



First Trust JFL Fixed Income Core Plus ETF • FJFB

Annual Management Report of Fund Performance
December 31, 2023

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2023

First Trust JFL Fixed Income Core Plus 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 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 JFL Fixed Income Core Plus ETF** (the “First Trust ETF”) is to provide unitholders with income and preserve capital by investing at least 75% of the First Trust ETF’s net assets in a diversified portfolio of investment grade Canadian corporate, federal, provincial, and municipal bonds. The First Trust ETF may also invest up to 25% of the fund’s net assets in non-investment grade corporate bonds (at the time of purchase, as rated by a designated rating organization), high yield bonds, developed international bonds, emerging market bonds, preferred shares and convertible bonds of North American and/or international issuers.

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 December 31, 2023 was \$22,410,027 or \$17.24 per unit. The First Trust ETF’s net asset value as of December 31, 2022 was \$1,668,826 or \$16.69 per unit.

For the year ended December 31, 2023, the First Trust ETF paid total cash distributions per unit of \$1.3216. In addition, the First Trust ETF declared cash distributions per unit of \$0.0475 for record date of December 29, 2023 with payment date of January 8, 2024.

Investment Performance

For the year ended December 31, 2023, the First Trust ETF returned 6.78% compared to FTSE Canada Universe Bond Index (the “benchmark”) total return of 6.69%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

For the first quarter, the First Trust ETF outperformed the FTSE Canada Universe Bond Index by 27 bps. The portfolio performance was flat with its FTSE Universe benchmark which posted a gain of 3.2%. Despite the First Trust ETF’s longer maturity profile in a declining interest rate environment, the First Trust ETF’s overweight in corporate bonds was a detraction to relative performance, with both investment grade and high yield credit spreads widening in the quarter. The First Trust ETF’s high yield holdings were a detraction to performance given the notable rally in underlying government yields during the latter portion of the quarter.

For the second quarter, the First Trust ETF underperformed its FTSE Canada Universe bond Index by 4 bps. For the quarter, the portfolio outperformed its FTSE Universe benchmark, which posted a gain of -0.7%. The First Trust ETF’s overweight position in corporate bonds was the largest positive contributor to the outperformance, with security selection contributing modestly. Hybrid securities in the portfolio also contributed meaningfully to the outperformance. In addition, we also benefitted from reducing the portfolio’s maturity before interest rates rose.

In addition, midway through the second quarter, with yields and the forward interest rate curve pricing reductions by the Bank of Canada, the Fund reduced its overweight duration positioning relative to the benchmark index to a neutral position given the risk adjusted outlook for total return gains from those stated yield levels. To facilitate this reduction, the First Trust ETF sold 10-year equivalent government risk and purchased 2-year equivalent government risk. From a performance perspective, the First Trust ETF’s holdings in Anheuser Busch InBev (ABI) positively benefited from multiple rating agencies moving the securities of the issuer up to the A category. The rating agencies action provided a catalyst for the continuation of the positive valuation re-rating in the underlying debt holdings of ABI which has taken place over the second half of 2022 and 2023.

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For the third quarter, the bond portfolio did slightly better than its FTSE Universe benchmark, which dropped -3.9%. This year, our overweight in corporate bonds was the largest positive contributor to the outperformance. Corporate bonds provided extra yield, even though they also did not see as much of a rise in yields as federal government bonds did in this year.

For the fourth quarter, the portfolio outperformed its FTSE Universe benchmark. Similar to other quarters over the year, the portfolio's overweight position in corporate bonds was by far the largest positive contributor to its outperformance. The yield on corporate bonds declined by a greater amount than on government bonds, which means their outperformance came not only from the additional yield they provide but also from the extra capital gains produced by their greater decline in yield.

Given the outperformance of corporate bonds over the past three years and currently less attractive valuations, we have been selectively reducing our risk exposure to corporate bonds in the portfolio. From an individual security perspective, infrastructure bonds performed well, notably airports, as air travel normalized. Hybrid securities were a detractor from the portfolio's performance from a security selection standpoint, particularly U.S. dollar-based securities, as the Canadian dollar rallied versus the greenback in the fourth quarter.

During the quarter, the portfolio was active, participating in selected new issue corporate bond transactions, including but not limited to Caisse Central Desjardins five-year senior bond, Suncor's two-year transaction to fund its purchase of minority stake in Fort Hills, Enbridge Gas ten-year bond, and Air Lease five-year maple bond. As corporate spreads tightened throughout the quarter, the portfolio selectively took the opportunity to reduce its holdings in Hydro One long bonds and Nestle Inc. and exited its holdings in Metro Inc. and Rogers Communications Inc. The portfolio also added to its holdings in ten-year provincial securities in Alberta, British Columbia, New Brunswick and Ontario. The portfolio also participated in the \$1.5 billion reopening of Ontario's 2032 green bond.

As at December 31, 2022, the First Trust ETF held 123 individual positions. The portfolio has a strong Canada focus and as at December 31, 2022 is comprised of 93.1% bonds, 1.0% in preferred, and 5.9% cash. The top 10 holdings by issuer accounted for 29.45% of the total portfolio.

By comparison, at December 31, 2023, the First Trust ETF held 151 individual positions. The portfolio has a strong Canada focus and as at December 31, 2023 is comprised of 98.9% bonds, 0.5% in preferred, and 0.6% cash. The top 10 holdings by issuer accounted for 33.94% of the total portfolio.

Recent Developments

With markets beginning the 2024 year at elevated levels, some volatility in the next few months would not be surprising given expectations for a soft economic landing and further declines in inflation seem largely priced in. Nevertheless, risks of a more pronounced economic slowdown remain. Anything other than a soft landing, such as a recession or strong growth, may lead to scenarios with more risk and volatility. Furthermore, elections in the US and ongoing geopolitical uncertainty will also add to near-term risks.

Longer term, the U.S. consumer, unlike their Canadian counterpart, is in the best financial shape in years. In addition, monetary and fiscal policy is supportive even if it is biased to be inflationary over the long term. Productivity growth has been strong in the U.S., and we expect the proliferation of advances in the technology sector to continue that trend. Although gains will be tempered by high valuations in some sectors along with the recent strong gains, the long-term outlook is positive as inflationary pressures have seemingly abated, allowing for a less restrictive monetary framework. We continue to favor conservatively managed businesses that fit our investment criteria and view our quality approach as well suited to the current backdrop.

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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.

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

Net Asset Value per Unit

FJFB	2023	2022	2021 ^(a)
Net asset value, beginning of period/year ⁽¹⁾	\$16.69	\$20.34	\$20.00 ^(b)
Increase (Decrease) from operations:			
Total revenue	0.62	0.60	0.46
Total expenses	(0.11)	(0.12)	(0.11)
Realized gains (losses) for the period/year	(0.20)	(0.87)	0.11
Unrealized gains (losses) for the period/year	0.98	(2.02)	0.22
Total increase (decrease) from operations ⁽²⁾	\$1.29	\$(2.41)	\$0.68
Distributions:			
From income (excluding dividends)	(0.44)	(1.23)	(0.30)
From dividends	-	-	(0.03)
From capital gains	-	-	(0.12)
Return of capital	(0.12)	(0.01)	-
Total annual distributions ⁽³⁾	\$(0.56)	\$(1.24)	\$(0.45)
Net asset value, end of period/year ⁽⁴⁾	\$17.24	\$16.69	\$20.34

(a) December 31, 2021 does not relate to the full year as the First Trust ETF commenced operations on March 19, 2021.

(b) Seed capital

(1) This information is provided as at December 31 of the years shown and 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/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

FJFB	2023	2022	2021
Net asset value (000's)	\$22,410	\$1,669	\$2,034
Number of units outstanding	1,300,000	100,000	100,000
Management expense ratio ⁽¹⁾	0.65%	0.67%	0.68%
Management expense ratio before waivers or absorption	0.77%	0.79%	0.80%
Trading expense ratio ⁽²⁾	0.00%	0.00%	0.03%
Portfolio turnover rate ⁽³⁾	52.94%	65.10%	34.11%

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period/year 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.

(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 0.70% 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 0.60%.

The Manager has agreed to waive a portion of the management fee equal to 0.10% of average daily net assets of the First Trust ETF until December 31, 2023 in response to the current low interest rate environment. The Manager anticipates that if the trailing average 30-day yield of the current 10-year Canadian Treasury Bond exceeds 3.50% before December 31, 2023, the fee waiver may not be continued past December 31, 2023. Given that the 0.10% waiver is on an annualized basis, if the waiver is for less than a year, the net management fee will be higher than 0.60%. Following December 31, 2023, the Manager may waive a portion of the management fee at any time in its discretion.

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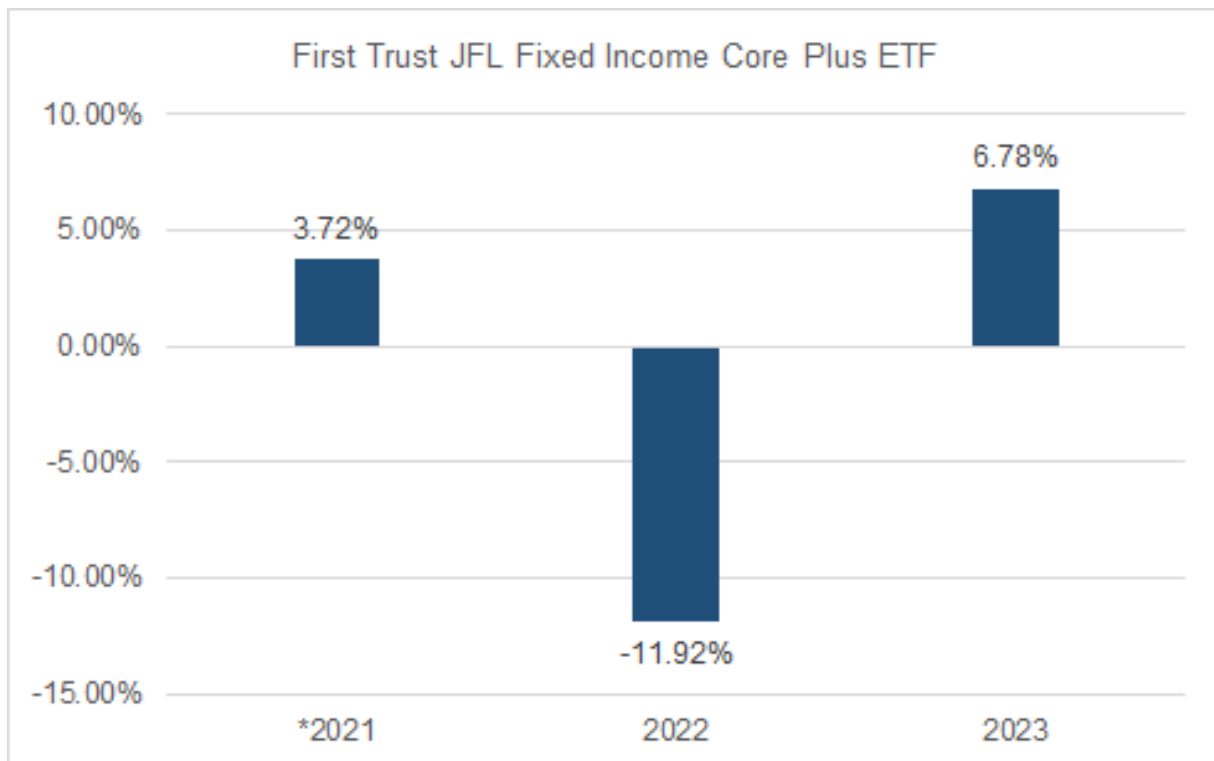
Past Performance

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, 2021 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 19, 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, 2023. 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.

Returns	1-year	3-year	5-year	10-year	Since Inception
First Trust JFL Fixed Income Core Plus ETF	6.78%	-	-	-	-0.89%
FTSE Canada Universe Bond Index	6.69%	-	-	-	-0.93%

FTSE Canada Universe Bond Index measures the performance of the Canadian Dollar denominated investment-grade fixed income market, covering Canadian government, quasi-government and corporate bonds. The index is designed to track the performance of marketable government and corporate bonds outstanding in the Canadian market.

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, by issuer, as at December 31, 2023. 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.

Top 25 Holdings	Coupon Rate/Yield	Maturity Date	% of ETF Total Net Asset Value
Government of Canada	2.75%	01-Jun-33	6.98%
Province of Ontario	1.35%	02-Dec-30	6.07%
Government of Canada	1.50%	01-Dec-31	3.28%
Province of Ontario	3.75%	02-Dec-53	2.00%
Wells Fargo & Co.	3.87%	21-May-25	1.75%
Province of Quebec	3.50%	01-Dec-48	1.65%
Government of Canada	1.75%	01-Dec-53	1.63%
Province of Quebec	5.00%	01-Dec-41	1.57%
Bell Canada, Callable	5.85%	10-Nov-32	1.49%
Royal Bank of Canada	4.61%	26-Jul-27	1.47%
Royal Bank of Canada	5.23%	24-Jun-30	1.46%
Walt Disney Co. (The)	3.06%	30-Mar-27	1.45%
Canadian Imperial Bank of Commerce, Callable	4.95%	29-Jun-27	1.37%
Toronto-Dominion Bank (The)	4.68%	08-Jan-29	1.30%
bclMC Realty Corp., Callable	2.84%	03-Jun-25	1.21%
National Bank of Canada, Variable Rate, Callable	5.43%	16-Aug-32	1.20%
Hydro One Inc., Callable	2.23%	17-Sep-31	1.13%
Province of Quebec	3.10%	01-Dec-51	1.11%
Toronto-Dominion Bank (The)	4.21%	01-Jun-27	1.11%
Province of British Columbia	2.75%	18-Jun-52	1.03%
Province of British Columbia, Series 'BCCD-35'	2.80%	18-Jun-48	1.00%
Bank of Montreal, Callable	3.65%	01-Apr-27	0.99%
407 International Inc., Callable, Series '99-A2'	6.47%	27-Jul-29	0.96%
Government of Canada	2.00%	01-Jun-32	0.95%
Province of Ontario	2.80%	02-Jun-48	0.94%
Total			45.10%

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Portfolio Breakdown

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by sector, as at December 31, 2023.

Sector Weightings	% of ETF Total Net Asset Value
Corporate Bonds	54.93%
Provincial Bonds & Guarantees	25.76%
Federal Bonds & Guarantees	18.39%
Cash and Cash Equivalents	0.57%
Other Assets, Less Liabilities	0.35%
Total	100.00%

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, including equities, by country, as at December 31, 2023.

Country Weightings	% of ETF Total Net Asset Value
Canada	88.99%
United States	7.13%
Jersey C.I.	2.28%
United Kingdom	0.68%
Total	99.08%

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio by credit rating, as at December 31, 2023.

S&P Rating	% of ETF Total Net Asset Value
AAA	18.59%
AA	12.19%
A	39.31%
BBB	22.48%
Below BBB	6.51%
Total	99.08%

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