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First Trust Global Risk Managed Income Index ETF  
• ETP, ETP.A

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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 Global Risk Managed Income Index 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 Global Risk Managed Income Index ETF

## Management Report of Fund Performance

### For the year ended December 31, 2021

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

The fundamental investment objective of **First Trust Global Risk Managed Income Index ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of the NASDAQ Global Risk Managed Income Index<sup>SM</sup> (the “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 such 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 provide exposure to a risk managed, global income portfolio which generates a high yield for the risk taken and consists of liquid income-bearing ETFs and other exchange traded products across various asset classes.

The Manager may use a sampling methodology in selecting investments for the First Trust ETF. As an alternative or in conjunction with investing in and holding constituent securities, the First Trust ETF may also invest in other securities to obtain exposure to the constituent securities of the applicable Index in a manner that is consistent with the investment objective and investment strategy of the First Trust ETF.

#### **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 reporting period that affected the overall level of risk associated with the First Trust ETF.

#### **Results of Operations**

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

The First Trust ETF’s total net asset value as of December 31, 2021 was \$26,686,112 or \$19.05 per Common Class unit (“ETP”) and \$19.25 per Advisor Class unit (“ETP.A”). The First Trust ETF’s total net asset value as of December 31, 2020 was \$23,726,014 or \$18.24 per ETP and \$18.40 per ETP.A.

For the year ended December 31, 2021, the First Trust ETF paid total cash distributions per unit of \$0.5600 for ETP and \$0.4400 for ETP.A. In addition, the First Trust ETF declared cash distributions per unit of \$0.0450 for ETP and \$0.0350 for ETP.A for record date of December 31, 2021 with payment date of January 10, 2022.

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

For the year ended December 31, 2021, ETP returned 7.49% and ETP.A returned 6.98% compared to the Index return of 8.24%. Unlike the Index, the First Trust ETF’s returns are net of fees and expenses.

The return in the first half of 2021 was 5.31% for ETP, 5.04% for ETP.A, and 5.68% for the Index. Performance was not as robust in the second half of 2021, with the return being 2.06% for ETP, 1.85% for ETP.A, and 2.41% for the Index.

The performance of ETP and ETP.A for the year ended December 31, 2021 can be attributed to the First Trust ETF’s more diversified, all-spectrum portfolio with the capacity to invest in equities and global assets, as opposed to an all-government bond portfolio or investment-grade only portfolio, as both the U.S. Treasury and Canadian Government bonds’ 10-year yields jumped more than 0.80% in the first quarter of 2021, which is by no means a small move, and would have negatively affected funds exposed only to government or investment grade bonds.

# First Trust Global Risk Managed Income Index ETF Management Report of Fund Performance For the year ended December 31, 2021

Index Positions and Sector Performances as of December 31, 2021:

Symbol	Company Name	BY ASSET CLASS		BY CREDIT RATING			BY GEOGRAPHY				As Of	2021-12-31	6M Chg	
		Equity	Bond	Rate	Credit	HY	Equity	Canada	U.S.	Int'l	Global	Weight		Yield
CPD	iShares S&P/TSX Canadian Preferred Share Index ETF		Y			Y		Y				16.0%	4.13	3.8%
XCB	iShares DEX All Corporate Bond Index ETF		Y		Y			Y				2.6%	3.04	0.6%
XGB	iShares DEX all Government Bond Index ETF		Y	Y				Y				2.1%	2.28	0.7%
CVD	iShares Convertible Bond Index ETF Trust Units		Y			Y		Y				9.8%	4.52	-0.1%
XLB	iShares Core Canadian Long Term Bond Index ETF		Y	Y				Y				1.6%	2.98	3.2%
HBB	Horizons CDN Select Universe Bond ETF		Y	Y				Y				2.0%	2.49	0.9%
VSB	Vanguard Canadian Short-Term Bond Index ETF		Y	Y				Y				5.1%	1.44	-0.3%
ZHY	BMO High Yield US Corporate Bond Hedged To CAD ETF		Y		Y				Y			11.7%	5.49	1.3%
ZIC	BMO Mid-Term US IG Corporate Bond Index ETF CAD		Y		Y				Y			2.9%	3.48	1.0%
FSL	First Trust Senior Loan ETF CAD Hedged Trust Units		Y			Y			Y			16.1%	4.00	0.9%
ZEF	BMO Emerging Markets Bond Hedged to CAD Index ETF		Y			Y				Y		7.8%	4.04	-1.3%
ZUT	BMO Equal Weight Utilities Index ETF	Y					Y	Y				2.8%	3.31	2.4%
ZRE	BMO Equal Weight REIT's Index ETF	Y					Y	Y				3.5%	3.87	10.7%
XFN	iShares S&P/TSX Capped Financials Index ETF	Y					Y	Y				2.9%	2.94	10.2%
XEI	iShares Core S&P/TSX Composite High Dividend Index ETF	Y					Y	Y				4.3%	3.82	8.1%
VDY	Vanguard FTSE Canadian High Dividend Yield Index ETF	Y					Y	Y				4.2%	3.41	9.2%
VGG	Vanguard US Dividend Appreciation Index ETF	Y					Y		Y			1.2%	1.52	13.9%
CGR	iShares Global Real Estate Index ETF	Y					Y			Y		1.3%	1.92	14.2%
CYH	iShares Global Monthly Dividend Index ETF	Y					Y			Y		2.1%	6.62	4.4%
<b>NQGRMIC</b>	<b>NASDAQ Global Risk Managed Income CAD Index</b>	<b>22%</b>	<b>78%</b>	<b>11%</b>	<b>17%</b>	<b>50%</b>	<b>22%</b>	<b>57%</b>	<b>32%</b>	<b>8%</b>	<b>3%</b>	<b>100%</b>	<b>3.91</b>	<b>1.6%</b>
<b>XBB</b>	<b>iShare Core Canadian Universe Bond Index ETF</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>100%</b>	<b>2.49</b>	<b>0.9%</b>

Index Allocation Changes from June 30, 2021 to December 31, 2021

	BY ASSET CLASS		BY CREDIT RATING				BY GEOGRAPHY			
	Equity	Bond	Rate	Credit	HY	Equity	Canada	U.S.	EM	Global
<b>NQGRMIC (ETP) Allocation</b>										
<b>Middle of the Year (Jun. 30, 2021)</b>	<b>22%</b>	<b>78%</b>	<b>19%</b>	<b>19%</b>	<b>40%</b>	<b>22%</b>	<b>61%</b>	<b>22%</b>	<b>13%</b>	<b>5%</b>
<b>End of the Year (Dec. 31, 2021)</b>	<b>22%</b>	<b>78%</b>	<b>11%</b>	<b>17%</b>	<b>50%</b>	<b>22%</b>	<b>57%</b>	<b>32%</b>	<b>8%</b>	<b>3%</b>
<b>Allocation Change (from 2020H1 to 2021YE)</b>	<b>0%</b>	<b>0%</b>	<b>-8%</b>	<b>-2%</b>	<b>10%</b>	<b>0%</b>	<b>-4%</b>	<b>10%</b>	<b>-5%</b>	<b>-2%</b>

The Index is evaluated by Newfound's proprietary, dynamic and volatility-adjusted momentum model to allocate more weights to index securities with a higher yield-to-risk profile and positive price momentum. Based on the model, the current Index, as measured by the December 31st portfolio weights, still holds 78% in fixed income and there is no asset allocation change from the mid-year positions. The only significant change is the 10% increase in the First Trust CAD-Hedged Senior Loan ETF given its floating rate positioning and in anticipation of future interest rate hikes due to higher inflation and signaling of U.S. Federal Reserve ("Fed") tapering this year.

## Recent Developments

The recent market focus is still on inflation and the new variant of Coronavirus. The latest reading of core inflation is continuously rising to 4.9% as of November 2021, breaking our last reported number of 3.8% six months ago. The inflation without adjusting for food and energy is even higher at 6.8%. The Fed has dropped the word "transitory" and vowed to start tapering earlier. It is widely expected that there will be at least 3 hikes and Fed's dot-chart shows a consensus of a 0.875% rate increase in 2022. Meanwhile, the new variant of Coronavirus, Omicron, has hit globally and caused schools and restaurants to close. This might have potentially two ways of impacting the economy in the coming months. On one hand, the repeated waves of COVID-19 infection and hospitalization (first Delta then Omicron) may potentially weaken consumer confidence in the developed world and eventually take a toll in the stock market. On the other hand, the easing demand of consumption and risk-off trading into fixed income could give the Fed more leeway to maneuver tapering and rate hiking procedures more smoothly. It's very difficult to choose, even for the savviest investors, which asset class one should hold between equity and fixed income. Fortunately, the Index has a management approach that tactically allocates funds between equities, high yields and/or safe heaven assets. The goal of the Index strategy is to generate a series of balanced income streams in order to shield investors from unnecessary risks and turbulence in the coming years.

As of February 28, 2022, the First Trust ETF is no longer offering ETP.A and the Manager successfully redesignated ETP.A to ETP providing unitholders with a lower cost solution going forward.

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**First Trust Global Risk Managed Income Index ETF**  
**Management Report of Fund Performance**  
**For the year ended December 31, 2021**

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**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 Global Risk Managed Income Index ETF  
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For the year 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 past five years. This information is derived from the First Trust ETF's audited annual financial statements.

**Net Asset Value per Unit**

ETP	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value, beginning of year <sup>(1)</sup>	\$18.24	\$19.11	\$17.90	\$19.42	\$19.27
Increase (Decrease) from operations:					
Total revenue	0.61	0.68	0.79	0.67	0.73
Total expenses	(0.09)	(0.10)	(0.09)	(0.10)	(0.09)
Realized gains (losses) for the year	0.20	(1.08)	(0.11)	(0.45)	0.15
Unrealized gains (losses) for the year	0.64	0.14	1.34	(0.79)	0.14
Total increase (decrease) from operations <sup>(2)</sup>	\$1.36	\$(0.36)	\$1.93	\$(0.67)	\$0.93
Distributions:					
From income (excluding dividends)	(0.35)	(0.42)	(0.49)	(0.43)	(0.45)
From dividends	(0.18)	(0.17)	(0.16)	(0.19)	(0.19)
From capital gains	(0.02)	-	-	-	-
Return of capital	-	(0.10)	(0.07)	(0.15)	(0.15)
Total annual distributions <sup>(3)</sup>	\$(0.55)	\$(0.69)	\$(0.72)	\$(0.77)	\$(0.79)
Net asset value, end of year <sup>(4)</sup>	\$19.05	\$18.24	\$19.11	\$17.90	\$19.42

ETP.A	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value, beginning of year <sup>(1)</sup>	\$18.40	\$19.24	\$18.01	\$19.52	\$19.32
Increase (Decrease) from operations:					
Total revenue	0.61	0.69	0.80	0.69	0.73
Total expenses	(0.19)	(0.19)	(0.20)	(0.20)	(0.20)
Realized gains (losses) for the year	0.21	(1.46)	(0.12)	(0.56)	0.15
Unrealized gains (losses) for the year	0.64	(0.49)	1.39	(0.82)	0.15
Total increase (decrease) from operations <sup>(2)</sup>	\$1.27	\$(1.45)	\$1.87	\$(0.89)	\$0.83
Distributions:					
From income (excluding dividends)	(0.28)	(0.37)	(0.40)	(0.36)	(0.38)
From dividends	(0.15)	(0.14)	(0.14)	(0.16)	(0.16)
From capital gains	-	-	-	-	-
Return of capital	-	(0.06)	(0.06)	(0.14)	(0.09)
Total annual distributions <sup>(3)</sup>	\$(0.43)	\$(0.57)	\$(0.60)	\$(0.66)	\$(0.63)
Net asset value, end of year <sup>(4)</sup>	\$19.25	\$18.40	\$19.24	\$18.01	\$19.52

(1) This information is provided as at 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 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.

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**Ratios and Supplemental Data**

ETP	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$25,458	\$22,552	\$26,486	\$24,818	\$61,862
Number of units outstanding	1,336,214	1,236,214	1,386,214	1,386,214	3,186,214
Management expense ratio <sup>(1)</sup>	0.93%	0.94%	0.91%	0.98%	1.01%
Management expense ratio before waivers or absorption	1.14%	1.15%	1.12%	1.18%	1.22%
Trading expense ratio <sup>(2)</sup>	0.07%	0.12%	0.08%	0.10%	0.04%
Portfolio turnover rate <sup>(3)</sup>	36.93%	108.97%	75.07%	86.44%	33.07%

ETP.A	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$1,228	\$1,174	\$2,190	\$2,050	\$3,198
Number of units outstanding	63,800	63,800	113,800	113,800	163,800
Management expense ratio <sup>(1)</sup>	1.46%	1.48%	1.48%	1.52%	1.55%
Management expense ratio before waivers or absorption	1.66%	1.69%	1.69%	1.73%	1.76%
Trading expense ratio <sup>(2)</sup>	0.07%	0.12%	0.08%	0.10%	0.04%
Portfolio turnover rate <sup>(3)</sup>	36.93%	108.97%	75.07%	86.44%	33.07%

(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 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 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 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 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.

**Management Fees**

The First Trust ETF will pay the Manager a management fee of 0.60% and, in respect of the ETP.A, an additional amount for a service fee (see "ETP.A Service Fee" below) 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 currently pays the Manager a management fee equal to 0.41%.

**ETP.A Service Fee**

The Manager pays registered dealers a service fee equal to 0.50% per annum of the NAV of the Units 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.



# First Trust Global Risk Managed Income Index ETF

## Management Report of Fund Performance

### For the year ended December 31, 2021

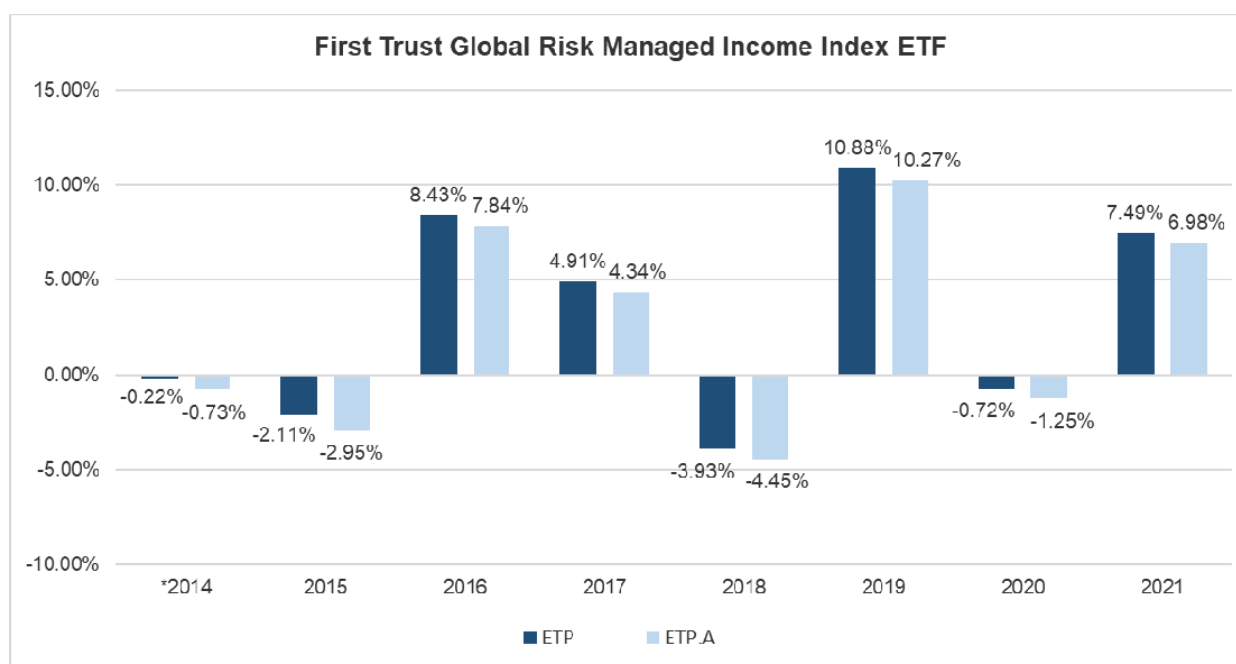
#### Past Performance

##### 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, per class, for the years ended December 31, and for the period from commencement of operations to December 31, 2014 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: July 23, 2014

##### Annual Compound Returns

The table below shows the First Trust ETF's annual compound total return since inception and for the years ended December 31, 2021. The annual compound return is compared to the returns of the reference index; 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 index.

	1-year	3-year	5-year	Since Inception
First Trust Global Risk Managed Income Index ETF - ETP	7.49%	5.77%	3.58%	3.19%
First Trust Global Risk Managed Income Index ETF - ETP.A	6.98%	5.22%	3.04%	2.56%
NASDAQ Global Risk Managed Income Index <sup>SM</sup>	8.24%	6.36%	4.14%	3.76%

The NASDAQ Global Risk Managed Income Index<sup>SM</sup> is a rules-based, quantitatively enabled index which is designed to provide risk managed, globally diversified exposure to income generating asset classes to produce a high yield for the risk taken. The index consists of liquid, income-bearing exchange-traded funds ("ETFs") and other exchange traded products across various asset classes to gain the diversified, risk managed exposure.

**First Trust Global Risk Managed Income Index ETF  
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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 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).

Holdings	% of ETF Total Net Asset Value
First Trust Senior Loan ETF (CAD-Hedged)	16.01%
iShares S&P/TSX Canadian Preferred Share Index ETF	15.89%
BMO High Yield US Corporate Bond Hedged to CAD Index ETF	11.65%
iShares Convertible Bond Index ETF (CAD - Hedged)	9.78%
BMO Emerging Markets Bond Hedged to CAD Index ETF	7.72%
Vanguard Canadian Short-Term Bond Index ETF	5.06%
iShares Core S&P / TSX Composite High Dividend Index ETF	4.28%
Vanguard FTSE Canadian High Dividend Yield Index ETF	4.16%
BMO Equal Weight REITs Index ETF	3.53%
BMO Mid-Term US IG Corporate Bond Index ETF	2.91%
iShares S&P/TSX Capped Financials Index ETF	2.90%
BMO Equal Weight Utilities Index ETF	2.75%
iShares Canadian Corporate Bond Index ETF	2.63%
iShares Global Monthly Dividend Index ETF (CAD-Hedged)	2.05%
iShares Canadian Government Bond Index ETF	2.04%
Horizons Cdn Select Universe Bond ETF	2.03%
iShares Core Canadian Long Term Bond Index ETF	1.63%
iShares Global Real Estate Index ETF	1.32%
Vanguard U.S. Dividend Appreciation Index ETF	1.16%
Cash and Cash Equivalents	0.30%
Other Assets, Less Liabilities	0.20%
<b>Total</b>	<b>100.00%</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
Exchange-Traded Funds	99.50%
Cash and Cash Equivalents	0.30%
Other Assets, Less Liabilities	0.20%
<b>Total</b>	<b>100.00%</b>

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