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## First Trust International Capital Strength ETF • FINT

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Interim Management Report of Fund Performance  
June 30, 2020

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## **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE June 30, 2020**

### **First Trust International Capital Strength ETF (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.

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

The fundamental investment objective of **First Trust International Capital Strength ETF** (the "First Trust ETF") is to provide unitholders with long term capital appreciation by investing primarily in equity securities of developed market companies, excluding the U.S. and Canada, that are traded on global exchanges, with a focus on fundamental strength and growth.

The First Trust ETF seeks to achieve its investment objective by investing primarily in securities of developed market companies, excluding the U.S. and Canada. Securities invested in by the First Trust ETF include common shares of public companies and American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs") and European Depository Receipts ("EDRs") that are traded on global exchanges or markets.

#### **Risk**

There were no changes to the First Trust ETF over the reporting period that materially affected the overall level of risk associated with the First Trust ETF. Investors should refer to the most recent prospectus as it contains detailed discussion of risk relating to the investment of the First Trust ETF.

#### **Results of Operations**

##### **General**

The First Trust ETF's net asset value as of June 30, 2020 was \$5,094,582 or \$20.38 per unit. The First Trust ETF's net asset value as of December 31, 2019 was \$2,070,908 or \$20.71 per unit.

For the six-month period ended June 30, 2020, the First Trust ETF paid total cash distributions per unit of \$0.3100, however, it did not declare cash distributions for record date of June 30, 2020.

##### **Investment Performance**

For the six-month period ended June 30, 2020, the First Trust ETF returned -1.27% compared to MSCI EAFE Index (the "benchmark") return of -6.88%. Unlike the benchmark, the First Trust ETF's return is net of fees and expenses.

The First Trust ETF outperformed the benchmark for the period. Overall, allocation effect and stock selection effect were both positive contributors to relative performance while currency effect slightly diminished relative returns. Negative contributions to relative performance came from an overweight allocation and stock selection within the Consumer Discretionary sector and an underweight allocation and stock selection in the Utilities sector. Positive contribution to relative performance included an underweight allocation and stock selection in the Financials and Energy versus the benchmark. Positive contribution to relative performance also came from an overweight allocation and stock selection in the Information Technology sector.

The top-performing stocks by total return for the period were Logitech International S.A., ASML Holding NV, and Techtronic Industries Co., Ltd. These stocks returned +44.88%, +30.94%, and +27.02% respectively, in CAD, including dividends. The bottom-performing stocks by total return for the period were Taylor Wimpey plc, Barratt Developments PLC, and Legal & General Group Plc. These stocks returned -39.99%, -34.93%, and -23.87% respectively, in CAD, including dividends.

The First Trust ETF held 40 equity positions for the year ended June 30, 2020 and made no net change to the number of positions from the beginning of the period. Portfolio changes were made in February 2020 (5 positions added, 5 positions eliminated) and June 2020 (3 positions added, 3 positions eliminated). The top ten equity holdings of the First Trust ETF at December 31, 2020 accounted for 26.59% of total NAV and the top ten equity holdings of the First Trust ETF at December 31, 2019 accounted for 27.07% of total NAV. Health Care, Information Technology, and Consumer Discretionary (in order) were the top three sector weightings at the end of the period, whereas Consumer Discretionary, Information Technology, and Health Care were the top three sector weights at the beginning of the period. Relative to its benchmark over the period, the First Trust ETF was overweight the Information Technology, Consumer Discretionary, Industrials and Health Care sectors and underweight the Financials, Real Estate, Consumer Staples, Communication Services, Materials, Energy, and Utilities sectors. The sector weighting of the First Trust ETF

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changed somewhat over the reporting period, primarily as the result of our bottom-up, multi-step quantitative and fundamental stock selection strategy. For the period ended June 30, 2020, portfolio changes were made in February and June of 2020. There was no net change to the total number of portfolio positions over the period. In February, two positions, Koito Manufacturing Co Ltd and Infineon Technologies AG were eliminated for failing to meet the initial screening criteria. Three positions, Moncler SpA, Sands China Ltd, and Diageo PLC, were removed at the portfolio manager's discretion. Five positions, Taylor Wimpey PLC, Obayashi Corp, Ryanair Holdings PLC, Volvo AB, and STMicroelectronics NV, were established in place of them. In June, two positions, British American Tobacco PLC and STMicroelectronics NV, were eliminated for failing to meet the initial screening criteria. One position, Legrand SA, was removed at the portfolio manager's discretion. Three positions, Nintendo Co Ltd, Genmab A/S, and ASM International NV, were established in place of them.

### Recent Developments

The COVID-19 pandemic has caused an unprecedented decline in global activity, sending most countries into a deep economic downturn. While more concerning for emerging markets, the International Monetary Fund (the "IMF") expects fiscal balances in 2020 to deteriorate in almost all countries. Even as countries begin to reopen, the strength of recovery remains uncertain without a clear medical solution. In the June World Economic Outlook ("WEO") published by the IMF, the expected global output for 2020 was lowered from -3.0% to -4.9%; a steep decline from the IMF's estimate of 3.3% growth for 2020 published in the January WEO. Prior to the pandemic, Japan's economy had already been faltering as growth had been slowed due to an increase in the national tax rate. In February, the manufacturing Purchasing Managers' Index (PMI) declined to 47.6; the lowest it has been since 2014. The economy is forecasted to contract by 5.3% this fiscal year and despite the downward pressure on the economy, the Japanese financial system has maintained stability as it continues to provide the liquidity necessary for economic activity. The European Union (the "EU") is currently experiencing the worst recession in its history. However, European banks have focused on strengthening their capital positions substantially over the past 10 years and should be capable of withstanding a massive recession. Economic activity in the United Kingdom has also dropped sharply. Consumer spending fell by over 12% in March while overall monetary and financial conditions continue to tighten. The Monetary Policy Committee (the "MPC") of the UK is taking measures to help support companies and households through economic disruption. The Bank Rate has been reduced to 0.1%, a Term Funding scheme was introduced to assist small and medium-sized enterprises, and a £200 billion increase in UK government bond and corporate bond purchases was announced. Actions are being taken to ease the damage caused by the ongoing pandemic, but nonetheless the outlook for the global economy is dependent on assumptions around which there is great uncertainty. Looking ahead, the IMF projects the global economy to grow by 5.8% in 2021 as economic activity returns to normal and the effects of the pandemic begin to fade.

The benchmark was down 6.88% on a total return basis for the first half of the year. This comes after the benchmark was up 15.85% on a total return basis in 2019. Positive contribution in the Index came from the Health Care, Information Technology, Consumer Staples sectors. This not a surprise given the economic dynamics created by the uncertainties of the pandemic. By country, Swiss, Danish, and Dutch equities accounted for the bulk of positive contribution to the return of the Index in the first half of the year. The benchmark's large weights in French and British equities, which were sharply down in the first half, accounted for more than half of the Index's negative contribution. Despite the challenges in the first half of the year, we remain positive on developed markets. After a sharp decline in developed equity markets to end the first quarter, the Index bounced back with a total return of 9.93% in the second quarter. Mitigating the effects of the pandemic and accommodative monetary policy from central banks will continue to aid growth in 2020. Global supply chains and production continue along the road to recovery as countries and companies adapt to current conditions. Price to earnings multiple expansion of the top United States companies has propped up their equity markets while the country continues to struggle with rising coronavirus cases compared to the rest of the developed world. Uncertainty looms in all markets for the second half of the year, but these factors make the risk versus return for developed equity markets outside of the United States attractive in the second half of the year.

We continue to find attractive candidates from within our selection universe of "international capital strength" companies. The First Trust ETF is positioned to provide exposure to the world's most developed nations ex the United States and Canada.

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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 International Capital Strength ETF

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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 two 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

FINT	June 30, 2020	December 31, 2019	December 31, 2018 <sup>(a)</sup>
Net asset value, beginning of period/year <sup>(1)</sup>	\$20.71	\$16.79	\$20.00 <sup>(b)</sup>
Increase (Decrease) from operations:			
Total revenue	0.30	0.68	0.29
Total expenses	(0.16)	(0.26)	(0.16)
Realized gains (losses) for the period/year	0.23	(1.74)	(0.14)
Unrealized gains (losses) for the period/year	0.16	4.95	(3.77)
Total increase (decrease) from operations <sup>(2)</sup>	\$0.53	\$3.63	\$(3.78)
Distributions:			
From income (excluding dividends)	(0.06)	(0.19)	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	(0.06)	-
Total interim/annual distributions <sup>(3)</sup>	(0.06)	(0.25)	-
Net asset value, end of period/year <sup>(4)</sup>	\$20.38	\$20.71	\$16.79

(a) December 31, 2018 does not relate to the full year as the First Trust ETF commenced operations on May 17, 2018.

(b) Seed capital

(1) This information is provided as at June 30, 2020 and December 31 of the period/year 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.

#### Ratios and Supplemental Data

FINT	June 30, 2020	December 31, 2019	December 31, 2018
Net asset value (000's)	\$5,095	\$2,071	\$1,679
Number of units outstanding	250,000	100,000	100,000
Management expense ratio <sup>(1)</sup>	0.75%	0.77%	0.75%
Management expense ratio before waivers or absorption	0.78%	0.79%	0.76%
Trading expense ratio <sup>(2)</sup>	0.63%	0.30%	0.44%
Portfolio turnover rate <sup>(3)</sup>	35.95%	101.25%	8.99%
Net asset value per unit	\$20.38	\$20.71	\$16.79

(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.

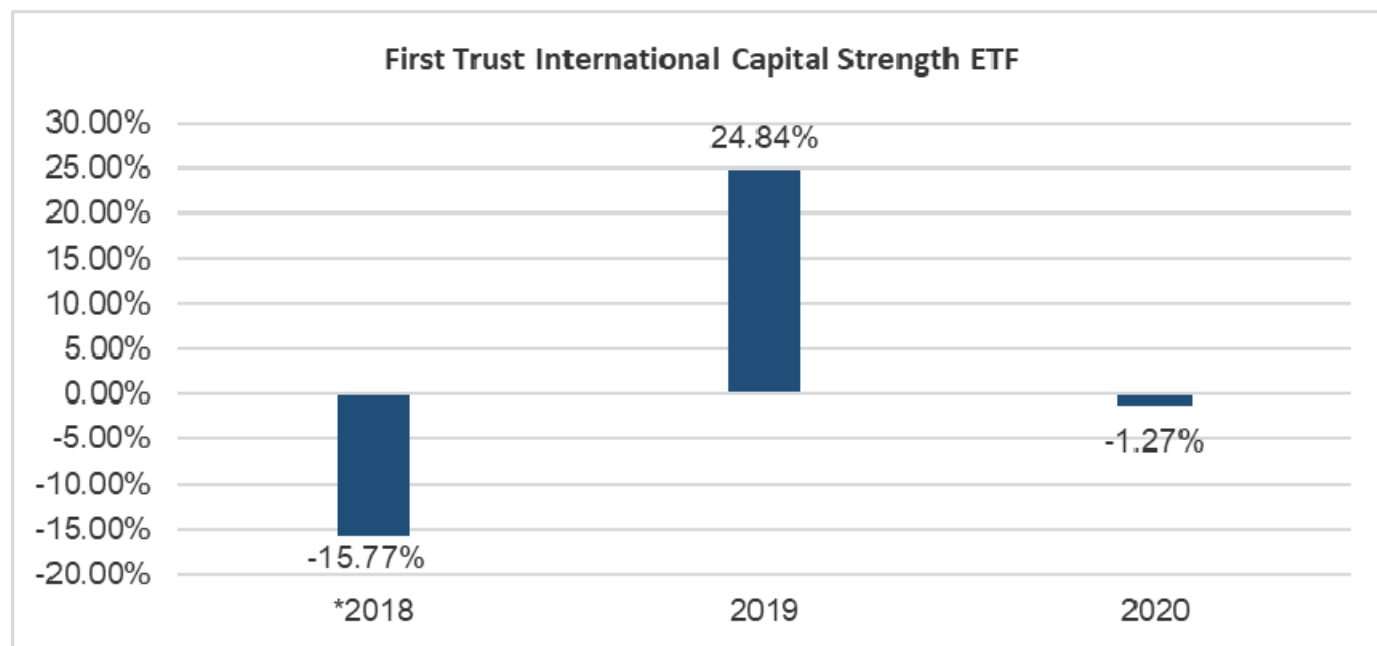
#### Past Performance

##### General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period/year 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 six-month period ended June 30, 2020, for the year ended December 31, 2019 and for the period from commencement of operations to December 31, 2018 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: May 17, 2018



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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 top 25 holdings 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 Holdings	% of ETF Total Net Asset Value
ASM International NV	2.83%
Sandvik AB	2.76%
Logitech International SA, Registered	2.70%
Genmab AS	2.68%
Ferguson PLC	2.62%
SAP AG	2.61%
Tokyo Electron Ltd.	2.61%
ASML Holding NV	2.60%
Samsung Electronics Co. Ltd.	2.59%
Volvo AB, Series 'B'	2.59%
Prudential PLC	2.57%
Techtronic Industries Co. Ltd.	2.56%
LVMH Moët Hennessy-Louis Vuitton SA	2.54%
Astellas Pharma Inc.	2.51%
CSL Ltd.	2.50%
Shionogi & Co.	2.50%
Novartis AG, Registered	2.49%
Thales SA	2.48%
Nestlé SA, Registered	2.48%
KDDI Corp.	2.47%
Sony Corp.	2.46%
BHP Group PLC	2.45%
Roche Holding AG Genusscheine	2.45%
Neste Oil OYJ	2.44%
Obayashi Corp.	2.44%
<b>Total</b>	<b>63.93%</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 June 30, 2020.

Sector Weightings	% of ETF Total Net Asset Value
Information Technology	20.69%
Health Care	19.98%
Consumer Discretionary	17.13%
Industrials	15.21%
Consumer Staples	9.75%
Materials	4.89%
Financials	4.88%
Communication Services	2.47%
Energy	2.44%
Utilities	2.22%
Cash and Cash Equivalents	0.30%
Other Assets, Less Liabilities	0.04%
<b>Total</b>	<b>100.00%</b>

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

Country Weightings	% of ETF Total Net Asset Value
United Kingdom	21.84%
Japan	19.74%
Switzerland	12.56%
France	7.45%
Germany	7.42%
Netherlands	5.43%
Sweden	5.35%
Denmark	5.10%
Australia	4.95%
Hong Kong	4.79%
South Korea	2.59%
Finland	2.44%
<b>Total</b>	<b>99.66%</b>

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