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First Trust Morningstar Dividend Leaders ETF  
(CAD-Hedged) • FDL

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Interim Management Report of Fund Performance  
June 30, 2024

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# **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

## **June 30, 2024**

### **First Trust Morningstar Dividend Leaders ETF (CAD-Hedged) (the “First Trust ETF”)**

This interim management report of fund performance contains financial highlights but does not contain the complete unaudited interim financial statements of the First Trust ETF. All references to dollars contained herein are to Canadian dollars.

Securityholders may also contact us to request a copy of the First Trust ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures relating to the First Trust ETF by calling 1-877-622-5552, by writing to us at FT Portfolios Canada Co., 40 King Street West, Suite 5102, Scotia Plaza, Box 312, Toronto, Ontario M5H 3Y2 or by visiting our website at [www.firsttrust.ca](http://www.firsttrust.ca) or SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

### **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 Morningstar Dividend Leaders ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2024

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

The fundamental investment objective of **First Trust Morningstar Dividend Leaders ETF (CAD-Hedged)** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of an index of U.S. companies that have shown dividend consistency and dividend sustainability, initially the Morningstar® Dividend Leaders Index<sup>SM</sup>.

The Morningstar® Dividend Leaders Index<sup>SM</sup> consist of stocks listed on one of the three major exchanges, NYSE, NYSE Amex or Nasdaq, that have shown dividend consistency and dividend sustainability. Real Estate Investment Trusts (REITs) are not included.

#### **Risk**

The First Trust ETF provides exposure to its index by investing all or substantially all of its assets in an underlying U.S. index fund known as First Trust Morningstar Dividend Leaders Index Fund (the “Underlying Fund”), which is managed by the First Trust ETF's portfolio advisor.

The risks associated with an investment in the First Trust ETF is discussed in the First Trust ETF's most recent prospectus.

#### **Results of Operations**

##### **General**

The First Trust ETF's net asset value as of June 30, 2024, was \$9,529,674 or \$31.77 per unit. The First Trust ETF's net asset value as of December 31, 2023, was \$9,347,744 or \$30.15 per unit.

For the six-month period ended June 30, 2024, the First Trust ETF paid total cash distributions of \$0.4150 per unit. In addition, the First Trust ETF declared cash distributions of \$0.3500 per unit for record date of June 28, 2024, with payment date of July 8, 2024.

##### **Investment Performance**

For the six-month period ended June 30, 2024, the First Trust ETF returned 7.17% compared to the S&P 500® Index (CAD-Hedged) (the “benchmark”) return of 14.99%. Unlike the benchmark, the First Trust ETF's return is net of fees and expenses.

The First Trust ETF's only holding, the Underlying Fund, held 100 equity securities as of June 30, 2024. The top ten equity holdings for the Underlying Fund accounted for 55.73% of the portfolio within the Underlying Fund.

The Underlying Fund underperformed the benchmark during this year mostly due to an underweight allocation to the Information Technology sector, which was the best-performing sector during the period. Stock selection within Financial also contributed to the underperformance. An underweight position to Consumer Discretionary stocks, which underperformed during the period, mitigated the underperformance.

The Underlying Fund's top five stocks by contribution to return were AbbVie Inc., Verizon Communications Inc., Altria Group, Inc., Philip Morris International Inc., and Chevron Corporation. The Underlying Fund's bottom five stocks by contribution to return were Walgreens Boots Alliance, Inc., New York Community Bancorp, Inc., U.S. Bancorp, CVS Health Corporation, and Gilead Sciences, Inc.

The First Trust's ETF's exposure to the U.S. dollar contributed positively to its absolute performance during the period, as the U.S. dollar appreciated 3.54% against the Canadian dollar from December 29, 2023, to June 28, 2024.

#### **Recent Developments**

The S&P 500® Index returned 15.29%, including dividends, in the first half of the year. The U.S. dollar appreciated relative to the Canadian dollar, meaning the index gained 19.64% over the same period measured in Canadian dollars. The gains were concentrated in a few mega-cap companies from the Information Technology, Communication Services, and Consumer Discretionary sectors. NVIDIA, in particular, benefitted from booming demand for its artificial

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## First Trust Morningstar Dividend Leaders ETF (CAD-Hedged) Management Report of Fund Performance For the six-month period ended June 30, 2024

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intelligence (AI) chips, which sent its market capitalization over \$3 trillion, joining Apple and Microsoft. As a result of the AI-driven rally, Information Technology and Communication Services were the best-performing sectors during the period. Materials and Real Estate, cyclical sectors that didn't benefit from the AI rally, were the period's two worst-performing sectors. Real Estate stocks also suffered from particular weakness in the US commercial real estate market. The overall market continued its ascent despite resilient inflation that stayed above 3% throughout the period. Given its resilience, the market continued to lower its expectations for Fed interest rate cuts this year. The market expected as many as six rate cuts to start the year, and halfway through, the Fed has yet to cut rates this year. Consequently, interest rates rose during the period. The 10-year Treasury yield finished the period at 4.40%, well above 3.88% where it began the year. Overall, the S&P 500® Index finished the period trading at a 23.9 P/E multiple with a 1.33% dividend yield, more expensive than 21.5 and 1.49%, respectively, at the end of 2023.

### **Related Party Transactions**

FT Portfolios Canada Co. is the Manager of the First Trust ETF and is a Canadian affiliate of First Trust Advisors L.P., the investment advisor (the "Advisor") of the First Trust ETF.

Pursuant to terms of the declaration of trust of the First Trust ETF, the Manager provides or arranges for all management, administrative and other services required by the First Trust ETF. The Manager receives a management fee from the First Trust ETF. For further details, please see "Management Fees".

The Manager has retained the Advisor to provide certain services to the First Trust ETF pursuant to an investment advisory agreement. The Advisor receives advisory fees from the Manager out of the management fee.

# First Trust Morningstar Dividend Leaders ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2024

#### Financial Highlights

The following tables show selected key financial information about the First Trust ETF and are intended to help you understand the First Trust ETF's financial performance for the six-month period ended June 30, 2024, and for the five years ended December 31. This information is derived from the First Trust ETF's unaudited interim and audited annual financial statements.

#### Net Asset Value per Unit

FDL	2024	2023	2022	2021 <sup>(a)</sup>	2020	2019
Net asset value, beginning of period/year <sup>(1)</sup>	\$30.15	\$30.92	\$30.58	\$24.43	\$25.04	\$20.29
Increase (Decrease) from operations:						
Total revenue	0.68	1.30	1.35	1.32	0.52	0.11
Total expenses	(0.13)	(0.24)	(0.25)	(0.25)	(0.11)	(0.08)
Realized gains (losses) for the period/year	0.01	(0.36)	(1.65)	6.02	(1.61)	3.03
Unrealized gains (losses) for the period/year	1.59	(1.17)	1.80	(0.21)	3.50	2.65
Total increase (decrease) from operations <sup>(2)</sup>	\$2.15	\$(0.47)	\$1.25	\$6.88	\$2.30	\$5.71
Distributions:						
From income (excluding dividends)	(0.55)	(1.02)	(1.07)	(0.97)	(0.57)	-
From dividends	-	-	-	-	(0.05)	-
From capital gains	-	-	-	(2.11)	-	(2.20)
Return of capital	-	-	-	-	-	(0.01)
Total annual distributions <sup>(3)</sup>	\$(0.55)	\$(1.02)	\$(1.07)	\$(3.08)	\$(0.62)	\$(2.21)
Net asset value, end of period/year <sup>(4)</sup>	\$31.77	\$30.15	\$30.92	\$30.58	\$24.43	\$25.04

(a) For the years prior to February 12, 2021, represent returns for the First Trust ETF based on the First Trust ETF's investment objective prior to the change in investment objective which occurred on February 12, 2021.

(1) This information is provided as at June 30, 2024 and December 31 of the period/years shown and is prepared under IFRS.

(2) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period/year.

(3) Distributions were paid in cash or reinvested in additional units of the First Trust ETF, or both. Non-cash distributions are reinvested in additional units of the First Trust ETF and subsequently consolidated. Neither the number of units held by the unitholder, nor the net asset per unit of the First Trust ETF change as a result of any non-cash distributions.

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

#### Ratios and Supplemental Data

FDL	2024	2023	2022	2021 <sup>(a)</sup>	2020	2019
Net asset value (000's)	\$9,530	\$9,348	\$11,750	\$4,892	\$2,443	\$2,504
Number of units outstanding	300,000	310,000	380,000	160,000	100,000	100,000
Management expense ratio <sup>(1)</sup>	0.61%	0.61%	0.61%	0.66%	1.02%	1.09%
Management expense ratio before waivers or absorption	0.63%	0.63%	0.63%	0.67%	1.04%	1.11%
Trading expense ratio <sup>(2)</sup>	0.00%	0.00%	0.01%	0.05%	0.23%	0.06%
Portfolio turnover rate <sup>(3)</sup>	5.64%	44.39%	26.80%	133.70%	280.86%	23.29%

(a) For the years prior to February 12, 2021, represent returns for the First Trust ETF based on the First Trust ETF's investment objective prior to the change in investment objective which occurred on February 12, 2021.

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period/year, including the First Trust ETF's proportionate share of the MER of the Underlying Fund in which the First Trust ETF has invested, 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. This includes the First Trust ETF's proportionate share of the commissions of Underlying Fund in which the First Trust ETF has invested.

(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 Morningstar Dividend Leaders ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the six-month period ended June 30, 2024

#### Management Fees

The First Trust ETF will pay the Manager a management fee of 0.15% 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.

*The First Trust ETF will bear the Underlying Fund's management fee of 0.30% per annum on average daily net assets on the First Trust ETF's portfolio assets invested in the Underlying Fund. Accordingly, the management fee cost to unitholders of their investment will be 0.45% per annum of NAV of the First Trust ETF plus applicable taxes.*

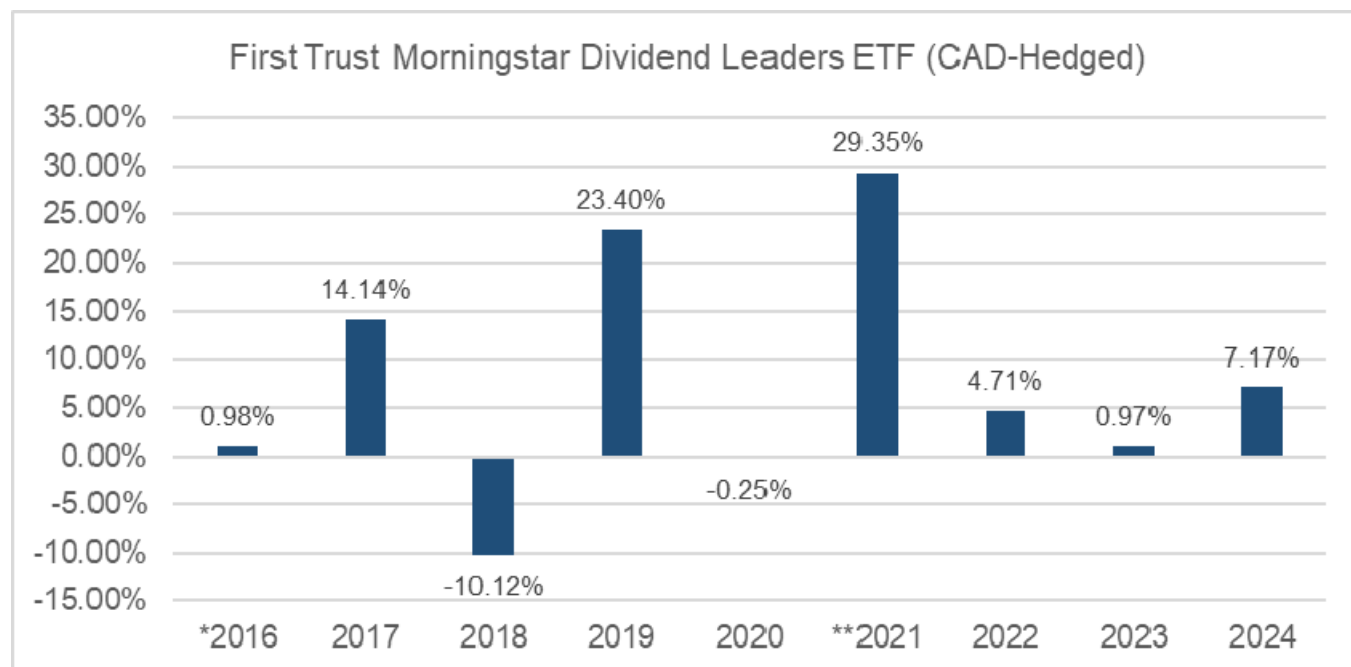
#### Past Performance

##### 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, 2024, for the years ended December 31, and for the period from commencement of operations to December 31, 2016 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: September 29, 2016

\*\*For the years prior to February 12, 2021, represent returns for the First Trust ETF based on the First Trust ETF's investment objective prior to the change in investment objective which occurred on February 12, 2021.

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**First Trust Morningstar Dividend Leaders ETF (CAD-Hedged)**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2024**

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**Summary of Investment Portfolio**

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's holdings as at June 30, 2024. 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).

Holdings	% of ETF Total Net Asset Value
First Trust Morningstar Dividend Leaders Index Fund	99.04%
Cash and Cash Equivalents	2.27%
Other Assets, Less Liabilities	-1.31%
<b>Total</b>	<b>100.00%</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, 2024.

Breakdown	% of ETF Total Net Asset Value
Exchange-Traded Fund	99.04%
Cash and Cash Equivalents	2.27%
Other Assets, Less Liabilities	-1.31%
<b>Total</b>	<b>100.00%</b>



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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)