



---

First Trust Senior Loan ETF (CAD-Hedged) • FSL, FSL.A

---

Interim Management Report of Fund Performance  
June 30, 2020

(Page intentionally left blank)

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

### **June 30, 2020**

#### **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, 2020

---

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

The fundamental investment objective of the **First Trust Senior Loan ETF (CAD-Hedged)** (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 invests primarily 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).

To achieve its investment objectives, 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 a designated credit rating organization (as defined in NI 81-102) and debt securities. Under normal market conditions, the First Trust ETF will invest at least 80% of its net assets in senior loans, which may include loans that are not secured by any specific collateral of the borrower, loans that have a lower than first lien priority on collateral of the borrower, loans to foreign borrowers, loans in foreign currencies and other loans with characteristics that the portfolio advisor believes qualify as senior loans. The senior loans included in portfolio often maintain an interest rate duration of less than 90 days; however, the inclusion of LIBOR floors on certain senior loans or other factors may cause interest rate duration to exceed 90 days.

The First Trust ETF will pursue its objectives by seeking senior loans that portfolio advisor believes exhibit the best combination of attractive fundamental credit characteristics and relative value within the senior loan market. The portfolio advisor seeks to assemble a well-diversified portfolio that includes loans of issuers with strong credit metrics, including strong cash flows and effective management teams. The First Trust ETF may invest in floating rate loans of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings.

The First Trust ETF may invest up to 20% of its net assets in other floating rate debt instruments (including floating rate bonds, floating rate notes, money market instruments, floating rate debentures and tranches of floating rate asset-backed securities, structured notes, made to, or issued by, U.S. and non-U.S. corporations or other business entities), other fixed-rate income producing securities (including, without limitations, U.S. government debt securities, investment grade and below-investment grade corporate debt securities), securities of other investment funds, warrants and equity securities and derivatives. The First Trust ETF will generally seek to hedge substantially all of its U.S. dollar currency exposure back to the Canadian dollar.

#### **Risk**

The overall risk for the First Trust ETF during the year 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, 2020 was \$47,381,858 or \$17.24 per Common Class unit (“FSL”) and \$17.25 per Advisor Class unit (“FSL.A”). The First Trust ETF’s total net asset value as of December 31, 2019 was \$63,275,332 or \$18.62 per FSL and \$18.65 per FSL.A.

---

## First Trust Senior Loan ETF (CAD-Hedged) Management Report of Fund Performance For the six-month period ended June 30, 2020

---

For the six-month period ended June 30, 2020, the First Trust ETF paid total cash distributions per unit of \$0.4275 for FSL and \$0.3975 for FSL.A. In addition, the First Trust ETF declared cash distributions per unit of \$0.0625 for FSL and \$0.0575 for FSL.A for record date of June 30, 2020 with payment date of July 8, 2020.

The First Trust ETF held 113 individual positions (0.88% average position size) diversified across 26 industries at the end of the reporting period. The top 10 holdings by issuer accounted for 25.18% of the portfolio. Health Care Providers & Services (16.40%), Software (14.30%), and Pharmaceuticals (13.49%) were the top three industries by market value. By comparison, the First Trust ETF held 131 individual positions (0.76% average position size) across 30 industries with the top 10 holdings by issuer comprising 21.61% of the portfolio at December 31, 2019.

### **Investment Performance**

For the six-month period ended June 30, 2020, FSL returned -5.20% and FSL.A returned -5.47% compared to S&P/LSTA Leveraged Loan 100 Index (CAD-Hedged) ("Index") return of -4.64%. Unlike the Index, the First Trust ETF's returns are net of fees and expenses.

The First Trust ETF's performance was negatively impacted by its asset selection within the building & development industry. Within the industry, one real estate broker and two building products manufacturers underperformed the broader building & development industry over the first half of 2020. An additional detractor was the First Trust ETF's overweight to the nonferrous metals/minerals industry as the industry faced headwinds in the period. Primarily offsetting these detractors, was the First Trust ETF's asset selection within the electronics/electrical (technology) industry. Within the industry, the First Trust ETF's holdings in a security software developer and a computer hardware and storage provider outperformed the broader electronics/electrical (technology) industry. In addition, the First Trust ETF benefitted from an overweight allocation to the drugs industry, which outperformed the broader index during the first half 2020. The drugs industry made up approximately 2.18% of the index compared to 8.31% of the fund. Lastly, the First Trust ETF benefitted from its de minimis exposure to the oil & gas industry, due to the industry being one of the worst performing industries in the Index during the year.

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 one default during the last twelve-month (LTM) period. This compares to 44 issuers within the S&P/LSTA Leveraged Loan Index that defaulted during the same period. Since inception, the First Trust ETF has experienced seven defaults, which compares favorably to the 124 defaults within the S&P/LSTA Leveraged Loan Index.

### **Recent Developments**

Retail demand for the senior loan asset class remained weak with approximately \$38.2 billion of outflows over the last twelve-month ("LTM") period. The outflows began in the fourth quarter of 2018 due to a general concern for the sustainability of growth in the economy which was fueled by the ongoing trade dispute with China and the potential implications of the Fed tightening cycle which began in December 2016 and resulted in a 200 bps increase in the target Federal Funds rate to 2.50%. Since then the Federal funds target rate was cut to 0%-0.25% to combat the current economic conditions due to the COVID-19 pandemic. The outflows in the senior loan asset class have persisted for 21 consecutive months since the fourth quarter of 2018. While the fed has stated that it does not plan any additional future rate cuts, which would result in negative rates, they also do not expect to raise rates in the near term as they expect the economy will take time to fully recover. We believe that the expectation of low rates persisting and economic uncertainty surrounding the reopening of the economy has led fixed income investors to continue to withdraw money out of senior loans due to the floating rate nature of the asset class.

The discounted spread to a 3-year life for the senior loan market began the period at L+461, rose to L+1076 at the end of March 2020 and ended the period at L+696, for a widening of 235 bps over the first half of the year. The default rate within the index crossed the long-term average for senior loans. The LTM default rate within the senior loan index ended the period at 3.23%, which compares to the long-term average default rate of 2.88% dating back to March 1999. Looking forward, we anticipate the default rate will continue to increase and remain elevated compared to the long-term average and that energy will likely be the hardest hit sector given current energy prices.

---

## First Trust Senior Loan ETF (CAD-Hedged) Management Report of Fund Performance For the six-month period ended June 30, 2020

---

We believe, sectors such as leisure, travel, retail and hospitality will lag the overall recovery and would be more severely impacted by a second wave of restrictions. We also believe that, while certain sectors have been hit hard by COVID-19, other sectors, such as Technology, Healthcare, and Pharma remain well positioned to weather the pandemic. While the current economic backdrop remains uncertain, at current spreads and prices we see the potential opportunity to achieve above average returns in the senior asset class over the next 12 months. As we evaluate existing and new investment opportunities in this environment, our decisions will continue to be rooted in our rigorous bottom-up credit analysis process and our focus will remain on identifying the opportunities that we believe offer the best risk and reward balance.

### **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, 2020

#### 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 financial statements and audited annual financial statements.

#### Net Asset Value per Unit

FSL	Jun. 30, 2020	Dec. 31, 2019 <sup>a</sup>	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value, beginning of period/year <sup>(1)</sup>	\$18.62	\$18.14	\$19.29	\$19.60	\$19.02	\$19.89
Increase (Decrease) from operations:						
Total revenue	0.43	1.03	1.04	0.91	0.96	1.10
Total expenses	(0.08)	(0.17)	(0.18)	(0.19)	(0.18)	(0.19)
Realized gains (losses) for the period/year	(0.82)	(0.04)	(1.34)	1.10	0.60	(2.22)
Unrealized gains (losses) for the period/year	(0.78)	0.64	0.36	(1.38)	0.09	1.16
Total increase (decrease) from operations <sup>(2)</sup>	\$(1.25)	\$1.46	\$(0.12)	\$0.44	\$1.47	\$(0.15)
Distributions:						
From income (excluding dividends)	(0.41)	(0.88)	(0.91)	(0.73)	(0.75)	(0.90)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	(0.05)	(0.12)	-
Total interim/annual distributions <sup>(3)</sup>	\$(0.41)	\$(0.88)	\$(0.91)	\$(0.78)	\$(0.87)	\$(0.90)
Net asset value, end of period/year <sup>(4)</sup>	\$17.24	\$18.62	\$18.14	\$19.29	\$19.60	\$19.02

FSL.A	Jun. 30, 2020	Dec. 31, 2019 <sup>a</sup>	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value, beginning of period/year <sup>(1)</sup>	\$18.65	\$18.21	\$19.32	\$19.59	\$19.01	\$19.88
Increase (Decrease) from operations:						
Total revenue	0.39	0.38	1.06	0.89	1.42	1.12
Total expenses	(0.13)	(0.27)	(0.29)	(0.31)	(0.29)	(0.30)
Realized gains (losses) for the period/year	(0.81)	0.09	(1.34)	1.10	0.57	(2.21)
Unrealized gains (losses) for the period/year	0.01	1.96	0.21	(1.35)	(0.27)	1.43
Total increase (decrease) from operations <sup>(2)</sup>	\$(0.54)	\$2.16	\$(0.36)	\$0.33	\$1.43	\$0.04
Distributions:						
From income (excluding dividends)	(0.38)	(0.81)	(0.75)	(0.61)	(0.65)	(0.78)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	(0.01)	-	-	(0.11)	-
Total interim/annual distributions <sup>(3)</sup>	\$(0.38)	\$(0.82)	\$(0.75)	\$(0.61)	\$(0.76)	\$(0.78)
Net asset value, end of period/year <sup>(4)</sup>	\$17.25	\$18.65	\$18.21	\$19.32	\$19.59	\$19.01

(a) 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, 2020 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, 2020

#### Ratios and Supplemental Data

FSL	Jun. 30, 2020	Dec. 31, 2019 <sup>a</sup>	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value (000's)	\$40,242	\$54,625	\$85,087	\$138,694	\$149,762	\$90,331
Number of units outstanding	2,334,316	2,934,316	4,690,010	7,190,010	7,640,000	4,750,000
Management expense ratio <sup>(1)</sup>	0.93%	0.93%	0.94%	0.95%	0.95%	0.94%
Management expense ratio before waivers or absorption	0.95%	0.95%	0.96%	0.97%	0.97%	0.96%
Trading expense ratio <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate <sup>(3)</sup>	78.44%	86.53%	166.27%	310.12%	184.19%	134.45%
Net asset value per unit	\$17.24	\$18.62	\$18.14	\$19.29	\$19.60	\$19.02

FSL.A	Jun. 30, 2020	Dec. 31, 2019 <sup>a</sup>	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value (000's)	\$7,140	\$8,651	\$1,093	\$1,159	\$1,175	\$1,901
Number of units outstanding	413,948	463,948	59,990	59,990	60,000	100,000
Management expense ratio <sup>(1)</sup>	1.50%	1.49%	1.51%	1.58%	1.52%	1.50%
Management expense ratio before waivers or absorption	1.53%	1.51%	1.52%	1.60%	1.54%	1.52%
Trading expense ratio <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate <sup>(3)</sup>	78.44%	86.53%	166.27%	310.12%	184.19%	134.35%
Net asset value per unit	\$17.25	\$18.65	\$18.21	\$19.32	\$19.59	\$19.01

(a) 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 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.

#### Management Fees

The First Trust ETF will pay the Manager a management fee of 0.85% and, in respect of the FSL.A, an additional amount for a service fee (see "FSL.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.

#### FSL.A Service Fee

The Manager pays registered dealers a service fee equal to 0.50% per annum of the NAV of the Advisor Class 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 Senior Loan ETF (CAD-Hedged)**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2020**

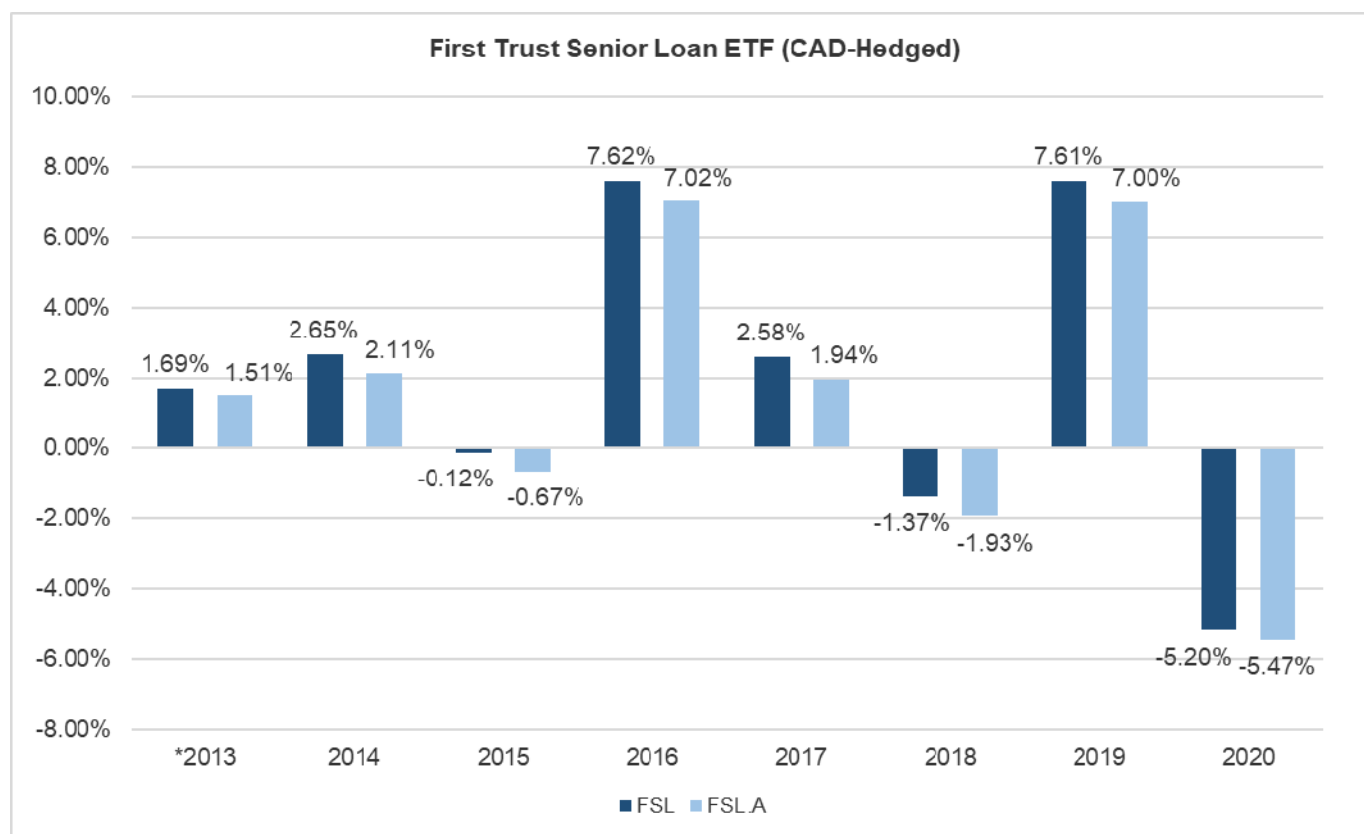
**Past Performance**

**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 six-month period ended June 30, 2020, 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

**First Trust Senior Loan ETF (CAD-Hedged)**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2020**

**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 June 30, 2020. 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 Issuers	% of ETF Total Net Asset Value
Micro Focus International (MA Financeco, LLC)	2.98%
Change Healthcare Holdings, LLC	2.87%
Nexstar Broadcasting Inc	2.81%
Bausch Health Companies Inc. (Valeant)	2.71%
HUB International Limited	2.70%
Cablevision (aka CSC Holdings, LLC)	2.61%
Endo LLC	2.60%
Multiplan Inc (MPH)	2.07%
Pharmaceutical Product Development, Inc. (PPDI/Jaguar)	2.00%
Air Methods Corp. (a/k/a ASP AMC Intermediate Holdings, Inc)	1.85%
SolarWinds Holdings, Inc.	1.79%
Envision Healthcare Corporation	1.68%
Refinitiv US Holdings Inc.	1.65%
CenturyLink, Inc. (Qwest)	1.63%
Packers Holdings, LLC	1.60%
CHG Healthcare Services, Inc	1.55%
Zayo Group Holdings Inc.	1.54%
Cineworld Group PLC (Crown)	1.54%
Alliant Holdings I, LLC	1.46%
iHeartCommunications, Inc.	1.46%
Amwins Group, Inc.	1.45%
Akorn, Inc.	1.42%
Dell International LLC	1.39%
Hostess Brands, LLC (HB Holdings)	1.33%
CityCenter Holdings, LLC	1.29%
<b>Total</b>	<b>47.98%</b>

**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 June 30, 2020.

Sector Weightings	% of ETF Total Net Asset Value
Health Care	29.26%
Consumer Discretionary	16.75%
Communication Services	13.70%
Information Technology	12.99%
Financials	9.45%
Industrials	2.79%
Energy	1.69%
Materials	0.89%
Consumer Staples	0.78%
Cash and Cash Equivalents	14.77%
Other Assets, Less Liabilities	(3.07)%
<b>Total</b>	<b>100.00%</b>

**First Trust Senior Loan ETF (CAD-Hedged)**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2020**

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio excluding cash and equity, by country, as at June 30, 2020.

Country Weightings	% of ETF Total Net Asset Value
United States	82.54%
Canada	3.45%
Ireland	0.87%
United Kingdom	0.83%
<b>Total</b>	<b>88.27%</b>

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio excluding equity, by credit rating, as at June 30, 2020.

S&P Rating	% of ETF Total Net Asset Value
BBB+	0.00%
BBB	0.00%
BBB-	7.48%
BB+	2.53%
BB	8.47%
BB-	9.29%
B+	20.02%
B	24.41%
B-	8.41%
CCC+	4.04%
CCC	2.21%
CCC-	0.00%
CC	0.00%
C	0.00%
D	1.42%
NR	0.00%
<b>Total</b>	<b>88.27%</b>

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)