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

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Interim Management Report of Fund Performance  
June 30, 2018

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

**June 30, 2018**

### **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 report 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 web site 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 Senior Loan ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2018

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

The fundamental investment objective of **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 senior loans, which are generally rated below investment grade debt. Settlement periods for senior secured loans may be longer than for other types of debt securities, such as corporate bonds. The First Trust ETF is not a substitute for holding cash or money market securities.

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 period remains as discussed in the prospectus for the First Trust ETF.

The ability of a company/issuer to pay interest and repay principal are not factors controlled by First Trust ETF 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, 2018 was \$117,631,454 or \$19.13 per Common Class unit (“FSL”) and \$19.16 per Advisor Class unit (“FSL.A”). The First Trust ETF’s total net asset value as of December 31, 2017 was \$139,852,846 or \$19.29 per FSL and \$19.32 per FSL.A.

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## First Trust Senior Loan ETF (CAD-Hedged) Management Report of Fund Performance For the six-month period ended June 30, 2018

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For the six-month period ended June 30, 2018, the First Trust ETF paid total cash distributions per unit of \$0.3772 for FSL and \$0.3160 for FSL.A. In addition, the First Trust ETF declared cash distributions per unit of \$0.0700 for FSL and \$0.0570 for FSL.A for record date June 29, 2018 and payment date of July 9, 2018.

The First Trust ETF held 146 individual positions diversified across 35 industries at the end of the reporting period. The top 10 holdings by issuer accounted for 25.59% of the portfolio. Health Care Providers & Services (19.27%), Software (11.54%), and Hotels, Restaurants & Leisure (10.84%) were the top three industries. By comparison, the First Trust ETF held 131 individual positions across 27 industries with the top 10 holdings by issuer comprising 30.87% at December 30, 2017. 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.

### **Investment Performance**

FSL returned 1.15% and FSL.A returned 0.86% for the six-month period ending June 30, 2018, versus a return of 1.44% for the S&P/LSTA Leveraged Loan 100 Index (CAD-Hedged) ("Index"). Unlike the Index, the First Trust ETF's returns are net of fees and expenses.

The First Trust ETF narrowly underperformed the Index during the six-month period ended June 30, 2018. During the first half of the year the First Trust ETF benefitted from its asset selection within the retail industry (excluding food and drug) which outperformed the overall return of the Index during the period. Additionally, the First Trust ETF benefitted from its asset selection within the healthcare industry, specifically in hospitals, medical devices, and oncology. These positives were offset by the First Trust ETF's asset selection within the Business Equipment and Services industry. While this is a broad industry, the First Trust ETF's specific holdings that service the consumer packaged goods industry underperformed in the period. Consumer packaged goods companies have faced headwinds including increased private label penetration and soft volumes in center of the grocery store categories. Furthermore, the First Trust ETF's underweight position in the lower quality segment of the market, principally those rated in the CCC category, and the Fund's cash position slightly detracted from returns during the period.

The First Trust ETF's Last Twelve Months ("LTM") default rate was 2.40% at the end of June 2018. The First Trust ETF experienced two defaults during the LTM period, both in senior secured assets. This compares to 15 issuers within the S&P/LSTA Leveraged Loan Index that defaulted during the same period. Since inception, the First Trust ETF has experienced two defaults, which compares to 61 within the S&P/LSTA Leveraged Loan Index.

### **Recent Developments**

Senior loan spreads over 3-month LIBOR tightened 18 bps YTD to L+387 bps. Floating rate senior loans are typically priced off short term interest rates, notably LIBOR. As a result, loan investors have benefitted as LIBOR increased from 1.69% entering 2018 to 2.34% by the end of June. Moreover, we believe that with the potential for additional interest rate increases on the horizon, LIBOR should continue to climb higher throughout 2018. Importantly, the default rate for senior loans remains low, at 1.95% and we believe it is likely to remain low given the overall health of the U.S. economy. This default rate is below the long-term average default rate of 3.00% (March 1999 – June 2018).

The combination of healthy labor and inflation data in the U.S., less accommodation from global central banks and increased U.S. Treasury issuance to fund greater deficits will likely continue to increase interest rate volatility and drive interest rates higher. We believe the trade dispute is a temporary issue that will be resolved. Higher interest rates should continue to pressure long-duration (the most interest rate sensitive) bond returns. While this may also result in credit market volatility, we remain confident that the favorable backdrop for the macro economy will persist for the near to intermediate term. Specifically, we believe senior loans, given their senior secured position in the capital structure, floating interest rate, attractive income and low default rate are well positioned as we move through 2018. We also believe that high-yield bonds, when managed appropriately, can continue to perform well relative to other fixed-rate bonds given their mid-cycle valuations and low default rate.

As we evaluate new investment opportunities, decisions will continue to be rooted in our rigorous bottom-up credit analysis and our focus will remain on identifying the opportunities that we believe offer the best risk and reward balance.

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**First Trust Senior Loan ETF (CAD-Hedged)**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2018**

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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.

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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. The information are derived from the First Trust ETF's unaudited interim financial statements for the period ended June 30, 2018, audited annual financial statements for the years ending December 31, and for the period from since inception to December 31, 2013.

**Net Asset Value per Unit**

FSL	Jun. 30, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013 <sup>(a)</sup>
Net asset value, beginning of period/year <sup>(1)</sup>	\$19.29	\$19.60	\$19.02	\$19.89	\$20.12	\$20.00 <sup>(b)</sup>
Increase (Decrease) from operations:						
Total revenue	0.49	0.91	0.96	1.10	0.96	0.32
Total expenses	(0.09)	(0.19)	(0.18)	(0.19)	(0.19)	(0.07)
Realized gains (losses) for the period/year	(1.25)	1.10	0.60	(2.22)	(1.14)	(0.71)
Unrealized gains (losses) for the period/year	1.10	(1.38)	0.09	1.16	0.82	0.81
Total increase (decrease) from operations <sup>(2)</sup>	\$0.25	\$0.44	\$1.47	\$(0.15)	\$0.45	\$0.35
Distributions:						
From income (excluding dividends)	(0.39)	(0.73)	(0.75)	(0.90)	(0.74)	(0.17)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	(0.05)	(0.12)	-	(0.02)	(0.02)
Total annual distributions <sup>(3)</sup>	\$(0.39)	\$(0.78)	\$(0.87)	\$(0.90)	\$(0.76)	\$(0.19)
Net asset value, end of period/year <sup>(4)</sup>	\$19.13	\$19.29	\$19.60	\$19.02	\$19.89	\$20.12

FSL.A	Jun. 30, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013 <sup>(a)</sup>
Net asset value, beginning of period/year <sup>(1)</sup>	\$19.32	\$19.59	\$19.01	\$19.88	\$20.10	\$20.00 <sup>(b)</sup>
Increase (Decrease) from operations:						
Total revenue	0.45	0.89	1.42	1.12	1.32	0.12
Total expenses	(0.14)	(0.31)	(0.29)	(0.30)	(0.30)	(0.11)
Realized gains (losses) for the period/year	(1.25)	1.10	0.57	(2.21)	(1.14)	(0.27)
Unrealized gains (losses) for the period/year	1.11	(1.35)	(0.27)	1.43	0.56	0.53
Total increase (decrease) from operations <sup>(2)</sup>	\$0.17	\$0.33	\$1.43	\$0.04	\$0.44	\$0.27
Distributions:						
From income (excluding dividends)	(0.33)	(0.61)	(0.65)	(0.78)	(0.63)	(0.09)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	(0.11)	-	(0.02)	(0.07)
Total annual distributions <sup>(3)</sup>	\$(0.33)	\$(0.61)	\$(0.76)	\$(0.78)	\$(0.65)	\$(0.16)
Net asset value, end of period/year <sup>(4)</sup>	\$19.16	\$19.32	\$19.59	\$19.01	\$19.88	\$20.10

(a) December 31, 2013 does not relate to the full year as the First Trust ETF commenced operations on August 28, 2013.

(b) Initial offering price

(1) This information is provided as at June 30 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 either paid in cash or reinvested in additional units of the First Trust ETF.

(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)  
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**Ratios and Supplemental Data**

FSL	Jun. 30, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Net asset value (000's)	\$116,482	\$138,694	\$149,762	\$90,331	\$74,589	\$37,217
Number of units outstanding	6,090,010	7,190,010	7,640,000	4,750,000	3,750,000	1,850,000
Management expense ratio <sup>(1)</sup>	0.94%	0.95%	0.95%	0.94%	0.95%	0.95%
Management expense ratio before waivers or absorption	0.96%	0.97%	0.97%	0.96%	0.98%	0.95%
Trading expense ratio <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate <sup>(3)</sup>	95.10%	310.12%	184.19%	134.45%	217.85%	173.72%
Net asset value per unit	\$19.13	\$19.29	\$19.60	\$19.02	\$19.89	\$20.12

FSL.A	Jun. 30, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Net asset value (000's)	\$1,149	\$1,159	\$1,175	\$1,901	\$1,988	\$2,010
Number of units outstanding	59,990	59,990	60,000	100,000	100,000	100,000
Management expense ratio <sup>(1)</sup>	1.51%	1.58%	1.52%	1.50%	1.51%	1.55%
Management expense ratio before waivers or absorption	1.52%	1.60%	1.54%	1.52%	1.54%	1.55%
Trading expense ratio <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate <sup>(3)</sup>	95.10%	310.12%	184.19%	134.35%	217.85%	173.72%
Net asset value per unit	\$19.16	\$19.32	\$19.59	\$19.01	\$19.88	\$20.10

(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.



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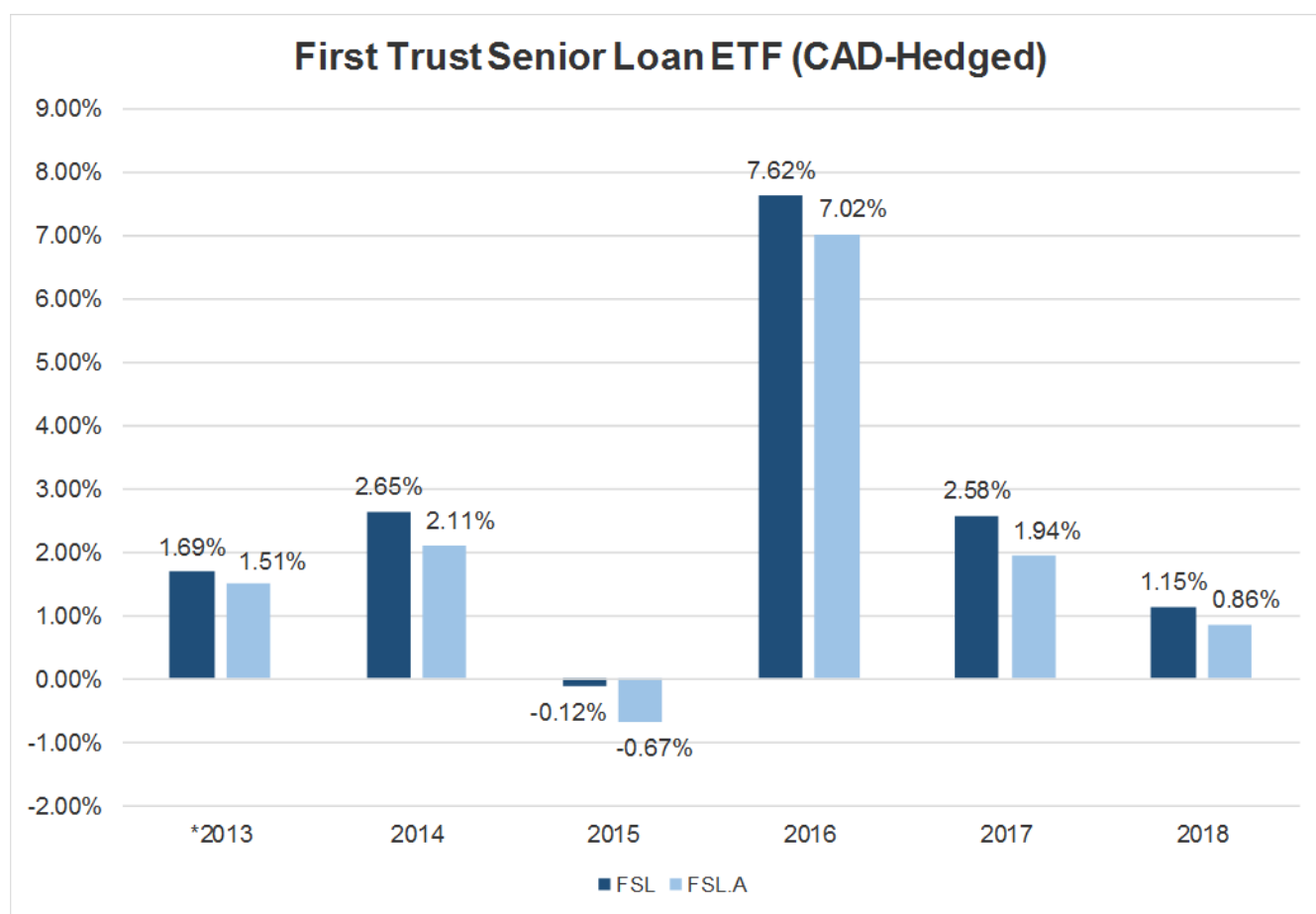
**Past Performance**

**General**

The past performance information shown assumes that all distributions made by the First Trust ETF in the periods 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 period ended June 30, 2018 and for the years ended December 31, 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

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**Summary of Investment Portfolio**

The table 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, 2018. 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).

Top 25 Issuers	% of ETF Total Net Asset Value
Valeant Pharmaceuticals International, Inc.	3.97%
Amaya Holdings B.V.	3.41%
MultiPlan, Inc. (MPH Acquisition Holdings LLC)	3.01%
BJ's Wholesale Club, Inc.	2.76%
Kindred Healthcare, Inc.	2.25%
Tenet Healthcare Corp.	2.19%
Advantage Sales & Marketing, Inc.	2.07%
ClubCorp Club Operations, Inc.	2.05%
Information Resources, Inc.	1.95%
Albertsons LLC	1.93%
Compuware Corp.	1.85%
Ortho-Clinical Diagnostics, Inc. (Crimson Merger Sub, Inc.)	1.81%
Endo LLC	1.74%
Vertafore, Inc.	1.73%
AlixPartners LLP	1.67%
JDA Software Group (RP Crown Parent, Inc.)	1.63%
DJO Finance LLC (ReAble Therapeutics Finance LLC)	1.62%
Sterigenics International (STHI Intermediate Holding Corp.)	1.61%
Portillo's Holdings LLC	1.59%
Change Healthcare Holdings, Inc.	1.54%
Caesars Resort Collection, LLC.	1.50%
Quikrete Holdings, Inc.	1.44%
USI, Inc. (Compass Investors, Inc.)	1.25%
Acosta, Inc.	1.23%
HUB International Limited	1.21%
<b>Total</b>	<b>49.01%</b>

**Portfolio Breakdown**

The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by sector, as at June 30, 2018.

Sector Weightings	% of ETF Total Net Asset Value
Health Care	35.99%
Consumer Discretionary	16.53%
Information Technology	14.45%
Industrials	7.86%
Financials	7.14%
Consumer Staples	6.80%
Energy	2.29%
Materials	1.96%
Telecommunication Services	0.68%
Cash	8.74%
Other assets, less liabilities	(2.44)%
<b>Total</b>	<b>100.00%</b>

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**First Trust Senior Loan ETF (CAD-Hedged)**  
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The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by credit rating, as at June 30, 2018.

S&P Rating	% of ETF Total Net Asset Value
BBB+	0.54%
BBB	0.00%
BBB-	2.65%
BB+	3.56%
BB	5.25%
BB-	17.26%
B+	21.05%
B	24.50%
B-	13.73%
CCC+	1.98%
CCC	0.78%
CCC-	0.00%
CC	0.80%
C	0.00%
D	0.57%
NR	1.03%
Total	93.70%

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