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First Trust NASDAQ® Clean Edge® Green Energy ETF • QCLN  
*(formerly, First Trust AlphaDEX™ U.S. Financial Sector Index ETF • FHF )\**

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Annual Management Report of Fund Performance  
December 31, 2020

\*Effective date of name change is February 17, 2021

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# **ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

## **December 31, 2020**

### **First Trust AlphaDEX™ U.S. Financial Sector Index 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](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 year ended December 31, 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 year ended December 31, 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 December 31, 2020 was \$4,699,573 or \$31.33 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 year ended December 31, 2020, the First Trust ETF paid total cash distributions per unit of \$0.5800. In addition, the First Trust ETF declared cash distributions per unit of \$0.1090 for record date of December 31, 2020 with payment date of January 8, 2021.

##### **Investment Performance**

For the year ended December 31, 2020, the First Trust ETF returned 3.21% compared to the Russell 1000® Financials Index (the “benchmark”) total return of 5.35%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

As of December 31, 2020, the Financials Sector accounted for 10.15% of the weight of the Russell 1000® Index. The benchmark underperformed the Russell 1000® Index which returned 18.84%.

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

## Management Report of Fund Performance

### For the year ended December 31, 2020

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The portfolio held 108 equity securities as of December 31, 2020. The top ten equity holdings accounted for 18.07% 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 year due to industry allocation. The First Trust ETF suffered from an underweight allocation to the Industrial Support Services industry which outperformed the benchmark during the year. Poor selection in the Industrial Support Services and Real Estate Investment Trusts industries also contributed to underperformance. Stock selection was overall positive due to strong selection in the Banks industry including underweight positions to several large banks that underperformed during the year.

The top five stocks by contribution to return were OneMain Holdings, Inc., Two Harbors Investment Corp., Evercore, Inc. Class A, Ally Financial, Inc., and New Residential Investment Corp. 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 gained 20.96% in 2020, including dividends, to close the year at a record high despite a 35% drawdown in the first quarter as it became clear the COVID-19 pandemic would cause significant disruptions to the U.S. economy. The U.S. dollar depreciated relative to the Canadian dollar in 2020, meaning the index gained 18.84% over the same year 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 14.8% in April. Between March and April, the U.S. economy lost over 22 million jobs. However, over 12 million of those were recovered in the remaining 8 months of the year, bringing the unemployment rate back down to 6.7% in December. The rapid deterioration in economic conditions was met with swift action by the U.S. Federal Reserve, which cut interest rates to near zero in March and took unprecedented steps to keep liquidity flowing in the U.S. economy. The yield on the U.S. 10-Year Treasury fell to near 0.50%, which along with government stimulus contributed to the rally in U.S. stocks during the year. Vaccine rollouts towards the end of the year contributed to a rally in U.S. stocks in the fourth quarter, particularly cyclical stocks like financial and energy companies. The Russell 1000® Index finished the year trading at a P/E multiple of 31.5, compared to 22.2 at the end of 2019, with a dividend yield of 1.50%.

The Financials sector was materially impacted by the COVID-19 pandemic and it underperformed the Russell 1000® Index during the year. Banks were hit particularly hard during the year 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. However, by the third quarter, provision expenses had stabilized as credit losses remained relatively stable during the year due to broad stimulus and forbearance programs. Moreover, the Fed's decision to lower interest rates during the year contributed to a reduction in net interest margins, or the spread banks earn on their interest-bearing assets, which also negatively impacted profitability. Despite the challenging year, the Financials sector was the second-best performing sector in the fourth quarter as the rollout of vaccines and more government stimulus benefitted cyclical sectors like financials.

In February 2021, the First Trust ETF changed its investment objectives to seek to replicate, to the extent possible, the performance of an index of U.S. listed companies designed to track the performance of clean energy companies engaged in manufacturing, development, distribution and installation of clean-energy technologies including, but not limited to, solar photovoltaics, wind power, advanced batteries, fuel cells, and electric vehicles, initially the NASDAQ® Clean Edge® Green Energy Index<sup>SM</sup>. In connection with the change of investment objectives, the name of the First Trust ETF changed to First Trust NASDAQ® Clean Edge® Green Energy ETF. The First Trust ETF provides exposure to its new index by investing all or substantially all of its assets in an underlying U.S. index fund known as First Trust NASDAQ® Clean Edge® Green Energy Index Fund, which is managed by the First Trust ETF's portfolio advisor.

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**First Trust AlphaDEX™ U.S. Financial Sector Index ETF**  
**Management Report of Fund Performance**  
**For the year ended December 31, 2020**

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**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 year ended December 31, 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 audited annual financial statements.

#### Net Asset Value per Unit

FHF	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net asset value, beginning of year <sup>(1)</sup>	\$31.03	\$26.54	\$28.14	\$25.87	\$23.02
Increase (Decrease) from operations:					
Total revenue	0.91	0.95	0.99	0.89	0.55
Total expenses	(0.36)	(0.38)	(0.38)	(0.32)	(0.26)
Realized gains (losses) for the year	(0.31)	0.84	(2.96)	2.94	1.38
Unrealized gains (losses) for the year	3.05	4.28	(1.95)	(1.79)	(0.74)
Total increase (decrease) from operations <sup>(2)</sup>	\$3.29	\$5.69	\$(4.30)	\$1.72	\$0.93
Distributions:					
From income (excluding dividends)	(0.54)	(0.52)	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	(1.63)	-	(1.14)
Return of capital	-	(0.10)	-	(0.24)	-
Total annual distributions <sup>(3)</sup>	\$(0.54)	\$(0.62)	\$(1.63)	\$(0.24)	\$(1.14)
Net asset value, end of year <sup>(4)</sup>	\$31.33	\$31.03	\$26.54	\$28.14	\$25.87

(1) This information is provided as at 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	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net asset value (000's)	\$4,700	\$6,206	\$6,636	\$4,220	\$2,587
Number of units outstanding	150,000	200,000	250,000	150,000	100,000
Management expense ratio <sup>(1)</sup>	0.79%	0.78%	0.77%	0.77%	0.77%
Management expense ratio before waivers or absorption	0.81%	0.80%	0.79%	0.79%	0.79%
Trading expense ratio <sup>(2)</sup>	0.10%	0.05%	0.03%	0.04%	0.05%
Portfolio turnover rate <sup>(3)</sup>	210.55%	89.65%	398.71%	265.02%	87.52%
Net asset value per unit	\$31.33	\$31.03	\$26.54	\$28.14	\$25.87

(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.

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

## Management Report of Fund Performance

### For the year ended December 31, 2020

#### 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.

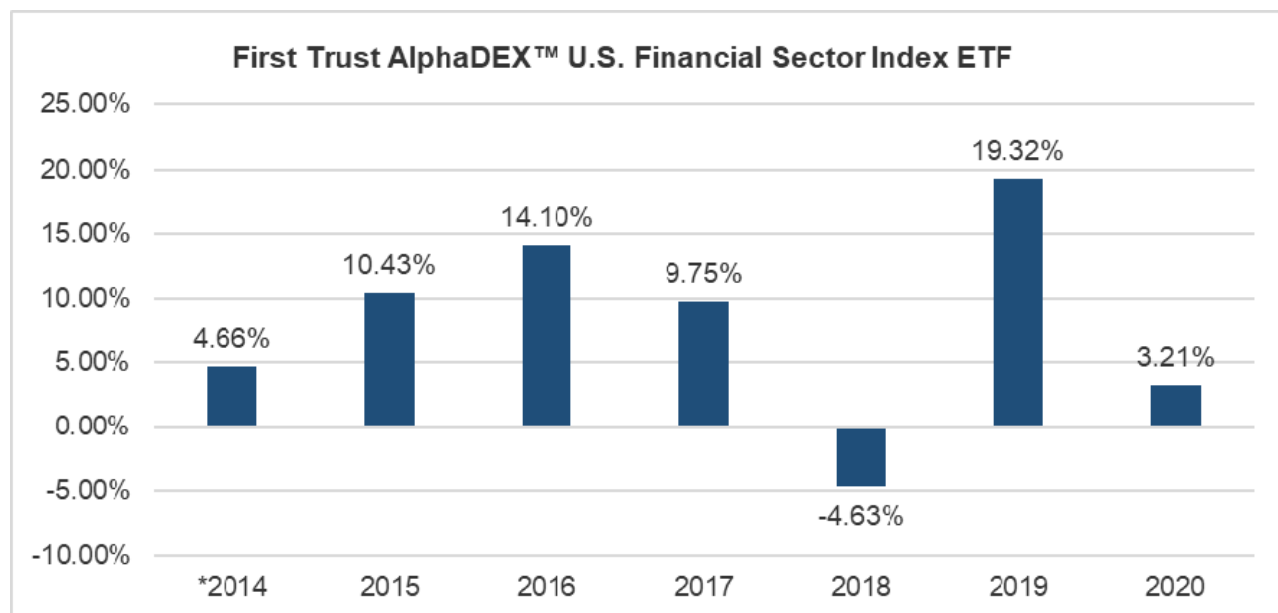
#### Past Performance

##### 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 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



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

## Management Report of Fund Performance

### For the year ended December 31, 2020

#### 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, 2020. The annual compound return is compared to the returns of the relevant benchmarks and reference index; 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/index.

	1-year	3-year	5-year	Since Inception
First Trust AlphaDEX™ U.S. Financial Sector Index ETF	3.21%	5.51%	8.02%	8.97%
Russell 1000® Financials Index	5.35%	10.25%	11.36%	14.34%
Russell 1000® Index	18.84%	15.46%	13.61%	15.88%
S&P 500 Financials Index	-3.42%	4.73%	9.22%	12.10%
StrataQuant® Financials Index*	4.69%	7.06%	9.43%	12.51%

*The Russell 1000® Financial Index is an unmanaged index which includes the stocks in the financial services sector of the Russell 1000® Index.*

*The Russell 1000® Index consists of the largest 1000 companies in the Russell 3000 Index. It represents the universe of large capitalization stocks from which most active money managers typically select.*

*The S&P 500 Financial Index is an unmanaged index which includes the stocks in the financial sector of the S&P 500 Index.*

*\*Reference Index: StrataQuant® Financials Index is an "enhanced" index developed, maintained and sponsored by ICE Data Indices, LLC or its affiliates ("IDI") which employs the AlphaDEX® stock selection methodology to select stocks from the Russell 1000® Index.*

#### 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, 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
First Citizens Bancshares Inc.	2.11%
Sterling Bancorp	2.00%
Popular Inc.	1.82%
OneMain Holdings Inc.	1.81%
Invesco Ltd.	1.79%
Western Alliance Bancorp	1.78%
Assured Guaranty Ltd.	1.72%
Pinnacle Financial Partners Inc.	1.70%
Citigroup Inc.	1.68%
MGIC Investment Corp.	1.66%
F.N.B. Corp.	1.64%
Unum Group	1.60%
Associated Banc-Corp.	1.58%
BrightHouse Financial Inc.	1.58%
Evercore Inc., Class 'A'	1.57%
Hartford Financial Services Group Inc. (The)	1.56%
Webster Financial Corp.	1.50%
TCF Financial Corp.	1.49%
MetLife Inc.	1.48%
Fidelity National Financial Inc.	1.46%
Bank of New York Mellon Corp. (The)	1.45%
East West Bancorp Inc.	1.45%
Franklin Resources Inc.	1.44%
Synovus Financial Corp.	1.43%
Zions Bancorporation NA	1.39%
<b>Total</b>	<b>40.69%</b>

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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, by industry, as December 31, 2020.

Industry Weightings	% of ETF Total Net Asset Value
Banks	43.35%
Investment Banking and Brokerage Services	20.42%
Non-life Insurance	18.63%
Finance and Credit Services	9.37%
Life Insurance	7.80%
Mortgage Real Estate Investment Trusts	0.30%
Cash & Cash Equivalents	0.40%
Other Assets, Less Liabilities	-0.27%
Total	100.00%

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