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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, 2019

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# **ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

## **December 31, 2019**

### **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, 2019

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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 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, 2019 was \$28,676,169 or \$19.11 per Common Class unit (“ETP”) and \$19.24 per Advisor Class unit (“ETP.A”). The First Trust ETF’s total net asset value as of December 31, 2018 was \$26,868,258 or \$17.90 per ETP and \$18.01 per ETP.A.

For the year ended December 31, 2019, the First Trust ETF paid total cash distributions per unit of \$0.7200 for ETP and \$0.6000 for ETP.A. In addition, the First Trust ETF declared cash distributions per unit of \$0.0600 for ETP and \$0.0500 for ETP.A for record date of December 31, 2019 with payment date of January 8, 2020.

##### **Investment Performance**

For the year ended December 31, 2019, ETP returned 10.88% and ETP.A returned 10.27% compared to the Index return of 11.46%. Unlike the Index, the First Trust ETF’s returns are net of fees and expenses.

The First Trust ETF was invested at all times during the period in the securities of various Canadian ETF providers including BlackRock Asset Management Canada Limited, Vanguard Investments Canada Inc., BMO Asset Management Inc., Horizons ETFs Management (Canada), and First Trust Portfolios Canada.

The Canadian Utilities sector was the top contributor to the First Trust ETF performance. It was represented by the BMO Equal Weight Utilities ETF, which was designed to replicate, to the extent possible, the performance of the Solactive Equal Weight Canada Utilities Index, and invests in Canadian utility companies.

Another major contributor included the BMO High Yield US Corporate Bond Hedged to CAD ETF which seeks to track the Bloomberg Barclays U.S. High Yield Very Liquid Index CAD Hedged by investing in high yield corporate bonds in the same proportion as the index.

There were no detractors to the performance of the First Trust ETF in 2019 but Canadian preferred shares were the smallest contributor. Canadian preferred shares were represented by the iShares S&P/TSX Canadian Preferred

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# First Trust Global Risk Managed Income Index ETF

## Management Report of Fund Performance

### For the year ended December 31, 2019

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Share Index ETF which is designed to replicate, to the extent possible, the performance of the S&P/TSX Preferred Share Index, net of expenses. Performance for the preferred shares class was affected by volatility of returns in Canadian preferred share market due to concerns that Bank of Canada may raise interest rates, which never materialized.

#### **Recent Developments**

The portfolio remained diversified across 19 asset classes, with 11 representing fixed income and 8 representing equities. The fixed income allocation increased from 69% to around 73%, lowering equity allocation from 31% to 26% of the portfolio. The First Trust ETF achieved this by lowering its exposure to global real estate equities, US dividend paying equities, and utility equities and increasing exposure to high-yield US corporate bonds, and senior loans.

#### **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

## Management Report of Fund Performance

### For the year ended December 31, 2019

#### 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, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value, beginning of year <sup>(1)</sup>	\$17.90	\$19.42	\$19.27	\$18.48	\$19.67
Increase (Decrease) from operations:					
Total revenue	0.79	0.67	0.73	0.72	0.79
Total expenses	(0.09)	(0.10)	(0.09)	(0.10)	(0.09)
Realized gains (losses) for the year	(0.11)	(0.45)	0.15	(0.25)	(0.56)
Unrealized gains (losses) for the year	1.34	(0.79)	0.14	1.10	(0.89)
Total increase (decrease) from operations <sup>(2)</sup>	\$1.93	\$(0.67)	\$0.93	\$1.47	\$(0.75)
Distributions:					
From income (excluding dividends)	(0.49)	(0.43)	(0.45)	(0.53)	(0.55)
From dividends	(0.16)	(0.19)	(0.19)	(0.12)	(0.15)
From capital gains	-	-	-	-	-
Return of capital	(0.07)	(0.15)	(0.15)	(0.09)	(0.09)
Total annual distributions <sup>(3)</sup>	\$(0.72)	\$(0.77)	\$(0.79)	\$(0.74)	\$(0.79)
Net asset value, end of year <sup>(4)</sup>	\$19.11	\$17.90	\$19.42	\$19.27	\$18.48

ETP.A	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value, beginning of year <sup>(1)</sup>	\$18.01	\$19.52	\$19.32	\$18.52	\$19.66
Increase (Decrease) from operations:					
Total revenue	0.80	0.69	0.73	0.71	0.78
Total expenses	(0.20)	(0.20)	(0.20)	(0.20)	(0.25)
Realized gains (losses) for the year	(0.12)	(0.56)	0.15	(0.24)	(0.55)
Unrealized gains (losses) for the year	1.39	(0.82)	0.15	1.15	(0.79)
Total increase (decrease) from operations <sup>(2)</sup>	\$1.87	\$(0.89)	\$0.83	\$1.42	\$(0.81)
Distributions:					
From income (excluding dividends)	(0.40)	(0.36)	(0.38)	(0.45)	(0.40)
From dividends	(0.14)	(0.16)	(0.16)	(0.10)	(0.11)
From capital gains	-	-	-	-	-
Return of capital	(0.06)	(0.14)	(0.09)	(0.08)	(0.06)
Total annual distributions <sup>(3)</sup>	\$(0.60)	\$(0.66)	\$(0.63)	\$(0.63)	\$(0.57)
Net asset value, end of year <sup>(4)</sup>	\$19.24	\$18.01	\$19.52	\$19.32	\$18.52

(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.

**First Trust Global Risk Managed Income Index ETF  
Management Report of Fund Performance  
For the year ended December 31, 2019**

**Ratios and Supplemental Data**

ETP	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value (000's)	\$26,486	\$24,818	\$61,862	\$51,774	\$46,757
Number of units outstanding	1,386,214	1,386,214	3,186,214	2,686,214	2,530,000
Management expense ratio <sup>(1)</sup>	0.91%	0.98%	1.01%	0.98%	0.93%
Management expense ratio before waivers or absorption	1.12%	1.18%	1.22%	1.18%	1.18%
Trading expense ratio <sup>(2)</sup>	0.08%	0.10%	0.04%	0.08%	0.07%
Portfolio turnover rate <sup>(3)</sup>	75.07%	86.44%	33.07%	78.97%	106.68%
Net asset value per unit	\$19.11	\$17.90	\$19.42	\$19.27	\$18.48

ETP.A	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value (000's)	\$2,190	\$2,050	\$3,198	\$2,198	\$2,223
Number of units outstanding	113,800	113,800	163,800	113,800	120,000
Management expense ratio <sup>(1)</sup>	1.48%	1.52%	1.55%	1.53%	1.78%
Management expense ratio before waivers or absorption	1.69%	1.73%	1.76%	1.74%	2.03%
Trading expense ratio <sup>(2)</sup>	0.08%	0.10%	0.04%	0.08%	0.07%
Portfolio turnover rate <sup>(3)</sup>	75.07%	86.44%	33.07%	78.97%	106.68%
Net asset value per unit	\$19.24	\$18.01	\$19.52	\$19.32	\$18.52

(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, 2019

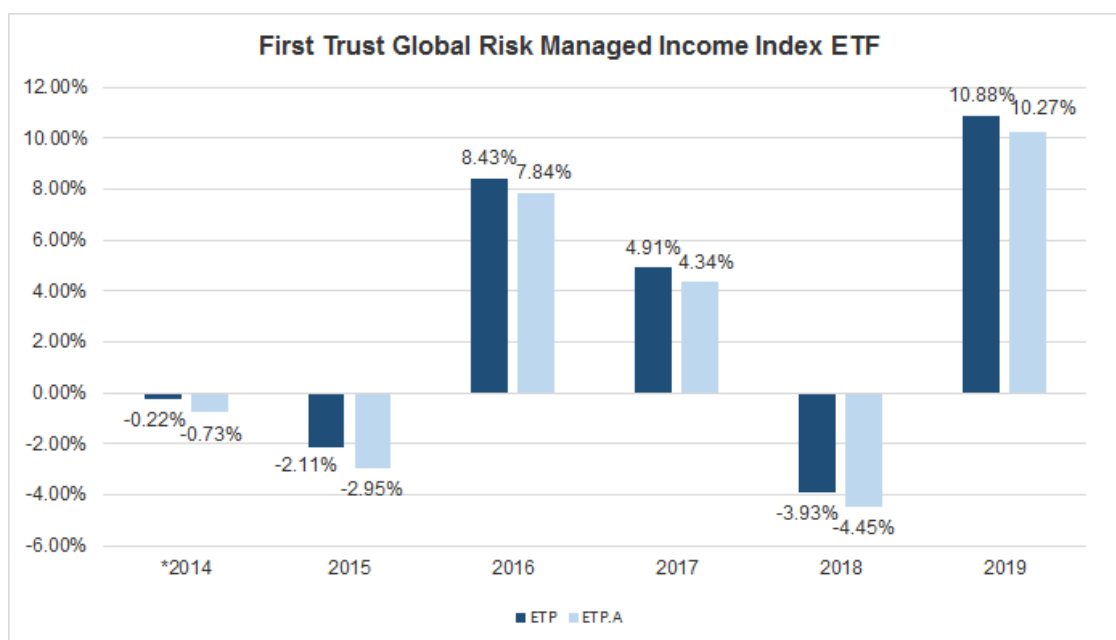
## Past Performance

### 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, 2019. 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	10.88%	3.77%	3.47%	3.14%
First Trust Global Risk Managed Income Index ETF - ETP.A	10.27%	3.21%	2.85%	2.47%
NASDAQ Global Risk Managed Income Index <sup>SM*</sup>	11.46%	4.30%	4.02%	3.70%

\*Reference Index - 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  
Management Report of Fund Performance  
For the year ended December 31, 2019**

**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, 2019. This summary of portfolio holdings may change due to ongoing portfolio transactions of the First Trust ETF. A quarterly update is available at [www.firsttrust.ca](http://www.firsttrust.ca).

Holdings	% of ETF Total Net Asset Value
First Trust Senior Loan ETF (CAD-Hedged)	19.54%
BMO High Yield US Corporate Bond Hedged to CAD ETF	13.81%
iShares Convertible Bond Index ETF, Convertible Bonds	6.80%
iShares S&P/TSX Canadian Preferred Share Index ETF	6.29%
Vanguard Canadian Short-Term Bond Index ETF	6.26%
BMO Emerging Markets Bond Hedged to CAD Index ETF	6.15%
iShares Core S&P / TSX Composite High Dividend Index ETF	4.86%
BMO Equal Weight Utilities Index ETF	4.74%
BMO Equal Weight REITs Index ETF	4.15%
iShares Canadian Corporate Bond Index ETF	4.04%
Vanguard FTSE Canadian High Dividend Yield Index ETF	3.73%
iShares Global Monthly Dividend Index ETF (CAD-Hedged)	3.63%
BMO Mid-Term US IG Corporate Bond Index ETF	3.07%
Horizons Cdn Select Universe Bond ETF	3.07%
iShares S&P/TSX Capped Financials Index ETF	2.55%
iShares Canadian Government Bond Index ETF	2.32%
iShares Core Canadian Long Term Bond Index ETF	1.80%
iShares Global Real Estate Index ETF	1.76%
Vanguard U.S. Dividend Appreciation Index ETF	0.87%
Cash and Cash Equivalents	0.37%
Other Assets, Less Liabilities	0.19%
<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, 2019.

Sector Weightings	% of ETF Total Net Asset Value
Exchange-Traded Funds	99.44%
Cash and Cash Equivalents	0.37%
Other Assets, Less Liabilities	0.19%
<b>Total</b>	<b>100.00%</b>

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