



First Trust Canadian Capital Strength ETF

Annual Management Report of Fund Performance
December 31, 2016

(Page intentionally left blank)

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2016

First Trust Canadian Capital Strength ETF (the “First Trust ETF”)

This annual management report of fund performance contains financial highlights, but does not contain the complete 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 3001, Scotia Plaza, Box 312, Toronto, Ontario M5H 3Y2 or by visiting our web site 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.

First Trust Canadian Capital Strength ETF Management Report of Fund Performance For the period ended December 31, 2016

Background

First Trust Canadian Capital Strength ETF (the “First Trust ETF”).

On August 17, 2016 the board of directors of the Manager approved a proposal to convert the fund from a mutual fund into an exchange-traded fund or “ETF” (the “Conversion”).

On September 20, 2016 the unitholders approved a proposal to convert the fund from a mutual fund (“First Trust Canadian Capital Strength Portfolio”) into an ETF (“First Trust Canadian Capital Strength ETF”) and the Conversion was implemented on November 18, 2016.

The First Trust ETF changed its year end to December 31st in accordance with the amended declaration of trust.

The First Trust ETF is an exchange traded mutual fund established as a trust under the laws of the Province of Ontario. FT Portfolios Canada Co. is the trustee, manager and promoter of the First Trust ETF. First Trust Advisors L.P. is the portfolio advisor of the First Trust ETF.

Investment Objective and Strategy

The First Trust ETF seeks to provide Unitholders with long term capital appreciation by investing primarily in securities traded on a Canadian exchange or market. The First Trust ETF seeks to achieve its investment objective by investing in securities of issuers that are based in Canada or have significant business operations in the Canadian market. Securities invested in by the First Trust ETF include common shares of public companies that are traded on a Canadian exchange or market.

There are two classes of units offered by the First Trust ETF:

- Common Class (TSX symbol: FST)
- Advisor Class (TSX symbol: FST.A)

The inception date of the strategy was November 30, 2001. The mutual fund became an ETF on November 18, 2016.

Risk

The First Trust ETF held 25 equity positions for the reporting period ending, December 31, 2016 and made no net change to the number of positions from the beginning of the period. Portfolio changes were made in October (2 positions added, 2 positions eliminated) and December 2016 (3 positions added, 3 positions eliminated). The top ten equity holdings of the First Trust ETF at December 30, 2016 accounted for 41.30% of total NAV. The top ten equity holdings of the First Trust ETF at June 30, 2015 accounted for 39.87% of total NAV. Financials, Information Technology and Consumer Discretionary (in order) were the top three sector weightings at the end of the period, whereas Financials, Industrials and Information Technology (in order) were the top three weightings at the beginning of the period. Relative to its benchmark over the period, the First Trust ETF was overweight the Information Technology and Industrials sectors and underweight the Energy sector. Due to screening parameters, no energy stocks were held in the Canadian Capital Strength Portfolio for the period. The sector positioning of the First Trust ETF changed somewhat over the reporting period, mainly as the result of our bottom-up, multi-step quantitative and fundamental stock selection strategy.

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. Unitholders should refer to the prospectus as it contains detailed discussion of risk relating to the investment of the First Trust ETF.

Results of Operations

The First Trust ETF’s total net asset value as of December 31, 2016 was \$41,833,415 or \$29.12 per Common Class unit and \$24.68 per Advisor Class unit. The total net asset value, when it was still a mutual fund, at June 30, 2016 was \$42,076,838 or \$21.74 for Series A (now converted to Advisor Class) units and \$25.50 for Series F (now converted to Common Class) units. There were no distributions paid for the period ended December 31, 2016.

First Trust Canadian Capital Strength ETF Management Report of Fund Performance For the period ended December 31, 2016

Investment Performance

For the six months ended December 31, 2016, the First Trust ETF's Advisor Class securities returned 13.56% (after deducting fees and expenses paid by the First Trust ETF). This compares with the S&P/TSX Composite Index return of 10.24%. All index and series returns are calculated on a total return basis. Investors cannot invest in the index without incurring fees, expenses and commissions, which are not reflected in the index returns. The First Trust ETF's Series A outperformed the benchmark for the period. Positive contribution to relative performance primarily resulted from superior stock selection within the Consumer Staples, Materials and Information Technology sectors. Negative contribution to relative performance came predominantly from underweight position in the Consumer Staples and Energy sectors.

The top-performing stocks by contribution for the period were Magna International Inc., National Bank of Canada, Saputo Inc., Sun Life Financial Inc. and Kinaxis Inc. These stocks had total returns of +30.14%, +26.11%, +24.64%, +23.65% and +20.47% respectively, in CAD. The bottom-performing stocks by contribution for the period were BCE Inc. and Kirkland Lake Gold. These stocks returned -4.96% and -2.88%, respectively, in CAD, including dividends.

Portfolio changes were made in October and December 2016. There was no net change to the total number of portfolio positions over the period. In October, two positions were eliminated and two new positions were established. Both of the companies, Aecon Group Inc. and Potash Corp of Saskatchewan Inc. were removed for failing to meet our initial screening criteria and positions in SNC-Lavalin Group Inc. and Kirkland Lake Gold Inc. were established. In December, three positions were eliminated and three new positions were established. One of the companies, SNC-Lavalin Group Inc., was removed for failing to meet our initial screening criteria. Constellation Software Inc. and Agrium Inc. were removed at the manager's discretion. Positions in Gildan Activewear, Linamar Corp and Celestica Inc. were established to replace them.

Recent Developments

The 1st half of 2016 saw Canadian markets hit a total return low of -8.27% on 1/20/2016 but improve to 10.54%, on a total return basis, by 6/30/2016. Crude oil futures rallied around \$20 USD from the beginning of the year to the end of June which positively impacts the Canadian economy. Furthermore, in May Mr. Trudeau's administration introduced a ten year \$60B CAD infrastructure stimulus plan while the central bank left key interest rates untouched at .5%. Despite improvements in the equity markets, 2nd quarter growth was pulled down by a decline in goods exports and the unexpected wildfires in Alberta. This offset the strength in household expenditures and government spending.

The Canadian overall GDP grew during the 2nd half of 2016 despite slightly contracting in October (breaking a four month streak of gains). In December, the Bank of Canada held its benchmark interest rate at .5%, leaving it unchanged for the year. In 2016, the federal deficit increased \$25B CAD due to infrastructure spending. Although the infrastructure stimulus plan showed little impact in 2016, more material impact is expected to be evident in 2017. From the beginning of July to the end of the year, the S&P/TSX Composite Index gained over 10% on a total return basis. Energy prices are a large driver of the performance of Canadian equity markets (Energy sector accounts for 21% of the S&P/TSX Composite Index) and increasing crude prices were enjoyed (by energy producers) throughout the 2nd half of the year as crude oil prices ended the year just shy of \$54 USD. Financials make up nearly 35% of the S&P/TSX Composite Index, and even with benchmark interest rates remaining historically low, banks and insurers saw increased bond yields in large part due to positive U.S. data.

In our view, the Canadian economy showed positive signs in 2016 and The Bank of Canada forecasts the economy expanding into 2017. Additionally, the weaker Canadian Dollar, relative to a stronger United States Dollar, makes Canadian exports increasingly attractive to US buyers. Due to close trading ties, the US represents 75% of Canadian exports on a balance-of-payments basis.

We continue to find attractive candidates from within our selection universe of "capital strength" companies. The Canadian Capital Strength Portfolio is positioned to provide exposure to one of the worlds most developed nations, but with less overall concentration in the three leading sectors (Financials, Energy and Materials represented nearly

**First Trust Canadian Capital Strength ETF
Management Report of Fund Performance
For the period ended December 31, 2016**

70% of the sector weights for the S&P/TSX Composite Index over the period). Our approach remains focused on finding companies with strong balance sheets and an ability to grow their current market position.

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 Canadian Capital Strength ETF Management Report of Fund Performance For the period ended December 31, 2016

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 period. The First Trust ETF was originally launched as an open-ended mutual fund on November 30, 2001, and converted into a TSX-listed ETF on November 18, 2016. This information is derived from the First Trust ETF's audited annual financial statements for the fiscal years ending June 30 and for the period from July 1, 2016 to December 31, 2016.

Net Asset Value per Unit – FST.A

| | Dec. 31, 2016 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
|--|------------------|------------------|------------------|------------------|------------------|
| Net assets, beginning of period/ year⁽¹⁾ | \$21.74 | \$23.67 | \$23.01 | \$17.85 | \$15.86 |
| Increase (Decrease) from operations: | | | | | |
| Total revenue | 0.28 | 0.66 | 0.53 | 0.51 | 0.46 |
| Total expenses | (0.29) | (0.60) | (0.64) | (0.56) | (0.47) |
| Realized gains (losses) for the period/year | 1.05 | (0.23) | 1.70 | 2.20 | 0.05 |
| Unrealized gains (losses) for the period/year | 1.97 | (1.90) | (0.82) | 2.96 | 1.68 |
| Total increase (decrease) from operations⁽²⁾ | \$ 3.01 | \$ (2.07) | \$ 0.77 | \$ 5.11 | \$ 1.72 |
| Distributions: | | | | | |
| From income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions⁽³⁾ | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net assets, end of period/year^{(4), (5)} | \$24.68 | \$21.74 | \$23.67 | \$23.01 | \$17.82 |

(1) This information is provided as at December 31, 2016 and fiscal years ended June 30 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.

(3) Distributions were either paid in cash or reinvested in additional units of the First Trust ETF.

(4) At the time of the conversion to an ETF, there was an exchange of units whereby holders of Series A units received 1 Advisor Class unit for each Series A unit held.

(5) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

Ratios and Supplemental Data – FST.A

| | Dec. 31, 2016 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
|--|------------------|------------------|------------------|------------------|------------------|
| Net asset value (000's) | \$34,626 | \$35,433 | \$49,650 | \$58,322 | \$49,839 |
| Number of units outstanding | 1,402,854 | 1,630,111 | 2,097,763 | 2,534,908 | 2,791,651 |
| Management expense ratio ⁽¹⁾ | 2.41% | 2.67% | 2.66% | 2.65% | 2.58% |
| Management expense ratio before waivers or absorption | 2.41% | 2.67% | 2.66% | 2.65% | 2.58% |
| Trading expense ratio ⁽²⁾ | 0.04% | 0.04% | 0.03% | 0.12% | 0.12% |
| Portfolio turnover rate ⁽³⁾ | 26.70% | 52.71% | 62.79% | 108.36% | 106.14% |
| Net asset value per unit | \$24.68 | \$21.74 | \$23.67 | \$23.01 | \$17.85 |

(1) Management expense ratio is based on total expenses for the stated period 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 Canadian Capital Strength ETF
Management Report of Fund Performance
For the period ended December 31, 2016**

Net Asset Value per Unit – FST

| | Dec. 31, 2016 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
|--|------------------|------------------|------------------|------------------|------------------|
| Net assets, beginning of period/year⁽¹⁾ | \$25.50 | \$27.46 | \$26.39 | \$20.25 | \$17.79 |
| Increase (Decrease) from operations: | | | | | |
| Total revenue | 0.34 | 0.77 | 0.61 | 0.59 | 0.52 |
| Total expenses | (0.19) | (0.42) | (0.43) | (0.38) | (0.31) |
| Realized gains (losses) for the period/year | 1.27 | (0.26) | 1.96 | 2.51 | 0.11 |
| Unrealized gains (losses) for the period/year | 2.20 | (2.15) | (0.95) | 3.37 | 1.71 |
| Total increase (decrease) from operations⁽²⁾ | \$ 3.62 | \$ (2.06) | \$ 1.19 | \$ 6.09 | \$ 2.03 |
| Distributions: | | | | | |
| From income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions⁽³⁾ | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net assets, end of period/year^{(4),(5)} | \$29.12 | \$25.50 | \$27.46 | \$26.39 | \$20.22 |

(1) This information is provided as at December 31, 2016 and fiscal years ended June 30 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.

(3) Distributions were either paid in cash or reinvested in additional units of the First Trust ETF.

(4) At the time of the conversion to an ETF, there was an exchange of units whereby holders of Series F units received 1 Common unit for each Series F unit held.

(5) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

Ratios and Supplemental Data – FST

| | Dec. 31, 2016 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
|---|------------------|------------------|------------------|------------------|------------------|
| Net asset value (000's) | \$7,207 | \$6,644 | \$8,258 | \$9,800 | \$7,955 |
| Number of units outstanding | 247,534 | 260,571 | 300,783 | 371,308 | 392,808 |
| Management expense ratio ⁽¹⁾ | 1.29% | 1.56% | 1.54% | 1.53% | 1.45% |
| Management expense ratio before waivers or absorption | 1.29% | 1.56% | 1.54% | 1.53% | 1.45% |
| Trading expense ratio ⁽²⁾ | 0.04% | 0.04% | 0.03% | 0.12% | 0.12% |
| Portfolio turnover rate ⁽³⁾ | 26.70% | 52.71% | 62.79% | 108.36% | 106.14% |
| Net asset value per unit | \$29.12 | \$25.50 | \$27.46 | \$26.39 | \$20.25 |

(1) Management expense ratio is based on total expenses for the stated period 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 Canadian Capital Strength ETF Management Report of Fund Performance For the period ended December 31, 2016

Management Fees

The First Trust ETF will pay the Manager a management fee equal to 0.60% and, in respect of the FST.A, an additional amount for a service fee (see “FST.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.

FST.A Service Fee

The Manager pays registered dealers a service fee equal to 1.00% 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.

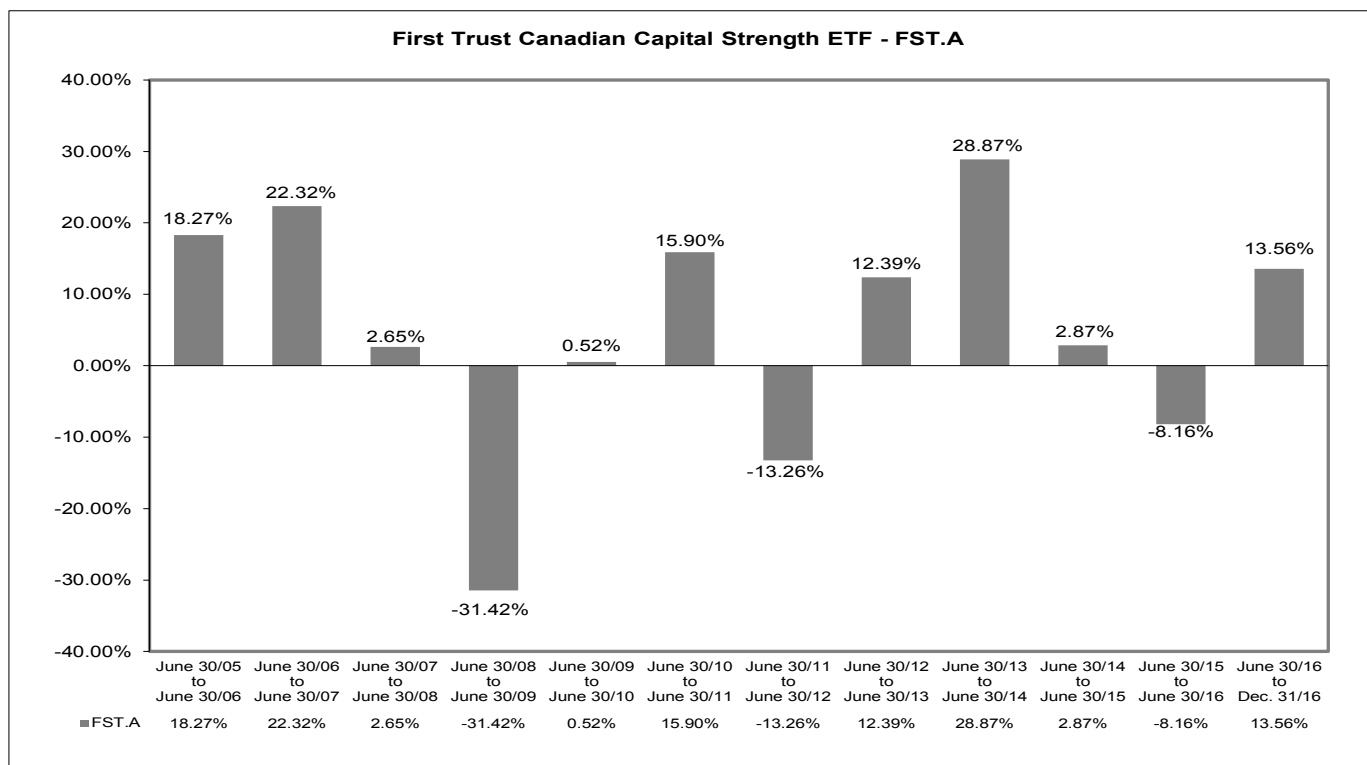
Past Performance

General

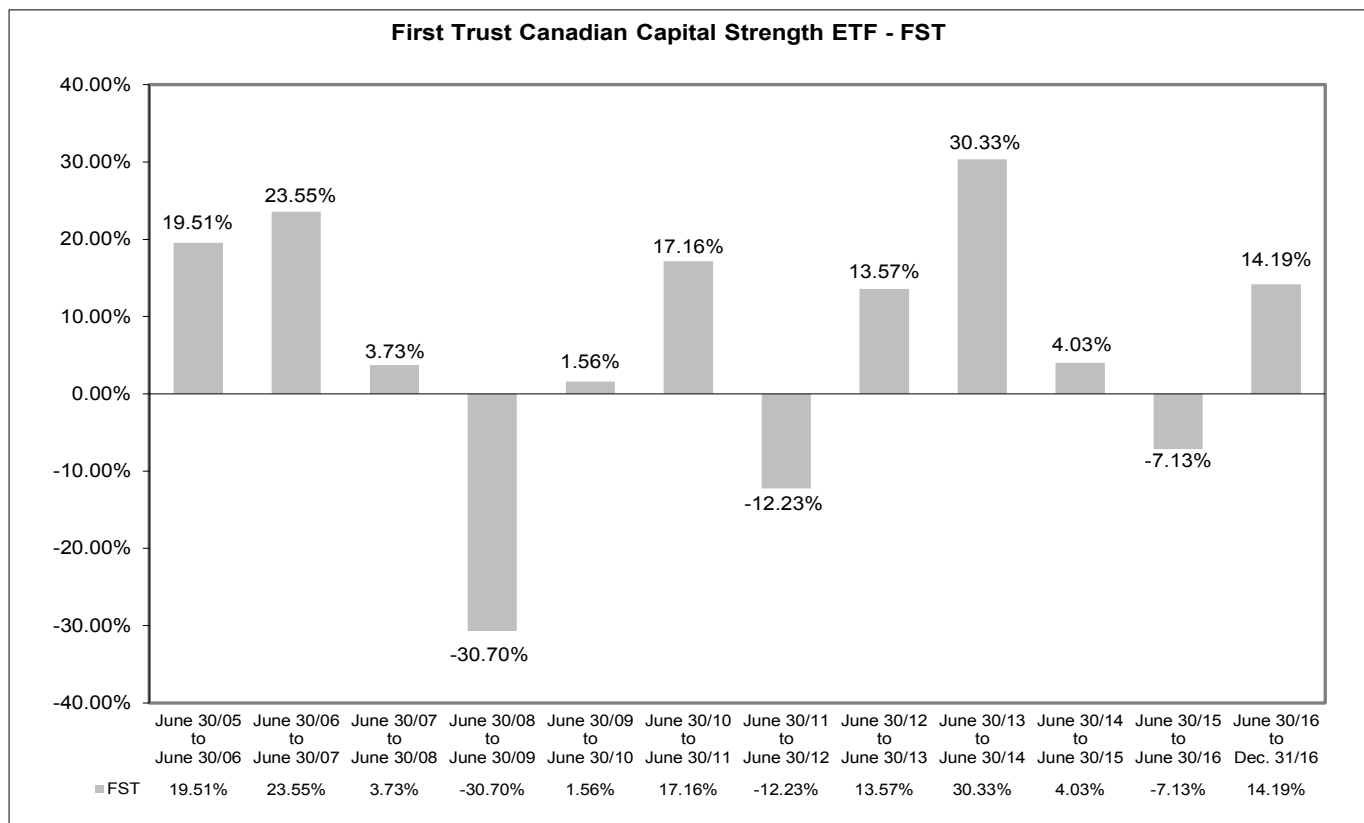
The past performance information shown assumes that all distributions made by the First Trust ETF in the period shown were reinvested in additional securities of the First Trust ETF. The performance information does not take into account sales, redemption, distribution or other optional charges that 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 charts below show the First Trust ETF’s performance, per class, for past fiscal years ended June 30 and for the six month period ended December 31, 2016 and illustrate how the investment fund’s performance has changed from year to year. The charts also show, 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 Canadian Capital Strength ETF
Management Report of Fund Performance
For the period ended December 31, 2016**



Annual Compound Returns

The First Trust ETF outperformed the Index for the period due to superior stock selection. Specifically, superior stock selection within the Consumer Staples, Materials and Information Technology sectors benefited performance.

| | 6-Mos | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception |
|---|--------------|---------------|---------------|---------------|----------------|------------------------|
| First Trust Canadian Capital Strength ETF (FST.A) | 13.56% | 12.20% | 5.98% | 8.50% | 1.75% | 5.58% |
| First Trust Canadian Capital Strength ETF (FST) | 14.19% | 13.45% | 7.17% | 9.74% | 2.88% | 6.73% |
| S&P/TSX Composite Index | 10.24% | 21.08% | 7.06% | 8.25% | 4.72% | 7.65% |

S&P/TSX Composite Index – The S&P/TSX Composite is the premier indicator of market activity for Canadian equity markets going back to its original incarnation in 1977. With approximately 95% coverage of the Canadian equities market, it is the primary gauge for Canadian-based, TSX-listed companies. It addresses the needs of investment managers who require a portfolio benchmark characterized by sufficient size and liquidity. The size of the S&P/TSX Composite and its broad economic sector coverage has made the S&P/TSX Composite Index the primary benchmark for Canadian pension funds and mutual market funds.

**First Trust Canadian Capital Strength ETF
Management Report of Fund Performance
For the period ended December 31, 2016**

Summary of Investment Portfolio

The table sets out the percentage (based on total net asset value) of the First Trust ETF's holdings as at December 31, 2016. 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.

| Holdings | % of ETF Net Asset Value |
|--|---------------------------------|
| CCL Industries Inc., Class 'B' | 4.59% |
| Kinaxis Inc. | 4.16% |
| Saputo Inc. | 4.13% |
| Intact Financial Corp. | 4.12% |
| Open Text Corp. | 4.09% |
| Canadian National Railway Co. | 4.04% |
| Sun Life Financial Inc. | 4.03% |
| Bank of Montreal | 4.02% |
| Toronto-Dominion Bank (The) | 4.02% |
| BCE Inc. | 4.01% |
| Royal Bank of Canada | 4.00% |
| Celestica Inc. | 4.00% |
| CAE Inc. | 3.99% |
| CGI Group Inc., Class 'A' | 3.99% |
| National Bank of Canada | 3.97% |
| Great-West Lifeco Inc. | 3.94% |
| Canadian Tire Corp. Ltd., Class 'A' | 3.92% |
| Canadian Imperial Bank of Commerce | 3.92% |
| Magna International Inc., Class 'A' | 3.91% |
| Alimentation Couche-Tard Inc., Class 'B' | 3.91% |
| Bank of Nova Scotia | 3.91% |
| Canadian Pacific Railway Ltd. | 3.90% |
| Linamar Corp. | 3.89% |
| Gildan Activewear Inc. | 3.73% |
| Kirkland Lake Gold Ltd. | 3.50% |
| Cash | 0.13% |

Portfolio Breakdown

The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio as at December 31, 2016.

| Sector Weightings | % of ETF Net Asset Value |
|----------------------------|---------------------------------|
| Financials | 35.93% |
| Information Technology | 16.24% |
| Consumer Discretionary | 15.45% |
| Industrials | 11.93% |
| Materials | 8.09% |
| Consumer Staples | 8.04% |
| Telecommunication Services | 4.01% |
| Cash and Cash Equivalents | 0.13% |

FVÁU[iG[|ã • ÁOæ ææCo.

40 King Street West, Suite 3001
Scotia Plaza, Box 312
Toronto, Ontario M5H 3Y2

www.firsttrust.ca

