



---

First Trust Canadian Capital Strength ETF  
• FST

---

Interim Management Report of Fund Performance  
June 30, 2022

(Page intentionally left blank)

# **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

## **June 30, 2022**

### **First Trust Canadian 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.

---

# First Trust Canadian Capital Strength ETF Management Report of Fund Performance For the six-month period ended June 30, 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 June 30, 2022 was \$ 38,009,127 or \$36.93 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 six-month period ended June 30, 2022, the First Trust ETF paid total cash distributions per unit of \$0.2750 for FST and \$0.0300 for FST.A. In addition, FST declared cash distributions of \$0.2000 per unit for record date of June 30, 2022 with payment date of July 8, 2022.

---

# First Trust Canadian Capital Strength ETF Management Report of Fund Performance For the six-month period ended June 30, 2022

---

## ***Investment Performance***

For the six-month period ended June 30, 2022, the First Trust ETF returned -9.22% compared to S&P/TSX Composite® Index (the “benchmark”) return of -9.87%. Unlike the benchmark, the First Trust ETF’s returns are net of fees and expenses.

The First Trust ETF outperformed the benchmark for the period. Stock selection was a positive contributor to relative performance. Negative contributions can be attributed to stock selection in the Materials and Industrials sectors. As well as an overweight allocation in the Information Technology and Consumer Discretionary sectors. An underweight allocation in the Energy, Utilities, and Communication Services sectors also contributed negatively to relative performance. Positive contributions to relative performance can be attributed to stock selection within the Information Technology and Energy sectors. Underweight allocations in the Real Estate and Health Care sectors and an overweight allocation in the Consumer Staples sector were also positive contributors to relative performance.

The top-performing stocks for the first half of 2022, based on total return, were Tourmaline Oil Corp., Canadian Natural Resources Limited, and Dollarama Inc. These stocks returned +70.47%, +29.69%, and +15.21% respectively, in CAD, including dividends. The bottom-performing stocks, based on total return, were Aritzia Inc., Gildan Activewear Inc., and TFI International Inc. These stocks returned -34.59%, -31.41%, and -28.01%, respectively, in CAD, including dividends.

The First Trust ETF held 25 equity positions for the six-month period ending June 30, 2022 and made no net change to the number of positions from the beginning of the period. Portfolio changes were made in March 2022 (four positions added, four positions eliminated). The top ten equity holdings of the First Trust ETF on June 30, 2022 accounted for 45.20% 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 Energy (in order) were the top three sector weightings at the end of the period. Financials, Consumer Discretionary and Information Technology were the top three sector weightings at the beginning of the period. Relative to its benchmark over the period, 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 period, primarily as the result of our bottom-up, multi-step quantitative and fundamental stock selection strategy. Portfolio changes were made in March, though there was no net change to the total number of portfolio positions over the period. 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.

## **Recent Developments**

Economic growth within Canada continued to be strong in the first half of 2022 as the economy recovers from the worst of the COVID-19 pandemic. Higher commodity prices, a strong housing market, and the lifting of many pandemic-related restrictions were boons to the economy in the first half of the year. As a result, the Bank of Canada (“the BoC”) forecasts economic growth to remain strong in 2022 at 3.50%. However, the BoC expects growth to moderate to 1.75% in 2023 and 2.50% in 2024. The moderation is largely due to elevated inflation and a bearish global growth outlook. To combat inflation, investors brace for the BoC to tighten monetary policy. The BoC has stated their primary concern is returning inflation back to the 2% target moving forward. In April, the BoC ended their reinvestment phase and transitioned to quantitative tightening. According to the Bank, “Maturing Government of Canada bonds on the Bank’s balance sheet will no longer be replaced and, as a result, the size of the balance sheet will decline over time.” The BoC raised interest rates three times in the first half of the year (+0.25% in March, +0.50% in April, and +0.50% in June), bringing the Policy Rate up to 1.50%. With total CPI inflation climbing to 7.7% (Year over Year) in May, the Government Council is “prepared to act more forcefully” in order to achieve the 2% inflation target.

After posting positive returns in the first quarter, the Canadian equity market turned negative in the second quarter of 2022. As a result, the benchmark declined 9.87% for the first half of the year. Energy was the only positive sector, returning roughly +24%. Increases in oil and natural gas commodity prices have helped to drive solid gains for

---

## First Trust Canadian Capital Strength ETF Management Report of Fund Performance For the six-month period ended June 30, 2022

---

energy companies. The Information Technology and Financials sectors were the largest negative contributors to return. Comprising roughly 39% of the index, the sectors were down -56.08% and -12.79%, respectively. Within the Information Technology sector, Shopify's decelerating growth triggered a major decline in the stock price (down about 77%), which drove losses for the sector. As for the Financials sector, big banks were the largest detractors in the second quarter on fears that a potential recession would negatively impact bank profits.

Despite the current unfavorable macroeconomic conditions, 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 period versus roughly 51% 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.

# First Trust Canadian Capital Strength ETF Management Report of Fund Performance For the six-month period ended June 30, 2022

## 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. This information is derived from the First Trust ETF's current unaudited interim and audited annual financial statements.

### Net Asset Value per Unit

FST	Jun. 30, 2022 <sup>(a)</sup>	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value, beginning of period/year <sup>(1)</sup>	\$41.02	\$34.44	\$34.59	\$30.18	\$33.44	\$29.12
Increase (Decrease) from operations:						
Total revenue	0.56	0.99	0.78	0.84	0.75	0.63
Total expenses	(0.13)	(0.27)	(0.22)	(0.23)	(0.23)	(0.22)
Realized gains (losses) for the period/year	2.01	4.28	(1.13)	2.33	0.07	2.28
Unrealized gains (losses) for the period/year	(6.90)	2.53	(1.82)	2.73	(3.97)	2.77
Total increase (decrease) from operations <sup>(2)</sup>	\$(4.46)	\$7.53	\$(2.39)	\$5.67	\$(3.38)	\$ 5.46
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.33)	(0.56)	(0.49)	(0.48)	(0.34)	(0.08)
From capital gains	-	(0.20)	-	-	-	-
Return of capital	-	-	(0.15)	-	-	(0.14)
Total annual distributions <sup>(3)</sup>	\$(0.33)	\$(0.76)	\$(0.64)	\$(0.66)	\$(0.34)	\$(0.22)
Net asset value, end of period/year <sup>(4)</sup>	\$36.93	\$41.02	\$34.44	\$34.59	\$30.18	\$33.44

(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 June 30, 2022 and 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 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

FST	Jun. 30, 2022 <sup>(a)</sup>	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$38,009	\$20,223	\$18,703	\$32,614	\$42,046	\$39,815
Number of units outstanding	1,029,209	492,993	542,993	942,993	1,392,993	1,190,807
Management expense ratio <sup>(1)</sup>	0.66%	0.66%	0.66%	0.65%	0.66%	0.66%
Management expense ratio before waivers or absorption	0.68%	0.68%	0.69%	0.67%	0.68%	0.68%
Trading expense ratio <sup>(2)</sup>	0.01%	0.03%	0.03%	0.02%	0.03%	0.03%
Portfolio turnover rate <sup>(3)</sup>	19.75%	56.13%	60.13%	45.10%	63.24%	54.57%

(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 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.

# First Trust Canadian Capital Strength ETF Management Report of Fund Performance For the six-month period ended June 30, 2022

## 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.

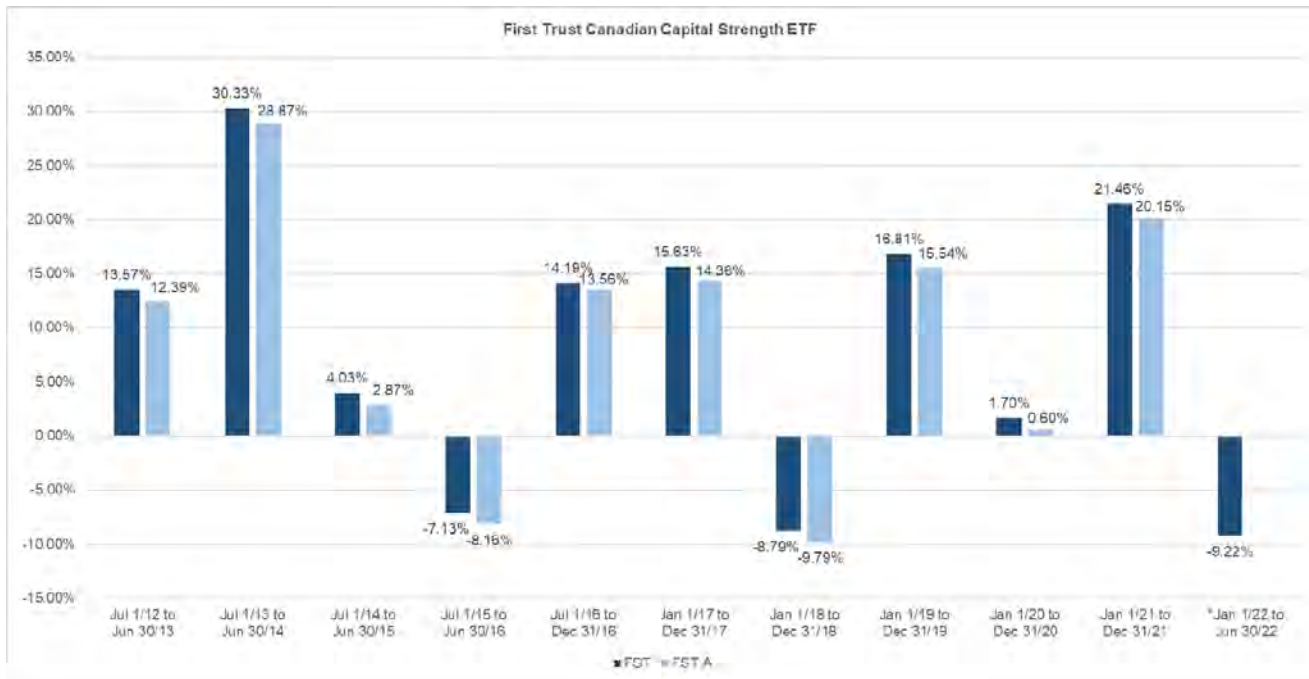
## Past Performance

### General

The past performance information shown assumes that all distributions made by the First Trust ETF in the 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 six-month period ended June 30, 2022, 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 six-month period ended June 30, 2022

## 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, 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](http://www.firsttrust.ca).

Top 25 Holdings	% of ETF Total Net Asset Value
Tourmaline Oil Corp.	5.32%
Dollarama Inc.	5.03%
Suncor Energy Inc.	4.87%
CGI Inc.	4.67%
Metro Inc.	4.49%
Alimentation Couche-Tard Inc.	4.24%
Constellation Software Inc.	4.18%
Open Text Corp.	4.17%
West Fraser Timber Co. Ltd.	4.14%
WSP Global Inc.	4.09%
Royal Bank of Canada	4.03%
Canadian Pacific Railway Ltd.	3.98%
Canadian Natural Resources Ltd.	3.97%
iA Financial Corp. Inc.	3.88%
Manulife Financial Corp.	3.88%
Sun Life Financial Inc.	3.85%
Bank of Montreal	3.79%
Bank of Nova Scotia	3.78%
Canadian Imperial Bank of Commerce	3.61%
TFI International Inc.	3.59%
Gildan Activewear Inc.	3.52%
Nutrien Ltd.	3.48%
Aritzia Inc.	3.31%
Finning International Inc.	3.26%
Stelco Holdings Inc.	2.61%
<b>Total</b>	<b>99.74%</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, 2022.

Sector Weightings	% of ETF Net Asset Value
Financials	26.82%
Industrials	14.92%
Energy	14.16%
Information Technology	13.02%
Consumer Discretionary	11.86%
Materials	10.23%
Consumer Staples	8.73%
Cash and Cash Equivalents	0.58%
Other Assets, Less Liabilities	-0.32%
<b>Total</b>	<b>100.00%</b>

(Page intentionally left blank)

(Page intentionally left blank)

FT Portfolios Canada Co.

40 King Street West, Suite 5102  
Scotia Plaza, Box 312  
Toronto, Ontario M5H 3Y2

[www.firsttrust.ca](http://www.firsttrust.ca)