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## First Trust International Capital Strength ETF • FINT

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Interim Management Report of Fund Performance  
June 30, 2023

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# **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

## **June 30, 2023**

### **First Trust International 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.

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# First Trust International Capital Strength ETF

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### For the six-month period ended June 30, 2023

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

The fundamental investment objective of **First Trust International Capital Strength ETF** (the "First Trust ETF") is to provide unitholders with long term capital appreciation by investing primarily in equity securities of developed market companies, excluding the U.S. and Canada, that are traded on global exchanges, with a focus on fundamental strength and growth.

The First Trust ETF seeks to achieve its investment objective by investing primarily in securities of developed market companies, excluding the U.S. and Canada. Securities invested in by the First Trust ETF include common shares of public companies and American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs") and European Depository Receipts ("EDRs") that are traded on global exchanges or markets.

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 global exchanges or markets, excluding United States and Canadian securities.

Next, the portfolio advisor evaluates issuers based on multiple quantitative metrics, including, but not limited to, market capitalization, 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 net asset value as of June 30, 2023 was \$7,198,491 or \$23.99 per unit. The First Trust ETF's net asset value as of December 31, 2022 was \$6,828,427 or \$22.76 per unit.

For the six-month period ended June 30, 2023, the First Trust ETF paid total cash distributions of \$0.2188 per unit. In addition, the First Trust ETF declared cash distributions of \$0.2500 per unit for record date of June 30, 2023 with payment date of July 10, 2023.

##### ***Investment Performance***

For the six-month period ended June 30, 2023, the First Trust ETF returned 6.97% compared to MSCI EAFE Index (the "benchmark") return of 9.06%. Unlike the benchmark, the First Trust ETF's return is net of fees and expenses.

The First Trust ETF underperformed the benchmark for period. Overall, allocation effect and currency effect were positive contributors to relative performance while stock selection was a negative contributor to relative performance. Positive contribution to relative performance was mainly due to an overweight allocation in the Information Technology sector and an underweight allocation in the Financials sector. Negative contributions to relative

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performance came from stock selections within the Materials, Financials, and Energy sectors and an overweight allocation to the Energy sector.

The top-performing stocks by total return for the period were Tokyo Electron Ltd., Straumann Holding AG, and Infineon Technologies AG. These stocks returned +47.30%, +42.88%, and +36.98%, respectively, in CAD, including dividends. The bottom-performing stocks by total return for the period were Tenaris S.A., Anglo American plc, and Sumitomo Metal Mining Co., Ltd. These stocks returned -17.64%, -16.81%, and -14.93%, respectively, in CAD, including dividends.

The First Trust ETF held 40 equity positions for the six-month period ended June 30, 2023 and made no net change to the number of positions from the beginning of the period. Portfolio changes were made in March 2023 (five positions added, five positions eliminated) and June 2023 (three positions added, three positions eliminated). The Top ten equity holdings of the First Trust ETF as of June 30, 2023 accounted for 25.79% of total NAV and the top ten equity holdings of the First Trust ETF as of December 30, 2022 accounted for 25.39% of total NAV. Information Technology, Industrials, and Consumer Discretionary (in order) were the top three sector weightings at the end of the period, whereas Health Care, Industrials, and Consumer Staples were the top three sector weightings at the beginning of the period. Relative to its benchmark over the period, the First Trust ETF was overweight the Communication Services, Consumer Discretionary, Energy, Health Care, Information Technology, and Materials sectors and underweight the Consumer Staples, Financials, Industrials, 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 and June of 2023. There was no net change to the total number of portfolio positions over the period. In March, one position, Anglo American PLC was eliminated for failing to meet the initial screening criteria, while four positions, Nintendo Co Ltd, Diageo PLC, Unilever PLC, and Woodside Energy Group Ltd were removed at the manager's discretion. Five positions, JD Sports Fashion PLC, Yamaha Motor Co Ltd, Brenntag SE, STMicroelectronics NV, and Sumitomo Metal Mining Co Ltd were established in place of them. In June, one position, Sanofi was eliminated for failing to meet the initial screening criteria, while two positions, Kering SA and Tenaris SA were removed at the manager's discretion. Three positions, Kia Corp, ASML Holding NV, and Keyence Corp were established in place of them.

### Recent Developments

Global financial conditions have continued to tighten through the first half of 2023 as a result of ongoing policy rate hikes. Despite the easing supply chain pressures and falling commodity prices, inflation remains elevated and above the target in almost all inflation-targeting economies. The drag on global activity from tighter monetary policy and persistent inflation is expected to dampen global growth over the rest of 2023. The World Bank projects global activity to slow substantially in the second half of the year, with global growth forecasted at just 2.1% in 2023. Regardless of their effects on global growth, central banks remain focused on restoring price stability and reining in inflation. At the latest Monetary Policy Meeting (June 2023), the Bank of Japan voted unanimously to leave its key short-term interest rate unchanged at -0.10% and maintain the range for 10-year Japanese government bonds at 0.50% above and below the target of 0%. The European Central Bank ("the ECB") has met four times this year and has raised their policy rates at each of those meetings. After beginning the year at 2.0%, the key bank rate for the ECB now sits at 3.5%. The Bank of England Monetary Policy Committee (the "MPC") has continued tightening throughout the first half of the year in their fight against inflation. The Bank Rate has risen from 3.5% to 5.0% and with inflation currently at 8.7%, further tightening is expected in order to return to their 2.0% target.

The MSCI EAFE Index began the first half of the year up 9.06% as the benchmark had positive contributions from every GICS sector except for Real Estate. The largest positive contributors to total return were the Industrials, Consumer Discretionary, and Information Technology sectors, which make up approximately 36% of the benchmark. Real Estate, the only negative contributor to total return, only makes up approximately 2.5% of the benchmark. By country, Japanese, French and German equities accounted for the bulk of the benchmark's positive contribution to return for the period (42.14% of the benchmark). Hong Kong equities were the largest negative contributor to total return for the period, though they only account for 2.95% of the benchmark. The Index rebounded in the first half of 2023 after posting a -16.79% decline in 2022. Growth in many of the major economies was stronger than anticipated to begin the year, though the outlook for the global economy remains uncertain. Persistent inflation pressures, the

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## First Trust International Capital Strength ETF Management Report of Fund Performance For the six-month period ended June 30, 2023

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ongoing war in Ukraine, and the sharp tightening of monetary policy are still weighing on the global economy and despite the strong start to the year, global activity is projected to slow in 2023.

We continue to find attractive long-term candidates from within our selection universe of “international capital strength” companies. The First Trust ETF is positioned to provide exposure to the world’s most developed nations ex the United States and Canada.

### **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 International Capital Strength ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2023

#### 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, 2023 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

FINT	2023	2022	2021	2020	2019	2018 <sup>(a)</sup>
Net asset value, beginning of period/year <sup>(1)</sup>	\$22.76	\$27.08	\$24.09	\$20.71	\$16.79	\$20.00 <sup>(b)</sup>
Increase (Decrease) from operations:						
Total revenue	0.59	0.90	0.79	0.46	0.68	0.29
Total expenses	(0.17)	(0.28)	(0.32)	(0.27)	(0.26)	(0.16)
Realized gains (losses) for the period/year	0.17	(2.86)	2.38	0.81	(1.74)	(0.14)
Unrealized gains (losses) for the period/year	0.99	(2.17)	(0.02)	3.76	4.95	(3.77)
Total increase (decrease) from operations <sup>(2)</sup>	\$1.58	\$(4.41)	\$2.83	\$4.76	\$3.63	\$(3.78)
Distributions:						
From income (excluding dividends)	(0.35)	(0.29)	-	-	(0.19)	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	(1.14)	-	-
Return of capital	-	-	-	(0.06)	(0.06)	-
Total annual distributions <sup>(3)</sup>	\$(0.35)	\$(0.29)	\$-	\$(1.20)	\$(0.25)	-
Net asset value, end of period/year <sup>(4)</sup>	\$23.99	\$22.76	\$27.08	\$24.09	\$20.71	\$16.79

(a) December 31, 2018 does not relate to the full year as the First Trust ETF commenced operations on May 17, 2018.

(b) Seed capital

(1) This information is provided as at June 30, 2023 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

FINT	2023	2022	2021	2020	2019	2018
Net asset value (000's)	\$7,198	\$6,828	\$9,477	\$6,023	\$2,071	\$1,679
Number of units outstanding	300,000	300,000	350,000	250,000	100,000	100,000
Management expense ratio <sup>(1)</sup>	0.75%	0.74%	0.74%	0.75%	0.77%	0.75%
Management expense ratio before waivers or absorption	0.76%	0.76%	0.76%	0.78%	0.79%	0.76%
Trading expense ratio <sup>(2)</sup>	0.09%	0.15%	0.21%	0.33%	0.30%	0.44%
Portfolio turnover rate <sup>(3)</sup>	27.86%	61.18%	65.09%	55.67%	101.25%	8.99%

(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 International Capital Strength ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2023

#### 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.

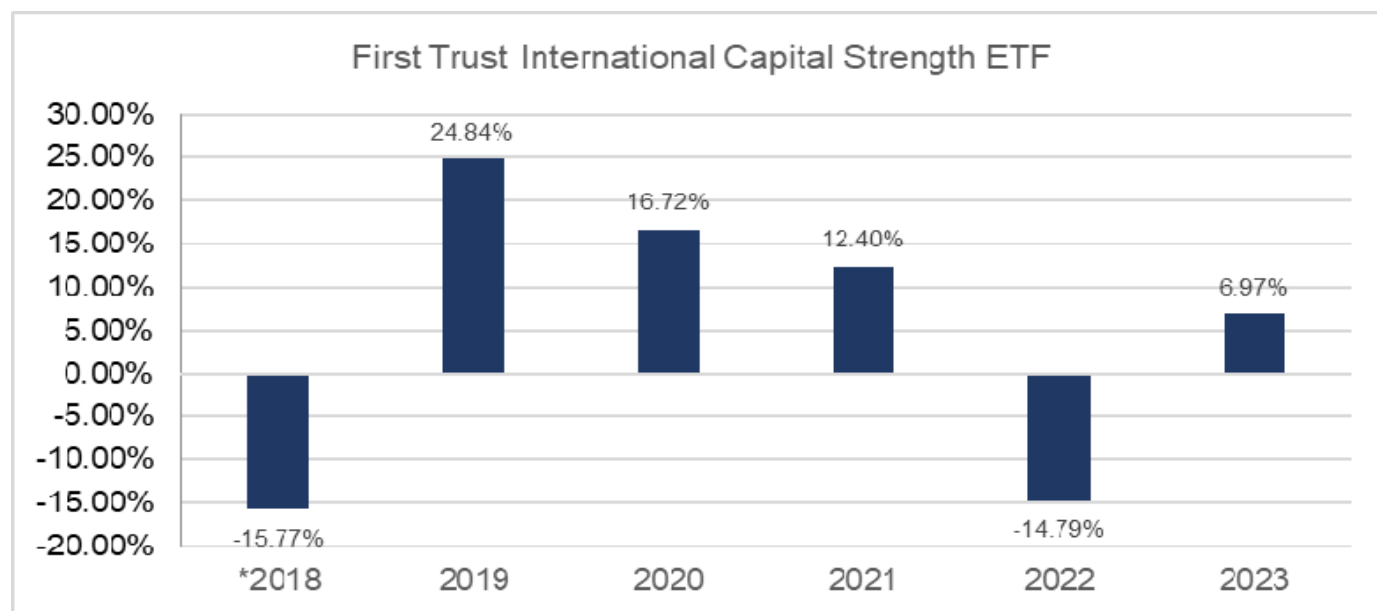
#### Past Performance

##### General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period/year 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, 2023, for the years ended December 31, and for the period from commencement of operations to December 31, 2018 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: May 17, 2018



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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, 2023. 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
Straumann Holding AG	2.68%
Tokyo Electron Ltd.	2.62%
Kia Corp.	2.61%
Keyence Corp.	2.60%
Volvo AB, Series 'B'	2.60%
Sandvik AB	2.55%
Capcom Co. Ltd.	2.54%
STMicroelectronics NV	2.54%
LVMH Moët Hennessy Louis Vuitton SE	2.53%
Yamaha Motor Co. Ltd.	2.52%
ABB Ltd., Registered	2.52%
Infineon Technologies AG	2.51%
Novo Nordisk AS, Class 'B'	2.50%
Thales SA	2.50%
Deutsche Boerse AG	2.50%
ASML Holding NV	2.50%
Carlsberg AS, Series 'B'	2.49%
SAP SE	2.49%
Nestlé SA, Registered	2.49%
Zurich Insurance Group AG	2.49%
Brenntag SE	2.48%
ArcelorMittal SA	2.48%
Roche Holding AG Genussscheine	2.47%
Genmab AS	2.45%
TotalEnergies SE	2.45%
<b>Total</b>	<b>63.11%</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, 2023.

Sector Weightings	% of ETF Total Net Asset Value
Information Technology	22.68%
Industrials	15.05%
Consumer Discretionary	14.94%
Health Care	14.87%
Materials	9.73%
Consumer Staples	7.39%
Energy	7.25%
Financials	4.99%
Communication Services	2.44%
Cash and Cash Equivalents	0.22%
Other Assets, Less Liabilities	0.44%
<b>Total</b>	<b>100.00%</b>

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## First Trust International Capital Strength ETF Management Report of Fund Performance For the six-month period ended June 30, 2023

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The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio excluding cash, by country, as at June 30, 2023.

Country Weightings	% of ETF Total Net Asset Value
Switzerland	17.62%
Japan	17.54%
Germany	12.41%
United Kingdom	12.03%
France	9.92%
Denmark	7.44%
Sweden	5.15%
Korea	5.05%
Netherlands	2.50%
Luxembourg	2.48%
Norway	2.41%
Finland	2.40%
Australia	2.39%
Total	99.34%

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