               | -                | -                |
| Return of capital  | -                               | -                               | (0.14)           | -                               | -                | (0.05)           |
| Total annual distributions <sup>(3)</sup>                | \$(0.28)                        | \$(0.52)                        | \$(0.75)         | \$(0.88)                        | \$(0.91)         | \$(0.78)         |
| Net asset value, end of period/year <sup>(4)</sup>       | \$16.47                         | \$17.91                         | \$17.96          | \$18.62                         | \$18.14          | \$19.29          |

(a) As of February 28, 2022, the First Trust ETF no longer offered FSL.A and the Manager successfully redesignated FSL.A to FSL of the First Trust ETF.

(b) Effective January 21, 2021, the First Trust ETF was fully invested in the Underlying Fund.

(c) Effective November 4, 2019, First Trust Short Duration High Yield Bond ETF (CAD-Hedged) ("FSD") was merged with the First Trust ETF upon receiving management, regulatory and unitholder approval. Pursuant to the Merger, each holder of common units of FSD automatically received 1.108414 FSL for each common unit of FSD held and each holder of advisor class units of FSD automatically received 1.001905 FSL.A for each advisor class unit of FSD held on the effective date of the Merger.

(1) This information is provided as at June 30, 2022 and December 31 of the years 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.

**First Trust Senior Loan ETF (CAD-Hedged)  
Management Report of Fund Performance  
For the six-month period ended June 30, 2022**

**Ratios and Supplemental Data**

| FSL  | Jun. 30,<br>2022 <sup>(a)</sup> | Dec. 31,<br>2021 <sup>(b)</sup> | Dec. 31,<br>2020 | Dec. 31,<br>2019 <sup>(c)</sup> | Dec. 31,<br>2018 | Dec. 31,<br>2017 |
|--|---------------------------------|---------------------------------|------------------|---------------------------------|------------------|------------------|
| Net asset value (000's)                                  | \$41,631                        | \$40,037                        | \$37,431         | \$54,625                        | \$85,087         | \$138,694        |
| Number of units outstanding                              | 2,528,282                       | 2,514,316                       | 2,084,316        | 2,934,316                       | 4,690,010        | 7,190,010        |
| Management expense ratio <sup>(1)</sup>                  | 1.02%                           | 1.01%                           | 0.93%            | 0.93%                           | 0.94%            | 0.95%            |
| Management expense ratio<br>before waivers or absorption | 1.04%                           | 1.03%                           | 0.95%            | 0.95%                           | 0.96%            | 0.97%            |
| Trading expense ratio <sup>(2)</sup>                     | 0.00%                           | 0.08%                           | 0.01%            | N/A                             | N/A              | N/A              |
| Portfolio turnover rate <sup>(3)</sup>                   | 8.80%                           | 182.47%                         | 134.83%          | 86.53%                          | 166.27%          | 310.12%          |

(a) As of February 28, 2022, the First Trust ETF no longer offered FSL.A and the Manager successfully redesignated FSL.A to FSL of the First Trust ETF.

(b) Effective January 21, 2021, the First Trust ETF was fully invested in the Underlying Fund.

(c) Effective November 4, 2019, First Trust Short Duration High Yield Bond ETF (CAD-Hedged) ("FSD") was merged with the First Trust ETF upon receiving management, regulatory and unitholder approval. Pursuant to the Merger, each holder of common units of FSD automatically received 1.108414 FSL for each common unit of FSD held and each holder of advisor class units of FSD automatically received 1.001905 FSL.A for each advisor class unit of FSD held on the effective date of the Merger.

(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 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 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 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.

**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 management fee of 0.85% 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 1.00% per annum of NAV of the First Trust ETF plus applicable taxes.*



# First Trust Senior Loan ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2022

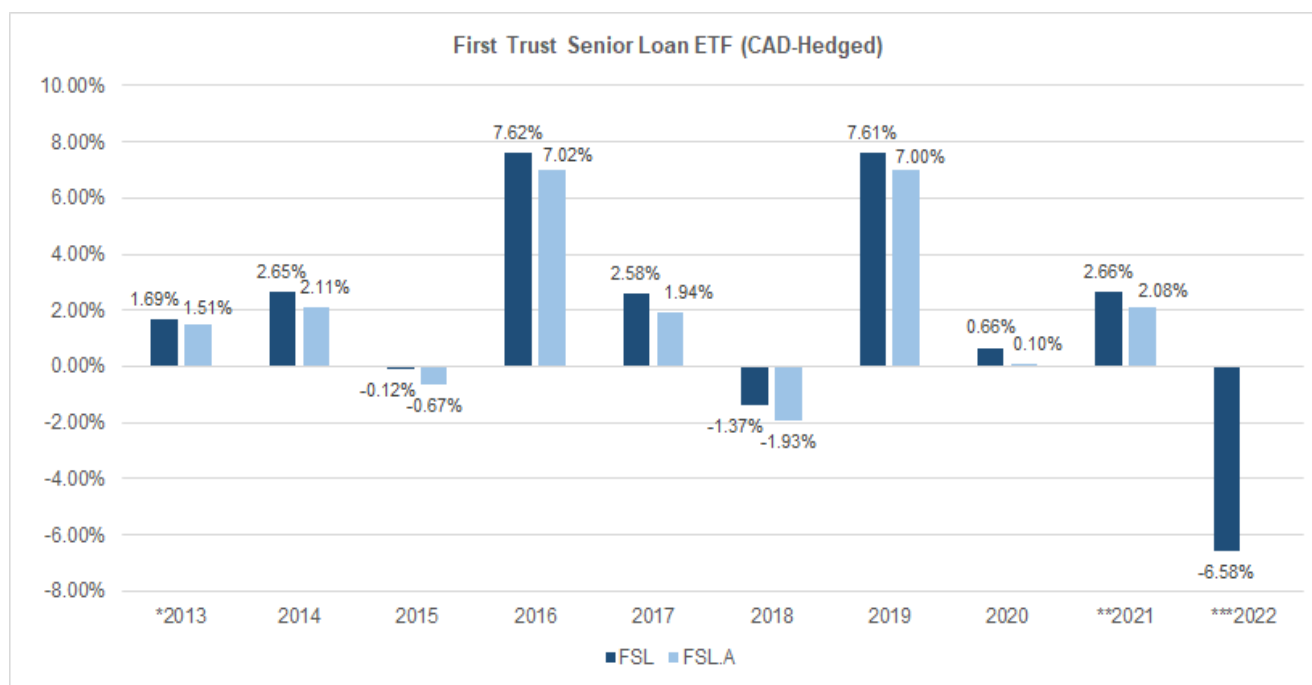
#### Past Performance

##### General

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

##### Year by Year Returns

The bar chart below shows the First Trust ETF's performance for the six-month period ended June 30, 2022, for the years ended December 31, and for the period from commencement of operations to December 31, 2013 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: August 28, 2013

\*\* Effective January 21, 2021, the First Trust ETF was fully invested in the Underlying Fund.

\*\*\*As of February 28, 2022, the First Trust ETF no longer offered FSL.A and the Manager successfully redesignated FSL.A to FSL of the First Trust ETF.

---

**First Trust Senior Loan ETF (CAD-Hedged)**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2022**

---

**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, 2022. 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).

| Holdings                       | % of ETF Total Net Asset Value |
|--------------------------------|--------------------------------|
| First Trust Senior Loan Fund   | 99.88%                         |
| Cash and Cash Equivalents      | 0.41%                          |
| Other Assets, Less Liabilities | -0.29%                         |
| 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, 2022.

| Sector Weightings              | % of ETF Total Net Asset Value |
|--------------------------------|--------------------------------|
| Exchange-Traded Fund           | 99.88%                         |
| Cash and Cash Equivalents      | 0.41%                          |
| Other Assets, Less Liabilities | -0.29%                         |
| Total                          | 100.00%                        |

(Page intentionally left blank)

FT Portfolios Canada Co.

40 King Street West, Suite 5102  
Scotia Plaza, Box 312  
Toronto, Ontario M5H 3Y2

[www.firsttrust.ca](http://www.firsttrust.ca)