



First Trust AlphaDEX™ U.S. Industrials Sector Index
ETF • FHG, FHG.F

Annual Management Report of Fund Performance
December 31, 2021

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2021

First Trust AlphaDEX™ U.S. Industrials Sector 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 or SEDAR at 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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Investment Objective and Strategy

The fundamental investment objective of **First Trust AlphaDEX™ U.S. Industrials Sector Index ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of the StrataQuant® Industrials Index (“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 Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large and mid-capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Industrials/Producer Durables Sector.

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.

In this case, the First Trust ETF may also obtain exposure to the applicable Index by holding securities of a US-listed index ETF, First Trust Industrials/Producer Durables AlphaDEX® Fund (NYSE Arca ticker: FXR), of an affiliate of the Manager, which replicates or substantially replicates the applicable Index.

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. The First Trust ETF provides exposure to the industrials sector of the U.S. equity market in either a non-U.S. currency hedged and U.S. currency hedged manner.

Results of Operations

General

The First Trust ETF’s total net asset value as of December 31, 2021 was \$50,933,664 or \$42.29 per Unit (“FHG”) and \$29.42 per Hedged Unit (“FHG.F”). The First Trust ETF’s total net asset value as of December 31, 2020 was \$16,074,682 or \$34.22 per FHG and \$23.87 per FHG.F.

For the year ended December 31, 2021, the First Trust ETF paid total cash distributions per unit of \$0.2555 for FHG and \$0.2790 for FHG.F. In addition, the First Trust ETF declared cash distributions per unit of \$0.0444 for FHG and \$0.0947 for FHG.F for record date of December 31, 2021 with payment date of January 10, 2022. The First Trust ETF also made total notional distributions per unit of \$1.9470 for FHG and \$2.3784 for FHG.F for the year ended December 31, 2021. These amounts were reinvested in the First Trust ETF and not paid in cash to unitholders.

Investment Performance

For the year ended December 31, 2021, FHG returned 24.05% compared to the Russell 1000® Industrials Index (CAD) (the “benchmark”) total return of 15.13% while FHG.F returned 23.97% compared to the Russell 1000® Industrials Index (USD) (the “hedged benchmark”) total return of 16.12%. Unlike the benchmark and the hedged benchmark, the First Trust ETF’s returns are net of fees and expenses.

As of December 31, 2021, the Industrials sector accounted for 12.79% of the weight of the Russell 1000® Index. The benchmark underperformed the Russell 1000® Index (CAD) which returned 25.38%. The hedged benchmark underperformed the Russell 1000® Index (USD) which returned 26.45%.

The portfolio held 132 equity securities as of December 31, 2021. The top ten equity holdings accounted for 14.34% of the portfolio. The AlphaDEX™ stock selection process is a rules-based process and can result in industry weightings that differ from that of the benchmark and the hedged benchmark.

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The First Trust ETF outperformed the benchmark and the hedged benchmark during the period. The First Trust ETF benefited from the underweight position in Industrial Support Services as well as strong stock selection within the industry. Construction and Materials was also a significant positive contributor to the First Trust ETF's performance due to its overweight position and strong stock selection within the industry. Finally, strong stock selection within the General Industrial industry also furthered the First Trust ETF's outperformance.

The U.S. dollar depreciated 0.93% against the Canadian dollar from December 31, 2020, to December 31, 2021. FHG.F hedges its exposure to the U.S. dollar.

The top five stocks by contribution to return were Builders FirstSource, Inc., Bill.com Holdings, Inc., Generac Holdings Inc., Acuity Brands, Inc., Robert Half International Inc. The bottom five stocks by contribution to return were StoneCo Ltd. Class A, Paylocity Holding Corp., Virgin Galactic Holdings Inc, Allison Transmission Holdings, Inc., Shift4 Payments, Inc. Class A.

Recent Developments

The Russell 1000® Index gained 26.45% in 2021, including dividends, closing the period near its record high as the U.S. economy continued to recover from the COVID-19 pandemic. However, the U.S. dollar depreciated relative to the Canadian dollar, meaning the index gained 25.38% over the same period measured in Canadian dollars. The U.S. unemployment rate improved throughout the year, dropping from 6.7% at the beginning of the period to 5.9% in June and 3.9% in December. However, pandemic-related labor and supply shortages combined with high demand for goods and services produced a surge in inflation during the period. By year-end, the Consumer Price Index increased 7% compared to the prior year, which was its highest yearly increase since 1982. High inflation caused the U.S. Federal Reserve to pivot from its easy-money policies, signaling after its December meeting that it would raise interest rates in 2022. Despite high inflation, real economic output in the U.S. grew 4% through the first three quarters of the year, the latest available data. The economic reopening benefitted cyclical stocks like energy, real estate, and financial companies, which were the three best-performing sectors during the period. Information technology, with robust demand for the sector's products producing record earnings for the sector, was the fourth-best performing sector during the period. Conversely, defensive stocks like utilities and consumer staples were the two worst performing sectors during the period. The Russell 1000® Index finished 2021 trading at a 27.0 P/E multiple with a 1.25% dividend yield, compared to 32.3 and 1.50%, respectively, at the end of 2020.

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 past five years for FHG and past four years for FHG.F. This information is derived from the First Trust ETF's audited annual financial statements.

Net Asset Value per Unit

FHG	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value, beginning of year ⁽¹⁾	\$34.22	\$31.55	\$25.16	\$27.70	\$24.07
Increase (Decrease) from operations:					
Total revenue	0.57	0.65	0.52	0.85	0.42
Total expenses	(0.38)	(0.33)	(0.31)	(0.28)	(0.25)
Realized gains (losses) for the year	3.28	7.55	5.42	0.98	2.90
Unrealized gains (losses) for the year	3.88	1.99	3.46	(1.96)	1.01
Total increase (decrease) from operations ⁽²⁾	\$7.35	\$9.86	\$9.09	\$(0.41)	\$4.08
Distributions:					
From income (excluding dividends)	(0.15)	(0.38)	(0.25)	(0.55)	-
From dividends	-	-	-	-	-
From capital gains	(1.94)	-	-	(1.08)	-
Return of capital	-	-	-	-	(0.15)
Total annual distributions ⁽³⁾	\$(2.09)	\$(0.38)	\$(0.25)	\$(1.63)	\$(0.15)
Net asset value, end of year ⁽⁴⁾	\$42.29	\$34.22	\$31.55	\$25.16	\$27.70

FHG.F	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017 ^(a)
Net asset value, beginning of period/year ⁽¹⁾	\$23.87	\$22.28	\$17.09	\$20.64	\$20.00 ^(b)
Increase (Decrease) from operations:					
Total revenue	0.43	0.34	0.30	0.45	0.01
Total expenses	(0.26)	(0.21)	(0.21)	(0.20)	(0.02)
Realized gains (losses) for the period/year	2.39	4.03	3.49	(2.11)	1.17
Unrealized gains (losses) for the period/year	2.52	(2.20)	1.39	(3.16)	(0.53)
Total increase (decrease) from operations ⁽²⁾	\$5.08	\$1.96	\$4.97	\$(5.02)	\$0.63
Distributions:					
From income (excluding dividends)	(0.16)	(0.37)	(0.17)	(0.22)	-
From dividends	-	-	-	-	-
From capital gains	(2.38)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	\$(2.54)	\$(0.37)	\$(0.17)	\$(0.22)	\$-
Net asset value, end of period/year ⁽⁴⁾	\$29.42	\$23.87	\$22.28	\$17.09	\$20.64

(a) FHG.F: December 31, 2017 does not relate to the full year as FHG.F commenced operations on December 8, 2017.

(b) Seed capital

(1) This information is provided as at December 31 of the period/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.

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Ratios and Supplemental Data

FHG	Dec. 31 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$46,520	\$13,687	\$7,887	\$6,291	\$6,926
Number of units outstanding	1,100,000	400,000	250,000	250,000	250,000
Management expense ratio ⁽¹⁾	0.78%	0.76%	0.76%	0.76%	0.78%
Management expense ratio before waivers or absorption	0.79%	0.78%	0.78%	0.78%	0.80%
Trading expense ratio ⁽²⁾	0.02%	0.03%	0.03%	0.02%	0.03%
Portfolio turnover rate ⁽³⁾	121.92%	262.37%	227.48%	319.01%	197.91%

FHG.F	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$4,414	\$2,387	\$2,228	\$4,271	\$1,032
Number of units outstanding	150,000	100,000	100,000	250,000	50,000
Management expense ratio ⁽¹⁾	0.76%	0.79%	0.79%	0.79%	0.73%
Management expense ratio before waivers or absorption	0.77%	0.81%	0.81%	0.80%	0.99%
Trading expense ratio ⁽²⁾	0.02%	0.03%	0.03%	0.02%	0.03%
Portfolio turnover rate ⁽³⁾	121.92%	262.37%	227.48%	319.01%	197.91%

(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 0.70% 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.

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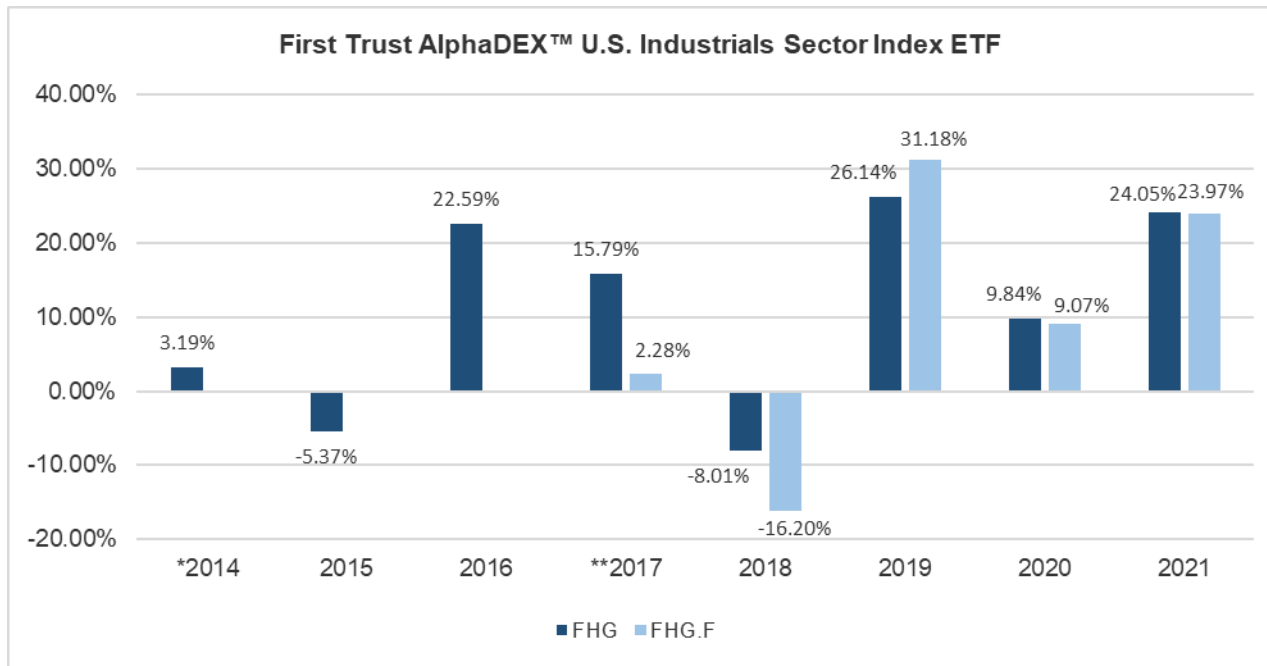
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the periods/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, for the period from commencement of operations to December 31, 2017 for FHG.F, and for the period from commencement of operations to December 31, 2014 for FHG 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.



*FHG Commencement: October 30, 2014

**FHG.F Commencement: December 8, 2017

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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 years ended December 31, 2021. The annual compound return is compared to the returns of the relevant benchmarks; 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 benchmarks.

	1-year	3-year	5-year	Since Inception
First Trust AlphaDEX™ U.S. Industrials Sector Index ETF – FHG	24.05%	19.78%	12.86%	11.56%
Russell 1000® Industrials Index	15.13%	16.24%	11.46%	13.79%
Russell 1000® Index	25.38%	22.96%	17.02%	17.16%
S&P 500® Industrials Index	20.09%	17.19%	11.46%	13.66%
First Trust AlphaDEX™ U.S. Industrials Sector Index ETF – FHG.F	23.97%	21.05%	N/A	10.85%
Russell 1000® Industrials Index USD	16.12%	19.31%	N/A	10.86%
Russell 1000® Index USD	26.45%	26.21%	N/A	17.75%
S&P 500® Industrials Index USD	21.12%	20.28%	N/A	11.22%

The Russell 1000® Industrials Index is an unmanaged index which includes the stocks in the producer durables sector of the Russell 1000® Index. The Russell 1000® Index consists of the largest 1000 companies in the Russell 3000® Index. It represents the universe of large capitalization stocks from which most active money managers typically select.

The S&P 500® Industrials Index is an unmanaged index which includes the stocks in the industrials sector of the S&P 500® Index.

Summary of Investment Portfolio

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's top 25 holdings as at December 31, 2021. This summary of portfolio holdings may change due to ongoing portfolio transactions of the First Trust ETF. Daily and quarterly updates are available at www.firsttrust.ca.

Top 25 Holdings	% of ETF Total Net Asset Value
Builders FirstSource Inc.	1.94%
Louisiana Pacific Corp.	1.50%
Old Dominion Freight Line Inc.	1.47%
Knight-Swift Transportation Holdings Inc.	1.40%
Schneider National Inc.	1.39%
FedEx Corp.	1.38%
Equifax Inc.	1.35%
Air Lease Corp.	1.32%
Robert Half International Inc.	1.30%
Oshkosh Corp.	1.29%
Fortive Corp.	1.27%
MasTec Inc.	1.25%
Brunswick Corp.	1.24%
Owens Corning	1.24%
Carrier Global Corp.	1.23%
MDU Resources Group Inc.	1.22%
Snap-On Inc.	1.21%
Accenture PLC, Class 'A'	1.21%
Mohawk Industries Inc.	1.20%
Eagle Materials Inc.	1.19%
Keysight Technologies Inc.	1.18%
Carlisle Cos. Inc.	1.17%
Ryder System Inc.	1.17%
Kirby Corp.	1.16%
Berry Global Group Inc.	1.14%
Total	32.42%

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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 industry, as at December 31, 2021.

Industry Weightings	% of ETF Total Net Asset Value
Industrial Transportation	20.11%
Construction and Materials	18.20%
Industrial Support Services	17.00%
General Industrials	14.99%
Electronic and Electrical Equipment	12.42%
Industrial Engineering	9.70%
Aerospace and Defense	7.53%
Cash and Cash Equivalents	0.19%
Other Assets, Less Liabilities	-0.14%
Total	100.00%

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