



First Trust Value Line® Dividend Index ETF
(CAD-Hedged)

Annual Management Report of Fund Performance
December 31, 2017

(Page intentionally left blank)

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2017

First Trust Value Line® Dividend Index ETF (CAD-Hedged) **(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 5102, 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 Value Line® Dividend Index ETF (CAD-Hedged)

Management Report of Fund Performance

For the year ended December 31, 2017

Background

First Trust Value Line® Dividend Index ETF (CAD-Hedged) (fka First Trust AlphaDEX™ U.S. Dividend ETF (CAD-Hedged) (the "First Trust ETF" or "FUD").

On October 25, 2017, unitholders of the First Trust ETF approved a proposal to (a) change the investment objective to an investment objective that seeks to replicate, to the extent possible, the performance of the Value Line® Dividend Index on a currency hedged basis, net of expenses (the "Proposal"), (b) change the management fee in respect of the common units to 0.70% per annum of net asset value and (c) change the name to "First Trust Value Line® Dividend Index ETF (CAD-Hedged)". The Proposal was implemented as of November 22, 2017.

Investment Objective and Strategy

The fundamental investment objective of the First Trust ETF is to replicate, to the extent possible, the performance of the Value Line® Dividend Index (the "Index") on a currency hedged basis, net of expenses. The Index is a modified equal-dollar weighted index comprised of U.S. exchange-listed securities of companies that pay above-average dividends and have the potential for capital appreciation. Securities are selected for inclusion in the Index by using Value Line's Safety™ Ranking System which ranks a stock's price stability based on standard deviation and its financial condition based on several measures of financial performance. Prior to November 22, 2017 the investment objective was to provide unitholders with exposure to the performance of a portfolio of higher yielding U.S. dividend paying stocks by utilizing the First Trust AlphaDEX™ selection methodology.

The investment strategy of the First Trust ETF is to invest in and hold a proportionate share of the constituent securities of the Index, or other securities, to seek to replicate the performance of such Index. The First Trust ETF may also hold cash and cash equivalents or other money market instruments to First Trust ETF current liabilities.

FT Portfolios Canada Co. (the "Manager"), 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 Index in a manner that is consistent with the investment objective and investment strategy of the First Trust ETF. The First Trust ETF may also obtain exposure to the Index by holding securities of a US-listed index ETF of an affiliate of the Manager, First Trust Value Line® Dividend Index Fund, which replicate or substantially replicates the performance of the Index.

The Index is a modified equal-dollar weighted index comprised of U.S. exchange-listed securities of companies that pay above-average dividends and have potential for capital appreciation. The Index begins with the universe of U.S. stocks, excluding all registered investment companies, limited partnerships and foreign securities not listed in the U.S., that Value Line® gives a Safety™ Ranking of #1 or #2 using the Value Line® Safety™ Ranking System. The Safety™ ranking measures the total risk of a stock relative to the other stocks in the Value Line universe. From those stocks, Value Line® selects those companies with a higher than average dividend yield, as compared to the indicated dividend yield of the Standard & Poor's 500 Composite Stock Price Index. Value Line® then eliminates those companies with an equity market capitalization of less than US \$1 billion. The Index is equally weighted and rebalanced on a monthly basis.

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

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

The inception date of the First Trust ETF was May 15, 2013.

Risk

The portfolio held 191 equity securities on December 31, 2017. The top ten equity holdings accounted for 5.31% of the portfolio. Financials, Consumer Discretionary, and Industrials were the top three sector weightings at the beginning of the period. On December 31, 2017 the top three sector weights were Utilities, Financials, and Consumer Staples. During the year The First Trust ETF added 107 stocks and removed 105 stocks as a result of portfolio reconstitutions and rebalances. The most overweight sectors at the end of the period were Utilities, Consumer

First Trust Value Line® Dividend Index ETF (CAD-Hedged)

Management Report of Fund Performance

For the year ended December 31, 2017

Staples, and Financials. The most underweight sectors at the end of the period were Information Technology, Health Care, and Consumer Discretionary. At the beginning of the period, the most overweight sectors were Utilities, Financials, and Industrials. The most underweight sectors at the beginning of the period were Health Care, Information Technology, and Consumer Staples. The First Trust ETF maintains a focus on large cap dividend paying equities. We conclude there was no material change to the risk profile of the First Trust ETF.

Results of Operations

The First Trust ETF's total net asset value as of December 31, 2017 was \$8,161,003 or \$27.21 per Common Class unit and \$27.16 per Advisor Class unit. The First Trust ETF's total net asset value as of December 31, 2016 was \$8,534,880 or \$24.39 per Common Class unit and \$24.35 per Advisor Class unit.

For the year ended December 31, 2017, the First Trust ETF paid total cash distributions per unit of \$0.6422 for FUD and \$0.3537 for FUD.A.

For the year ended December 31, 2017, the First Trust ETF declared cash distributions per unit of \$0.1094 for FUD and \$0.0965 for FUD.A with payment date of January 8, 2018.

Investment Performance

The First Trust ETF's Common Class units returned 14.44% and the Advisor Class units returned 13.20% for the year ended December 31, 2017. This compares with the primary and secondary benchmarks, S&P 500 Index (CAD-Hedged) total return of 21.16% and Dow Jones US Select Dividend Index Return (USD) total return of 15.44%. Unlike the benchmarks, the First Trust ETF's returns are net of fees and expenses. Value and dividend yield were two of the worst performing factors for the year as investors showed a preference for growth stocks amid a strengthening economy. For the year the S&P 500 Growth Index returned 27.44%, outperforming the 15.36% return of the S&P 500 Value Index by over 1200 bps. For the period ending December 31, 2017. Industrials was the best performing sector relative to the benchmark. The sector was one of the better performing sectors in the S&P 500, and an overweight position and stock selection boosted performance in the First Trust ETF. Energy was an underweight position versus the benchmark. The sector added to relative performance with a positive selection effect. Information Technology holdings lagged the benchmark on a relative basis as the sector was underweight and had a negative selection effect. Consumer Discretionary and Financials Holdings also lagged the benchmark on a relative basis due to selection.

The top five stocks by contribution to return were Boeing Company, Royal Caribbean Cruises, Western Digital Corp, and Caterpillar Inc.. The bottom five stocks by contribution to return were Frontier Communication Corp, SCANA Corp, Macy's Inc, CenturyLink Inc, and Foot Locker Inc. During the period, the currency hedge was advantageous to the First Trust ETF given the strong Canadian Dollar in 2017.

Recent Developments

Following unit holder approval on October 25, 2017, the First Trust ETF's investment objective changed to replicate, to the extent possible, the Value Line® Dividend Index on a currency hedged basis. The new investment objective became effective on November 22, 2017. As a result of the change, the First Trust ETF increased from 189 holdings to 191 holdings. After the change was implemented, Consumer Discretionary went from underweight to overweight versus the benchmark. Consumer Staples was underweight before the index change and overweight following the change to the Value Line® Dividend Index. Information Technology decreased its underweight position along with Real Estate. Energy and Materials also decreased by about 3% each. Utilities and Health Care allocation were both increased after the conversion, with Utilities remaining overweight and Health Care remaining underweight. The dividend yield on the fund did not materially change following the index change.

Larger cap stocks outperformed smaller stocks in the US during the year as investors looked for less volatile stocks with growth potential. Information technology stocks led the market as above market growth reasonable valuations fueled gains. The Federal Reserve is keeping a close eye on inflation and the labor markets going in to 2018 with a planned three rate increases during the year, matching the 2017 increase frequency.

First Trust Value Line® Dividend Index ETF (CAD-Hedged)
Management Report of Fund Performance
For the year ended December 31, 2017

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 Value Line® Dividend Index ETF (CAD-Hedged)
Management Report of Fund Performance
For the year ended December 31, 2017

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. The date of inception of the First Trust ETF was May 15, 2013. The information are derived from the First Trust audited annual financial statements for the years ending December 31, and for the period from since inception to December 31, 2013.

Net Asset Value per Unit – FUD

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013 ^(a)
Net asset value, beginning of period/year ⁽¹⁾	\$24.39	\$21.77	\$24.71	\$22.79	\$20.00 ^(b)
Increase (Decrease) from operations:					
Total revenue	0.87	0.83	1.13	0.90	0.74
Total expenses	(0.29)	(0.27)	(0.28)	(0.28)	(0.16)
Realized gains (losses) for the period/year	4.41	0.64	(2.68)	1.32	0.77
Unrealized gains (losses) for the period/year	(1.60)	1.49	(0.74)	0.63	2.08
Total increase (decrease) from operations ⁽²⁾	\$3.39	\$2.69	\$(2.57)	\$2.57	\$3.43
Distributions:					
From income (excluding dividends)	(0.66)	(0.61)	(1.13)	(0.58)	(0.50)
From dividends	-	-	-	-	-
From capital gains	-	-	-	(1.55)	(0.90)
Return of capital	-	-	-	(0.02)	-
Total annual distributions ⁽³⁾	\$(0.66)	\$(0.61)	\$(1.13)	\$(2.15)	\$(1.40)
Net asset value, end of period/year ⁽⁴⁾	\$27.21	\$24.39	\$21.77	\$24.71	\$22.79

(a) December 31, 2013 does not relate to the full year as the date of inception of the First Trust ETF was May 15, 2013.

(b) Initial offering price

(1) This information is provided as at December 31 years/period 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 either paid in cash or reinvested in additional units of the First Trust ETF.

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

Ratios and Supplemental Data – FUD

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Net asset value (000's)	\$6,821	\$7,334	\$9,798	\$13,590	\$5,698
Number of units outstanding	250,663	300,663	450,000	550,000	250,000
Management expense ratio ⁽¹⁾	0.67%	0.66%	0.67%	0.67%	0.64%
Management expense ratio before waivers or absorption	0.69%	0.68%	0.69%	0.69%	0.64%
Trading expense ratio ⁽²⁾	0.05%	0.07%	0.06%	0.07%	0.06%
Portfolio turnover rate ⁽³⁾	146.03%	174.98%	154.98%	148.49%	77.46%
Net asset value per unit	\$27.21	\$24.39	\$21.77	\$24.71	\$22.79

(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 Value Line® Dividend Index ETF (CAD-Hedged)
Management Report of Fund Performance
For the year ended December 31, 2017

Net Assets Value per Unit – FUD.A

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013 ^(a)
Net asset value, beginning of period/year ⁽¹⁾	\$24.35	\$21.73	\$24.66	\$22.75	\$20.00 ^(b)
Increase (Decrease) from operations:					
Total revenue	1.10	0.57	1.90	1.29	0.69
Total expenses	(0.57)	(0.51)	(0.55)	(0.56)	(0.31)
Realized gains (losses) for the period/year	4.51	0.87	(2.56)	1.23	0.90
Unrealized gains (losses) for the period/year	(1.84)	2.04	(1.74)	0.28	1.86
Total increase (decrease) from operations ⁽²⁾	\$3.20	\$2.97	\$(2.95)	\$2.24	\$3.14
Distributions:					
From income (excluding dividends)	(0.38)	(0.35)	(0.86)	(0.32)	(0.39)
From dividends	-	-	-	-	-
From capital gains	-	-	-	(1.55)	(0.90)
Return of capital	-	-	-	(0.01)	-
Total annual distributions ⁽³⁾	\$(0.38)	\$(0.35)	\$(0.86)	\$(1.88)	\$(1.29)
Net asset value, end of period/year ⁽⁴⁾	\$27.16	\$24.35	\$21.73	\$24.66	\$22.75

(a) December 31, 2013 does not relate to the full year as the date of inception of the First Trust ETF was May 15, 2013.

(b) Initial offering price

(1) This information is provided as at December 31 of the years/period 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 either paid in cash or reinvested in additional units of the First Trust ETF.

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

Ratios and Supplemental Data – FUD.A

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Net asset value (000's)	\$1,340	\$1,201	\$1,086	\$1,233	\$1,137
Number of units outstanding	49,335	49,335	50,000	50,000	50,000
Management expense ratio ⁽¹⁾	1.76%	1.75%	1.79%	1.84%	1.74%
Management expense ratio before waivers or absorption	1.78%	1.77%	1.81%	1.87%	1.74%
Trading expense ratio ⁽²⁾	0.05%	0.07%	0.06%	0.07%	0.06%
Portfolio turnover rate ⁽³⁾	146.03%	174.98%	154.98%	148.49%	77.46%
Net asset value per unit	\$27.16	\$24.35	\$21.73	\$24.66	\$22.75

(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 Value Line® Dividend Index ETF (CAD-Hedged)

Management Report of Fund Performance

For the year ended December 31, 2017

Management Fees

The First Trust ETF will pay the Manager a management fee up to 0.70% and, in respect of the FUD.A, an additional amount for a service fee (see “FUD.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.

FUD.A Service Fee

The Manager pays registered dealers a service fee equal to 1.00% per annum of the NAV 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.

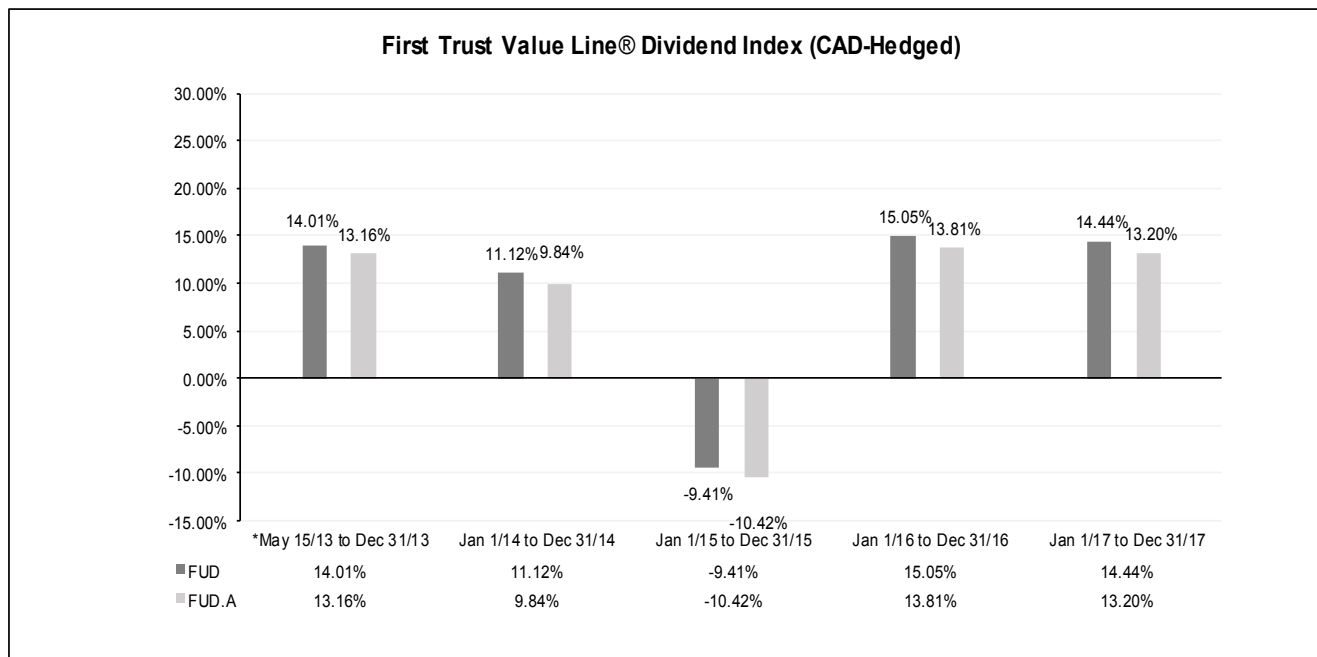
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the periods 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, per class, for the years ended December 31 and for the period from since inception to December 31, 2013 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.



*Date of Inception

First Trust Value Line® Dividend Index ETF (CAD-Hedged)

Management Report of Fund Performance

For the year ended December 31, 2017

Annual Compound Returns

The First Trust ETF Common Class units underperformed the primary benchmark over the one year period as Information Technology, Consumer Discretionary, and Health Care lagged the benchmark on a relative basis.

	1-year	3-year	Since Inception
First Trust Value Line® Dividend Index ETF (CAD-Hedged) - FUD	14.44%	6.05%	9.45%
First Trust Value Line® Dividend Index ETF (CAD-Hedged) - FUD.A	13.20%	4.89%	8.25%
S&P 500 Index (CAD-Hedged)*	21.16%	10.85%	13.05%
Dow Jones U.S. Select Dividend™ Index USD**	15.44%	11.47%	12.89%
Value Line® Dividend Index USD***	13.31%	11.84%	13.02%

Effective November 22, 2017 the investment objective of the First Trust ETF changed and it now seeks to replicate the performance of the Value Line® Dividend Index on a currency hedged basis, net of expenses. If this change had been effective throughout the performance measurement period the performance of the First Trust ETF should have more closely replicated performance of the index.

**Primary Benchmark - S&P 500® Currency Hedged Indices are designed to represent the returns of index strategies that involve hedging currency risk while accepting underlying equity market risk. By employing such a strategy, the index seeks to reduce the risk of downward currency fluctuations while also sacrificing potential currency gains.*

***Secondary Benchmark - Dow Jones U.S. Select Dividend™ Index consists of 100 widely-traded, dividend-paying stocks derived from the Dow Jones U.S. Total Market IndexSM. An official CAD version of the index does not exist.*

****Reference Index – Value Line® Dividend Index begins with universe of stocks that Value Line® gives a Safety™ Ranking of #1 and #2 using the Value Line® Safety™ Ranking System. All registered investment companies, limited partnerships and foreign securities not listed in the U.S. are removed from this universe. From those stocks, Value Line® selects those companies with a higher than average dividend yield, as compared to the indicated dividend yield of the Standard and Poor's 500 Composite Stock Price Index. Value Line® then eliminates those companies with an equity market capitalization of less than \$1 billion. The index seeks to be equally weighted in each of the securities in the index. The index is rebalanced on the application of the above model on a monthly basis. An official CAD version of the index does not exist.*

First Trust Value Line® Dividend Index ETF (CAD-Hedged)
Management Report of Fund Performance
For the year ended December 31, 2017

Summary of Investment Portfolio

The table sets out the percentage (based on total net asset value) of the First Trust ETF's top 25 holdings as at December 31, 2017. 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.

Top 25 Holdings	% of ETF Total Net Asset Value
New Jersey Resources Corp.	0.54%
Royal Bank of Canada	0.53%
Toronto-Dominion Bank (The)	0.53%
Fortis Inc.	0.53%
Philip Morris International Inc.	0.53%
American Tower Corp.	0.53%
Erie Indemnity Co., Class 'A'	0.53%
Simon Property Group Inc.	0.53%
Allete Inc.	0.53%
Atmos Energy Corp.	0.53%
Black Hills Corp.	0.53%
DTE Energy Co.	0.53%
El Paso Electric Co.	0.53%
Eversource Energy	0.53%
IDACORP Inc.	0.53%
MDU Resources Group Inc.	0.53%
MGE Energy Inc.	0.53%
NextEra Energy Inc.	0.53%
Northwest Natural Gas Co.	0.53%
ONE Gas Inc.	0.53%
South Jersey Industries Inc.	0.53%
Spire Inc.	0.53%
WEC Energy Group Inc.	0.53%
Eaton Corp. PLC	0.53%
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	0.53%
Total	13.26%

Portfolio Breakdown

The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by sector, as at December 31, 2017.

Sector Weightings	% of ETF Total Net Asset Value
Utilities	22.01%
Financials	21.78%
Consumer Staples	14.46%
Industrials	11.96%
Consumer Discretionary	8.23%
Healthcare	7.23%
Information Technology	6.73%
Materials	2.60%
Energy	2.58%
Telecommunication Services	1.55%
Cash	1.60%
Other assets, less liabilities	(0.73)%
Total	100.00%

FVÁÚ[iG[|ã • ÁÔæ ææCo.

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

www.firsttrust.ca

