



First Trust Canadian Capital Strength ETF • FST

Annual Management Report of Fund Performance
December 31, 2022

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022

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 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 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 year ended December 31, 2022

Background

As of February 28, 2022, **First Trust Canadian Capital Strength ETF** (the “First Trust ETF”) no longer offered Advisor Class Units (“FST.A”) and FT Portfolios Canada Co. (the “Manager”) successfully redesignated FST.A to Common Units (“FST”) of the First Trust ETF providing unitholders with a lower cost going forward.

Investment Objective and Strategy

The fundamental investment objective of the First Trust ETF is to provide unitholders with long term capital appreciation by investing primarily in securities traded on a Canadian exchange or market.

To achieve its investment objectives, the First Trust ETF will primarily invest 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.

The First Trust ETF uses a multi-step, bottom-up quantitative selection process to identify its investible universe of securities, and fundamental analysis to make final portfolio selections. The selection process, described below, is designed to identify issuers that have certain objectives and easily determinable attributes that, in the portfolio advisor’s opinion, makes them capital strength issuers.

The first step in the portfolio advisor’s selection process is to identify the universe of securities from which the portfolio advisor will select the portfolio. The portfolio advisor begins by selecting securities of issuers that, primarily, are traded on a Canadian exchange or market.

Next, the portfolio advisor evaluates issuers based on multiple quantitative metrics, including, but not limited to, cash on hand, return on equity and long-term debt to market value of equity. These factors are designed to identify those issuers which exhibit strong fundamental characteristics at the time of purchase and to eliminate those that do not meet the investment criteria.

After establishing the investment universe, the portfolio advisor examines other factors, including valuation and future growth prospects, to determine securities it may purchase for the First Trust ETF. The portfolio advisor then uses fundamental analysis to select securities that meet the First Trust ETF’s investment objectives, trade at attractive valuations and in the opinion of the portfolio advisor, are likely to exceed market expectations of future cash flows.

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 reporting 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, 2022 was \$ 57,933,134 or \$40.54 per unit. The First Trust ETF’s total net asset value as of December 31, 2021 was \$46,363,676 or \$41.02 per FST and \$34.36 per FST.A. As of February 28, 2022, the First Trust ETF no longer offered FST.A and the Manager successfully redesignated FST.A to FST of the First Trust ETF.

For the year ended December 31, 2022, the First Trust ETF paid total cash distributions per unit of \$0.7750 for FST and \$0.0300 for FST.A. In addition, FST declared cash distributions of \$0.2000 per unit for record date of December 30, 2022 with payment date of January 9, 2023.

First Trust Canadian Capital Strength ETF Management Report of Fund Performance For the year ended December 31, 2022

Investment Performance

For the year ended December 31, 2022, the First Trust ETF returned 0.93% compared to S&P/TSX Composite® Index (the “benchmark”) return of -5.84%. Unlike the benchmark, the First Trust ETF’s returns are net of fees and expenses.

The First Trust ETF outperformed the benchmark for the year. Stock selection was a positive contributor to relative performance. Allocation effect negatively contributed to relative performance as an overweight allocation in the Information Technology sector and an underweight allocation in the Energy sector were the largest drags on performance. Positive contributors to relative performance can mainly be attributed to stock selections within the Energy and Information Technology sectors as well as an overweight allocation in the Consumer Staples sector.

The top-performing stocks for the year, based on total return, were Tourmaline Oil Corp., Canadian Natural Resources Limited, and Cenovus Energy Inc. These stocks returned +76.69%, +39.99%, and +26.63% respectively, in CAD, including dividends. The bottom-performing stocks, based on total return, were Open Text Corporation, Gildan Activewear Inc., and The Bank of Nova Scotia. These stocks returned -42.91%, -33.92%, and -30.67%, respectively, in CAD, including dividends.

The First Trust ETF held 25 equity positions for the year ended December 31, 2022 and made no net change to the number of positions from the beginning of the year. Portfolio changes were made in March 2022 (four positions added, four positions eliminated), September 2022 (five positions added, five positions eliminated), and December 2022 (two positions added, two positions eliminated). The top ten equity holdings of the First Trust ETF on December 31, 2022 accounted for 40.25% of total NAV and the top ten equity holdings of the First Trust ETF on December 31, 2021 accounted for 41.16% of total NAV. Financials, Industrials, and Materials (in order) were the top three sector weightings at the end of the year. Financials, Consumer Discretionary and Information Technology were the top three sector weightings at the beginning of the year. Relative to its benchmark over the year, the First Trust ETF on average was overweight the Consumer Discretionary, Consumer Staples, Industrials and Information Technology sectors while underweight the Communication Services, Energy, Financials, Health Care, Materials, Real Estate and Utilities sectors. The sector weighting of the First Trust ETF changed somewhat over the reporting year, primarily as the result of our bottom-up, multi-step quantitative and fundamental stock selection strategy. Portfolio changes were made in March, September, and December though there was no net change to the total number of portfolio positions over the year. In March, four positions, CCL Industries Inc, Enghouse Systems Ltd, The Toronto-Dominion Bank, and Canada Goose Holdings Inc were removed at the portfolio manager’s discretion. Positions in Nutrien Ltd, WSP Global Inc, Bank of Montreal, and Suncor Energy Inc, were established to replace them. In September, two positions, Tourmaline Oil Corp and Open Text Corp, were eliminated for failing to meet the screening threshold, while three positions, West Fraser Timber Co Ltd, Finning International Inc, and The Bank of Nova Scotia, were removed at the portfolio manager’s discretion. Five positions, Loblaw Cos Ltd, Cenovus Energy Inc, National Bank of Canada, ATS Automation Tooling Systems Inc, and Teck Resources Ltd, were established to replace them. In December, two positions, Canadian Imperial Bank of Commerce and Metro Inc, were removed at the portfolio manager’s discretion. Two positions, Franco-Nevada Corp and The Toronto Dominion Bank, were established to replace them.

Recent Developments

Much like the rest of the world, Canada has struggled with rising inflation in 2022. Demand for goods and services outpacing supply, along with global factors, drove up commodity prices. To lower inflation, the Bank of Canada (“the BoC”) pivoted to quantitative tightening and rapidly raised interest rates. At the monetary policy meeting in December, the BoC increased the policy rate by 0.50%. This marked the seventh-rate hike of the year and brought the policy rate to 4.25%. After peaking at 8.1% (year-over-year) in June, the Consumer Price Index trended lower in the second half of the year, though inflation still remains significantly above the BoC’s 2% inflation target. Growth in Canada has slowed down as the economy has felt the effects of tighter financial conditions trickle through the economy. Housing activity fell sharply from the peak recorded earlier in the year, household spending has declined, and business investment has softened. As a result, the BoC now expects the economy to grow below 1% in 2023 and 2% in 2024. However, the BoC also forecasts that inflation will stabilize at the 2% target by the end of 2023.

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Although there is plenty of uncertainty going forward, the Governing Council has made it clear that they remain committed to returning inflation back to their 2% target and restoring price stability in Canada.

The benchmark posted its first annual decline since 2018 this past year. Nine out of the eleven sectors finished negative as the benchmark closed out the year down -5.84% on a total return basis. Energy was by far the best performing sector, returning +21.77%, because of surging commodity prices and increased demand. Energy represents roughly 18% of the benchmark and was the largest contributor to total return. Health Care and Information Technology were the worst performing sectors on the year as they returned -64.08% and -55.14%, respectively. The Health Care sector was dragged down by the significant decline in cannabis companies. Within the Information Technology sector, Shopify failed to rebound in the second half of 2022 after declining roughly 77% in the first half. Shopify's decelerating year-over-year growth was a major concern for investors, and the stock's collapse drove the entire sector lower. The Financials sector (roughly 32% of the index) finished the year down 12.30%. The rapid rise in rates has negatively affected capital markets revenue, resulting in the underperformance. However, the rise in rates should benefit Canada's big banks as Net Interest Margins should expand in 2023.

Despite the current unfavorable macroeconomic conditions, we believe there are still plenty of long-term attractive opportunities in Canada. As inflation comes under control, we expect the Canadian equity market will provide ample returns for investors with longer time horizons. We continue to find attractive long-term candidates from within our selection universe of "capital strength" companies. The First Trust ETF is positioned to provide exposure to one of the world's most developed nations, but with less overall concentration in the three leading sectors (Financials, Energy and Materials represented roughly 61% of the sector weights for the benchmark over the year versus roughly 56% within the First Trust ETF portfolio).

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 years ended December 31. This information is derived from the First Trust ETF's audited annual financial statements.

Net Asset Value per Unit

FST	2022 ^(a)	2021	2020	2019	2018
Net asset value, beginning of year ⁽¹⁾	\$41.02	\$34.44	\$34.59	\$30.18	\$33.44
Increase (Decrease) from operations:					
Total revenue	1.33	0.99	0.78	0.84	0.75
Total expenses	(0.27)	(0.27)	(0.22)	(0.23)	(0.23)
Realized gains (losses) for the year	3.96	4.28	(1.13)	2.33	0.07
Unrealized gains (losses) for the year	(3.41)	2.53	(1.82)	2.73	(3.97)
Total increase (decrease) from operations ⁽²⁾	\$1.61	\$7.53	\$(2.39)	\$5.67	\$(3.38)
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	(0.75)	(0.56)	(0.49)	(0.48)	(0.34)
From capital gains	(0.08)	(0.20)	-	-	-
Return of capital	-	-	(0.15)	-	-
Total annual distributions ⁽³⁾	\$(0.83)	\$(0.76)	\$(0.64)	\$(0.66)	\$(0.34)
Net asset value, end of year ⁽⁴⁾	\$40.54	\$41.02	\$34.44	\$34.59	\$30.18

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

(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.

Ratios and Supplemental Data

FST	2022 ^(a)	2021	2020	2019	2018
Net asset value (000's)	\$57,933	\$20,223	\$18,703	\$32,614	\$42,046
Number of units outstanding	1,429,209	492,993	542,993	942,993	1,392,993
Management expense ratio ⁽¹⁾	0.67%	0.66%	0.66%	0.65%	0.66%
Management expense ratio before waivers or absorption	0.69%	0.68%	0.69%	0.67%	0.68%
Trading expense ratio ⁽²⁾	0.01%	0.03%	0.03%	0.02%	0.03%
Portfolio turnover rate ⁽³⁾	70.32%	56.13%	60.13%	45.10%	63.24%

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

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year 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.

(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.

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Management Fees

The First Trust ETF will pay the Manager a management fee of 0.60% 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.

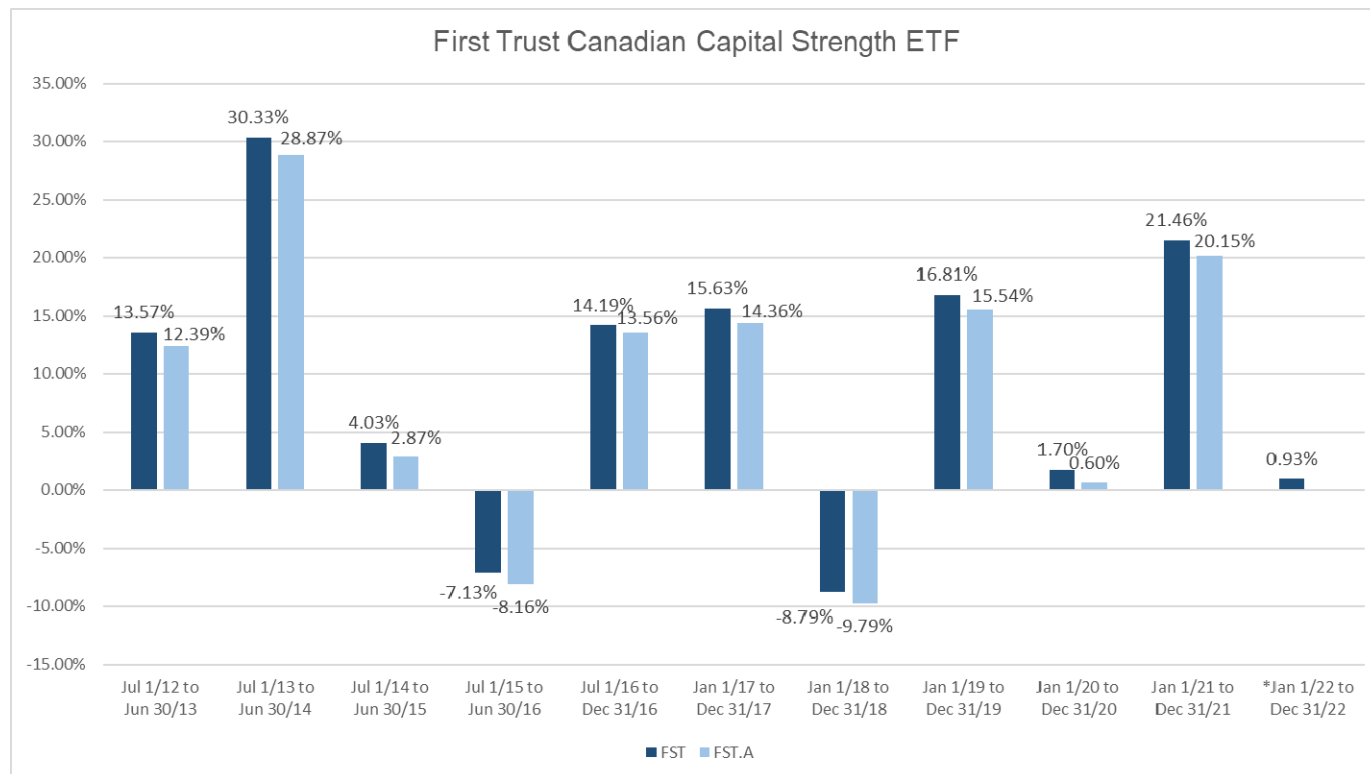
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the 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 ended December 31, for the six-month period ended December 31, 2016, and for the fiscal years ended June 30 and illustrate 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.



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

First Trust Canadian Capital Strength ETF

Management Report of Fund Performance

For the year ended December 31, 2022

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, 2022. The annual compound return is compared to the returns of the relevant benchmark; 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 benchmark.

Returns	1-Year	3-Year	5-Year	10-Year	Since Inception
First Trust Canadian Capital Strength ETF	0.93%	7.63%	5.84%	8.37%	6.93%
S&P/TSX Composite® Index	-5.84%	7.54%	6.85%	7.74%	7.55%

S&P/TSX Composite® Index 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.

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 December 31, 2022. 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.

Top 25 Holdings	% of ETF Total Net Asset Value
Gildan Activewear Inc.	4.06%
WSP Global Inc.	4.05%
Suncor Energy Inc.	4.04%
iA Financial Corp. Inc.	4.03%
Aritzia Inc.	4.02%
Cenovus Energy Inc.	4.01%
Bank of Montreal	4.01%
ATS Corp.	4.01%
CGI Inc.	4.01%
Constellation Software Inc.	4.01%
Alimentation Couche-Tard Inc.	4.00%
Franco-Nevada Corp.	4.00%
Dollarama Inc.	3.99%
Sun Life Financial Inc.	3.99%
Canadian Natural Resources Ltd.	3.98%
Manulife Financial Corp.	3.98%
National Bank of Canada	3.98%
Royal Bank of Canada	3.98%
Toronto-Dominion Bank (The)	3.98%
Canadian Pacific Railway Ltd.	3.97%
TFI International Inc.	3.95%
Stelco Holdings Inc.	3.95%
Nutrien Ltd.	3.94%
Teck Resources Ltd., Class 'B'	3.94%
Loblaw Cos. Ltd.	3.90%
Total	99.78%

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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, 2022.

Sector Weightings	% of ETF Net Asset Value
Financials	27.95%
Industrials	15.98%
Materials	15.83%
Consumer Discretionary	12.07%
Energy	12.03%
Information Technology	8.02%
Consumer Staples	7.90%
Cash and Cash Equivalents	0.31%
Other Assets, Less Liabilities	-0.09%
Total	100.00%

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