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First Trust AlphaDEX™ U.S. Financial Sector Index ETF  
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Interim Management Report of Fund Performance  
June 30, 2020

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

### **June 30, 2020**

#### **First Trust AlphaDEX™ U.S. Financial Sector Index 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.

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# First Trust AlphaDEX™ U.S. Financial Sector Index ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2020

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

The fundamental investment objective of **First Trust AlphaDEX™ U.S. Financial Sector Index ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of the StrataQuant® Financials Index (“Index”), net of expenses.

The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large and mid-capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Financial Services Sector.

The Manager may use a sampling methodology in selecting investments for the First Trust ETF. As an alternative or in conjunction with investing in and holding constituent securities, the First Trust ETF may also invest in other securities to obtain exposure to the constituent securities of the applicable Index in a manner that is consistent with the investment objective and investment strategy of the First Trust ETF.

In this case, the First Trust ETF may also obtain exposure to the applicable Index by holding securities of a US-listed index ETF, First Trust Financials AlphaDEX® Fund (NYSE Arca ticker: FXO), of an affiliate of the Manager, which replicates or substantially replicates the applicable Index.

Although the First Trust ETF has two classes of units called “Units” and “Hedged Units\*”, the First Trust ETF currently offers only Units on the TSX with the symbol: FHF.

\*The Hedged Units of the First Trust ETF were qualified for distribution by a prospectus dated June 5, 2020. As of the date of this management report of fund performance (“MRFP”), the First Trust ETF has not offered any Hedged Units to the public. No transactions or other activities have been undertaken by the First Trust ETF for the Hedged Units for the six-month period ended June 30, 2020. As such, no financial highlights or management discussion for the Hedged Units are included in this MRFP.

#### **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 period that affected the overall level of risk associated with the First Trust ETF. The First Trust ETF provides exposure to the financial sector of the U.S. equity market in a non-U.S. currency hedged manner.

#### **Results of Operations**

##### **General**

The First Trust ETF’s net asset value as of June 30, 2020 was \$3,709,405 or \$24.73 per unit. The First Trust ETF’s net asset value as of December 31, 2019 was \$6,205,799 or \$31.03 per unit.

For the six-month period ended June 30, 2020, the First Trust ETF paid total cash distributions per unit of \$0.2900. In addition, the First Trust ETF declared cash distributions per unit of \$0.1450 for record date of June 30, 2020 with payment date of July 8, 2020.

##### **Investment Performance**

For the six-month period ended June 30, 2020, the First Trust ETF returned -19.30% compared to the Russell 1000® Financial Services Index (the “benchmark”) total return of -12.13%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

As of June 30, 2020, the Financials Sector accounted for 17.48% of the weight of the Russell 1000® Index. The benchmark underperformed the Russell 1000® Index which returned 2.08%.

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# First Trust AlphaDEX™ U.S. Financial Sector Index ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2020

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The portfolio held 108 equity securities as of June 30, 2020. The top ten equity holdings accounted for 17.50% of the portfolio. The AlphaDEX™ stock selection process is a rules-based process and can result in industry weightings that differ from that of the benchmark.

The First Trust ETF underperformed during the period mostly due to industry allocation. Overweight positions in Banks and Insurance and an underweight position in Consumer Finance & Credit Services negatively affected relative performance. The First Trust ETF also suffered from poor selection in the Financial Data & Systems sub-industry, particularly due to underweight allocations to PayPal Holdings, Inc. and Visa, Inc. Mitigating underperformance was positive selection in the Banks industry.

The top five stocks by contribution to return were Two Harbors Investment Corp., New Residential Investment Corp., MarketAxess Holdings Inc., MSCI Inc. Class A, and Credit Acceptance Corporation. The bottom five stocks by contribution to return were SITE Centers Corp., Synchrony Financial, Capital One Financial Corporation, Jones Lang LaSalle Incorporated, and Weingarten Realty Investors.

### **Recent Developments**

The Russell 1000® Index declined sharply in the first quarter of 2020, falling over 20%, but rebounded in the second quarter to post a -2.81% total return in the first half of 2020 as the COVID-19 pandemic caused significant disruptions to the U.S. economy. The U.S. dollar appreciated relative to the Canadian dollar in the first half of 2020, meaning the index gained 1.97% over the same period measured in Canadian dollars. Broad shutdowns of the U.S. economy caused the U.S. unemployment rate to rise from a 50-year low of 3.5% in February to a record high of 14.7% in April. The rapid deterioration in economic conditions was met with swift action by the U.S. Federal Reserve, which cut its target range of the federal funds rate to near zero in March. The interest rate cuts and a rally in U.S. government bonds caused the yield on the benchmark U.S. 10-year Treasury to fall as low as 0.54% during the period, but it finished the period slightly higher at 0.66%. The COVID-19 pandemic also caused a significant increase in market volatility during the period, while uncertainty surrounding when the economy could resume normal levels of activity led to a lack of transparency as many companies withdrew earnings guidance during the period. The Russell 1000® Index finished the period trading at a P/E multiple of 23.3, compared to 22.2 at the end of 2019, with a dividend yield of 1.87%.

The Financials sector was materially impacted by the COVID-19 pandemic and it was the second worst-performing sector in the Russell 1000® Index. Banks were hit particularly hard during the period as the decline in economic activity led to an increase in provision expenses that banks must set aside to cover expected losses, which led to a significant reduction in profitability. Moreover, the Fed's decision to lower interest rates during the period led to a reduction in net interest margins, or the spread banks earn on their interest-bearing assets, which also negatively impacted profitability. However, credit losses remained relatively stable during the period due to broad stimulus and forbearance programs.

### **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 AlphaDEX™ U.S. Financial Sector Index ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2020

#### 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 financial statements and audited annual financial statements.

#### Net Asset Value per Unit

FHF	Jun. 30, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value, beginning of period/year <sup>(1)</sup>	\$31.03	\$26.54	\$28.14	\$25.87	\$23.02	\$21.21
Increase (Decrease) from operations:						
Total revenue	0.45	0.95	0.99	0.89	0.55	0.61
Total expenses	(0.18)	(0.38)	(0.38)	(0.32)	(0.26)	(0.26)
Realized gains (losses) for the period/year	(1.69)	0.84	(2.96)	2.94	1.38	0.04
Unrealized gains (losses) for the period/year	(1.04)	4.28	(1.95)	(1.79)	(0.74)	2.11
Total increase (decrease) from operations <sup>(2)</sup>	\$(2.46)	\$5.69	\$(4.30)	\$1.72	\$0.93	\$2.50
Distributions:						
From income (excluding dividends)	(0.29)	(0.52)	-	-	-	(3.62)
From dividends	-	-	-	-	-	-
From capital gains	-	-	(1.63)	-	(1.14)	-
Return of capital	-	(0.10)	-	(0.24)	-	(0.05)
Total interim/annual distributions <sup>(3)</sup>	\$(0.29)	\$(0.62)	\$(1.63)	\$(0.24)	\$(1.14)	\$(3.67)
Net asset value, end of period/year <sup>(4)</sup>	\$24.73	\$31.03	\$26.54	\$28.14	\$25.87	\$23.02

(1) This information is provided as at June 30, 2020 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 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

FHF	Jun. 30, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value (000's)	\$3,709	\$6,206	\$6,636	\$4,220	\$2,587	\$5,756
Number of units outstanding	150,000	200,000	250,000	150,000	100,000	250,000
Management expense ratio <sup>(1)</sup>	0.79%	0.78%	0.77%	0.77%	0.77%	0.79%
Management expense ratio before waivers or absorption	0.82%	0.80%	0.79%	0.79%	0.79%	0.81%
Trading expense ratio <sup>(2)</sup>	0.11%	0.05%	0.03%	0.04%	0.05%	0.04%
Portfolio turnover rate <sup>(3)</sup>	119.10%	89.65%	398.71%	265.02%	87.52%	77.13%
Net asset value per unit	\$24.73	\$31.03	\$26.54	\$28.14	\$25.87	\$23.02

(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 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.

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**Management Fees**

The First Trust ETF will pay the Manager a management fee of 0.70% 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.

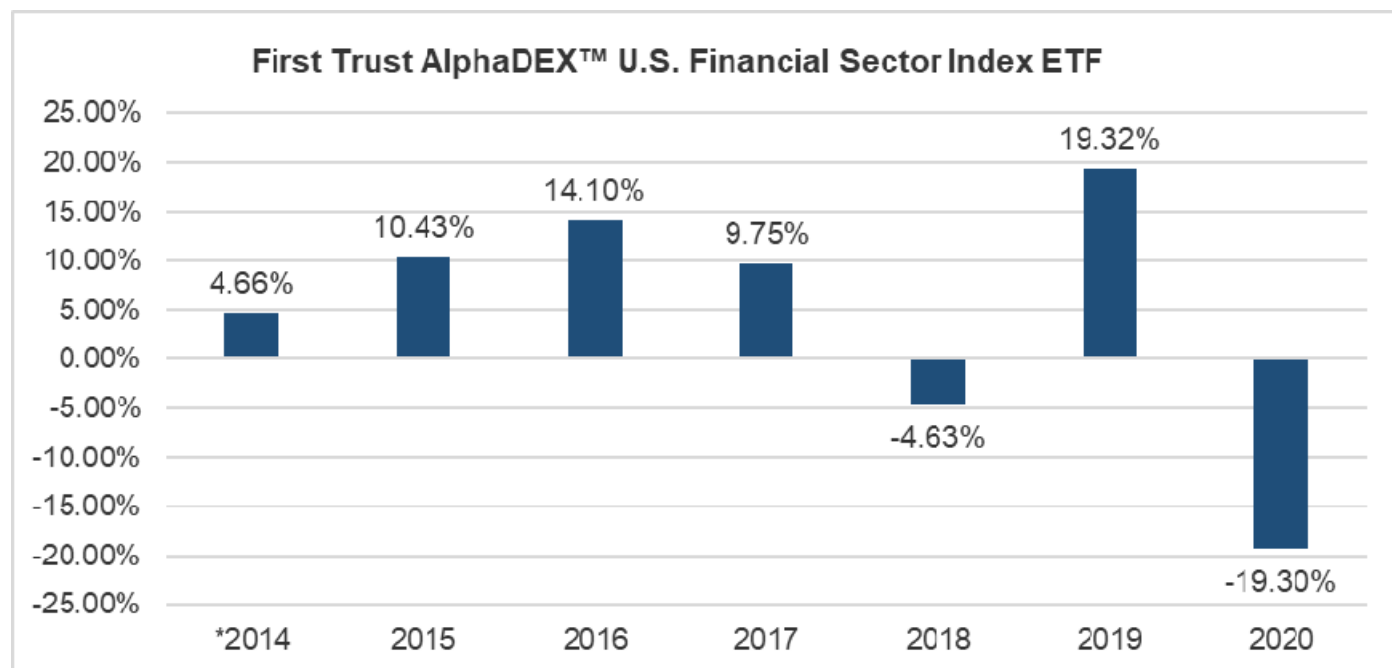
**Past Performance**

**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, 2020, for the years ended December 31, and for the period from commencement of operations to December 31, 2014 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: October 30, 2014

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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 top 25 holdings as at June 30, 2020. 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
MFA Financial Inc.	2.14%
Janus Henderson Group PLC	1.84%
Santander Consumer USA Holdings Inc.	1.76%
MGIC Investment Corp.	1.71%
OneMain Holdings Inc.	1.71%
Evercore Inc., Class 'A'	1.70%
Athene Holding Ltd.	1.67%
Franklin Resources Inc.	1.67%
Credit Acceptance Corp.	1.66%
Fidelity National Financial Inc.	1.64%
CIT Group Inc.	1.60%
MSCI Inc., Class 'A'	1.54%
MarketAxess Holdings Inc.	1.52%
Jefferies Financial Group Inc.	1.51%
New Residential Investment Corp.	1.51%
Brown & Brown Inc.	1.50%
First American Financial Corp.	1.50%
Unum Group	1.47%
Progressive Corp. (The)	1.44%
Bank OZK	1.43%
Discover Financial Services	1.43%
Old Republic International Corp.	1.42%
Texas Capital Bancshares Inc.	1.41%
Ally Financial Inc.	1.40%
Two Harbors Investment Corp.	1.34%
<b>Total</b>	<b>39.52%</b>

**Portfolio Breakdown**

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by industry, as June 30, 2020.

Industry Weightings	% of ETF Total Net Asset Value
Banks	28.88%
Non-life Insurance	25.42%
Investment Banking and Brokerage Services	18.98%
Finance and Credit Services	14.72%
Mortgage Real Estate Investment Trusts	6.80%
Life Insurance	5.00%
Cash & Cash Equivalents	0.65%
Other Assets, Less Liabilities	(0.45)%
<b>Total</b>	<b>100.00%</b>



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