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First Trust Value Line® Dividend Index ETF  
(CAD-Hedged) • FUD

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Interim Management Report of Fund Performance  
June 30, 2023

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# **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

## **June 30, 2023**

### **First Trust Value Line® Dividend Index 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.

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# First Trust Value Line® Dividend Index ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2023

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

The fundamental investment objective of the First Trust ETF is to replicate, to the extent possible, the performance of the Value Line® Dividend Index (the "Index") on a currency hedged basis, net of expenses. The Index is a modified equal-dollar weighted index comprised of U.S. exchange-listed securities of companies that pay above-average dividends and have the potential for capital appreciation. Securities are selected for inclusion in the Index by using Value Line's Safety™ Ranking System which ranks a stock's price stability based on standard deviation and its financial condition based on several measures of financial performance.

The investment strategy of the First Trust ETF is to invest in and hold a proportionate share of the constituent securities of the Index, or other securities, to seek 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.

FT Portfolios Canada Co. (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 Index in a manner that is consistent with the investment objective and investment strategy of the First Trust ETF. The First Trust ETF may also obtain exposure to the Index by holding securities of a US-listed index ETF of an affiliate of the Manager, First Trust Value Line® Dividend Index Fund, which replicates or substantially replicates the performance of the Index.

The Index begins with the universe of U.S. stocks, excluding all registered investment companies, limited partnerships and foreign securities not listed in the U.S., that Value Line® gives a Safety™ Ranking of #1 or #2 using the Value Line® Safety™ Ranking System. The Safety™ ranking measures the total risk of a stock relative to the other stocks in the Value Line universe. From those stocks, Value Line® selects those companies with a higher than average dividend yield, as compared to the indicated dividend yield of the Standard & Poor's 500 Composite Stock Price Index. Value Line® then eliminates those companies with an equity market capitalization of less than US \$1 billion. The Index is equally weighted and rebalanced on a monthly basis.

#### **Risk**

The Index the First Trust ETF tracks utilizes a rules-based stock selection process and can result in sector weightings that differ from the primary and secondary benchmarks, S&P 500® Index (CAD-Hedged) total return and Dow Jones U.S. Select Dividend Index Return (USD), respectively. The ability of the underlying securities to pay a dividend in the future is dependent on factors that are not controlled by fund management. A security held in the First Trust ETF may, at any time, decide to cut or eliminate its dividend payment. Given the First Trust ETF employs a currency hedging strategy to minimize the impact of changes in the USD-CAD exchange rate and considering that the portfolio remains consistent in its application of the Value Line® stock selection methodology to pick stocks for the portfolio, we conclude there was no material change to the risk profile of 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**

First Trust ETF's total net asset value as of June 30, 2023 was \$6,592,920 or \$33.02 per unit. First Trust ETF's total net asset value as of December 31, 2022 was \$8,244,971 or \$33.02 per unit.

For the six-month period ended June 30, 2023, the First Trust ETF paid total cash distributions of \$0.3300 per unit. In addition, the First Trust ETF declared cash distributions of \$0.0600 per unit for record date of June 30, 2023 with payment date of July 10, 2023.

##### **Investment Performance**

For the six-month period ended June 30, 2023, the First Trust ETF returned 1.02% compared to the primary and secondary benchmarks, S&P 500® Index (CAD-Hedged) total return of 16.23% and Dow Jones U.S. Select

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# First Trust Value Line® Dividend Index ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2023

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Dividend™ Index Return (USD) total return of -4.32%. Unlike the benchmarks, the First Trust ETF's returns are net of fees and expenses.

The First Trust ETF underperformed the primary benchmark during the period. Technology stocks in the portfolio were underweight and led to negative relative returns as the Technology sector was the top performing sector in the first half of 2023. The next best-performing sectors in the benchmark, Communication Services and Consumer Discretionary, were also underweight. The First Trust ETF's holdings in the respective sectors also underperformed on a relative basis due to stock selection. An overweight position in the Utilities sector weighed on relative performance as the sector underperformed though positive stock selection help reduce the overall portfolio impact. Energy holdings in the portfolio were a positive relative contributor as the group was underweight and had a positive selection effect. An underweight position in Health Care stocks added to relative performance, but the stock selection in the sector hurt relative performance versus the benchmark.

The top five stocks by contribution to return were Watsco, Inc., Open Text Corporation, Hubbell Incorporated, Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR, and Intel Corporation. The bottom five stocks by contribution to return were Pfizer Inc., CVS Health Corporation, UGI Corporation, International Flavors & Fragrances Inc. and, Fidelity National Information Services, Inc.

The portfolio held 174 equity securities on December 31, 2022, and 171 equity securities on June 30, 2023. The top ten equity holdings accounted for 6.09% of the total NAV. Utilities, Industrials, and Consumer Staples were the top three sector weightings at the beginning of the year. On June 30, 2023, the top three sector weights were Utilities, Industrials, and Consumer Staples. Relative to the benchmark, the most overweight sectors at the end of the period were Utilities, Consumer Staples, and Industrials. The most underweight sectors versus the benchmark at the end of the year were Communication Services, Consumer Discretionary, and Information Technology. At the beginning of the year, the most overweight sectors were Utilities, Industrials, and Consumer Staples. The most underweight sectors at the beginning of the year were Energy, Health Care, and Information Technology. The First Trust ETF maintains a focus on large-cap dividend-paying equities.

During the period, the currency hedge was beneficial to the First Trust ETF as the U.S. dollar depreciated versus the Canadian dollar.

### **Recent Developments**

Since the beginning of the year large cap, and specifically mega cap, stocks have driven the performance of the S&P 500® Index. The five largest names in the index have accounted for more than half of the index's total return for first half of 2023, with an average return of 75%. The Federal Reserve's inflation battle in the form of raising rates has seen mixed results as labor numbers have been choppy, but inflation has been declining. After skipping a rate hike in June, the Fed is set to meet in late July to assess the current state of the economy. Rising interest rates sent a shockwave through the banking industry in March after a run on the deposits of Silicon Valley Bank caused the bank to fail. The bank was heavily invested in long-dated securities. Rising rates depressed the values of the assets and caused the bank to become insolvent. The second largest failure in U.S. banking history was quickly followed by Signature Bank based out of New York. Going into the second half of the year, consensus earnings growth expectations are 0.8% for Q3 and an increase of 8.2% for Q4 2023.

### **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 Value Line® Dividend Index ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2023

#### 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 six-month period ended June 30, 2023 and for the five years ended December 31. This information is derived from the First Trust ETF's unaudited interim and audited annual financial statements.

#### Net Asset Value per Unit

FUD	2023	2022 <sup>(a)</sup>	2021	2020	2019	2018
Net asset value, beginning of period/year <sup>(1)</sup>	\$33.02	\$36.12	\$29.60	\$30.93	\$25.38	\$27.21
Increase (Decrease) from operations:						
Total revenue	0.51	0.04	0.95	0.68	0.88	0.69
Total expenses	(0.20)	(0.39)	(0.37)	(0.34)	(0.35)	(0.33)
Realized gains (losses) for the period/year	1.98	0.58	5.74	(0.59)	2.48	(0.37)
Unrealized gains (losses) for the period/year	(2.26)	(2.53)	1.16	(1.28)	3.41	(2.48)
Total increase (decrease) from operations <sup>(2)</sup>	\$0.03	\$(2.30)	\$7.48	\$(1.53)	\$6.42	\$(2.49)
Distributions:						
From income (excluding dividends)	(0.34)	(0.52)	(0.48)	(0.49)	(0.49)	(0.45)
From dividends	-	(0.10)	(0.15)	(0.09)	(0.06)	(0.06)
From capital gains	-	-	(4.15)	-	-	(0.03)
Return of capital	-	(0.06)	-	(0.06)	(0.13)	-
Total annual distributions <sup>(3)</sup>	\$(0.34)	\$(0.68)	\$(4.78)	\$(0.64)	\$(0.68)	\$(0.54)
Net asset value, end of period/year <sup>(4)</sup>	\$33.02	\$33.02	\$36.12	\$29.60	\$30.93	\$25.38

(a) As of February 28, 2022, the First Trust ETF no longer offered FUD.A and the Manager successfully redesignated FUD.A to FUD of the First Trust ETF.

(1) This information is provided as at June 30, 2023 and 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.

#### Ratios and Supplemental Data

FUD	2023	2022 <sup>(a)</sup>	2021	2020	2019	2018
Net asset value (000's)	\$6,593	\$8,245	\$9,107	\$11,904	\$13,985	\$10,208
Number of units outstanding	199,693	249,693	252,160	402,160	452,160	402,160
Management expense ratio <sup>(1)</sup>	0.76%	0.77%	0.78%	0.78%	0.77%	0.78%
Management expense ratio before waivers or absorption	0.78%	0.79%	0.79%	0.80%	0.79%	0.79%
Trading expense ratio <sup>(2)</sup>	0.02%	0.02%	0.02%	0.04%	0.02%	0.02%
Portfolio turnover rate <sup>(3)</sup>	29.75%	59.86%	89.63%	133.59%	114.18%	88.61%

(a) As of February 28, 2022, the First Trust ETF no longer offered FUD.A and the Manager successfully redesignated FUD.A to FUD of the First Trust ETF.

(1) Management expense ratio is based on total expenses for the stated 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.

# First Trust Value Line® Dividend Index ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2023

#### 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.

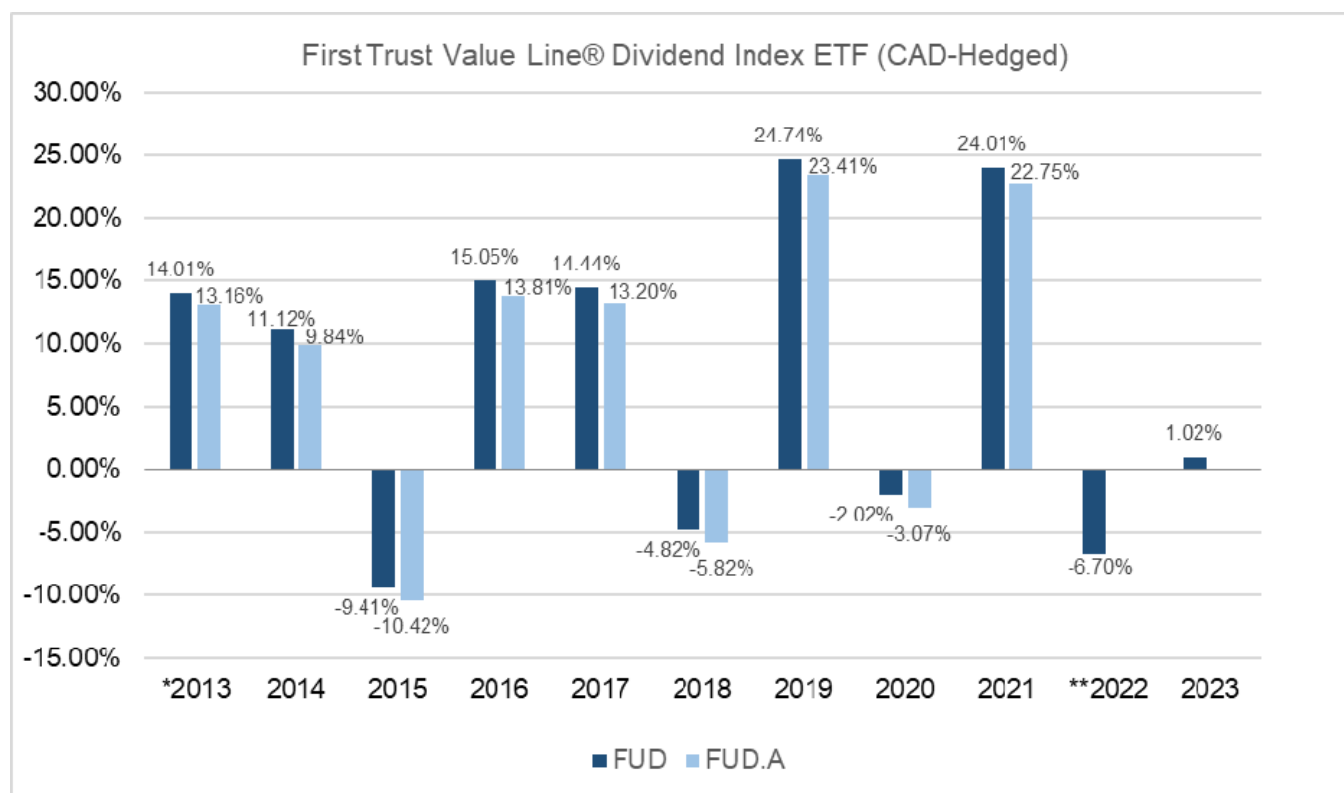
#### Past Performance

##### General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period/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 six-month period ended June 30, 2023, 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: May 15, 2013

\*\*As of February 28, 2022, the First Trust ETF no longer offered FUD.A and the Manager successfully redesignated FUD.A to FUD of the First Trust ETF.

First Trust Value Line® Dividend Index ETF (CAD-Hedged)  
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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, 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](http://www.firsttrust.ca).

Top 25 Holdings	% of ETF Total Net Asset Value
Avnet Inc.	0.62%
Texas Instruments Inc.	0.62%
Otter Tail Corp.	0.61%
Domino's Pizza Inc.	0.61%
PPG Industries Inc.	0.61%
Gentex Corp.	0.61%
Cummins Inc.	0.61%
Watsco Inc., Class 'A'	0.60%
Robert Half International Inc.	0.60%
Cognizant Technology Solutions Corp., Class 'A'	0.60%
T. Rowe Price Group Inc.	0.60%
Juniper Networks Inc.	0.60%
Analog Devices Inc.	0.60%
TE Connectivity Ltd.	0.60%
JPMorgan Chase & Co.	0.60%
Air Products and Chemicals Inc.	0.60%
Toyota Motor Corp., ADR	0.60%
CME Group Inc.	0.60%
Waste Management Inc.	0.60%
Broadridge Financial Solutions Inc., ADR	0.60%
Lowe's Cos. Inc.	0.60%
Caterpillar Inc.	0.60%
International Flavors & Fragrances Inc.	0.60%
Infosys Ltd., ADR	0.60%
United Parcel Service Inc., Class 'B'	0.60%
<b>Total</b>	<b>15.09%</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, 2023.

Sector Weightings	% of ETF Total Net Asset Value
Utilities	22.49%
Consumer Staples	15.01%
Industrials	14.78%
Financials	12.33%
Information Technology	10.16%
Health Care	9.85%
Materials	6.49%
Consumer Discretionary	5.94%
Communication Services	2.95%
Cash and Cash Equivalents	0.47%
Other Assets, Less Liabilities	-0.47%
<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, 2023.

Country Weightings	% of ETF Total Net Asset Value
United States	84.73%
Canada	7.04%
Switzerland	2.36%
United Kingdom	1.75%
Japan	0.60%
India	0.60%
Germany	0.60%
Ireland	0.58%
Taiwan	0.58%
France	0.58%
Bermuda	0.58%
Total	100.00%

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