



First Trust JFL Fixed Income Core Plus ETF • FJFB

Annual Management Report of Fund Performance
December 31, 2022

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022

First Trust JFL Fixed Income Core Plus 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 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.

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Investment Objective and Strategy

The fundamental investment objective of **First Trust JFL Fixed Income Core Plus ETF** (the "First Trust ETF") is to provide unitholders with income and preserve capital by investing at least 75% of the First Trust ETF's net assets in a diversified portfolio of investment grade Canadian corporate, federal, provincial, and municipal bonds. The First Trust ETF may also invest up to 25% of the fund's net assets in non-investment grade corporate bonds (at the time of purchase, as rated by a designated rating organization), high yield bonds, developed international bonds, emerging market bonds, preferred shares and convertible bonds of North American and/or international issuers.

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.

Results of Operations

General

The First Trust ETF's net asset value as of December 31, 2022 was \$1,668,826 or \$16.69 per unit. The First Trust ETF's net asset value as of December 31, 2021 was \$2,033,978 or \$20.34 per unit.

For the year ended December 31, 2022, the First Trust ETF paid total cash distributions per unit of \$0.4631. In addition, the First Trust ETF declared cash distributions per unit of \$0.8141 for record date of December 30, 2022 with payment date of January 9, 2023.

Investment Performance

For the year ended December 31, 2022, the First Trust ETF returned -11.92%* compared to FTSE Canada Universe Bond Index (the "benchmark") total return of -11.69%. Unlike the benchmark, the First Trust ETF's return is net of fees and expenses.

For the first quarter, the First Trust ETF outperformed the benchmark by 24 bps*. The bulk of this outperformance was from the security selection side where names like NuVista, Rogers and Corus had attractive gains in the quarter. With the weakness in provincial and corporate bond spreads, valuations had improved and we have started adding to positions to take advantage.

For the second quarter, the First Trust ETF underperformed its benchmark by 12 bps*. After maintaining a neutral stance relative to the index in terms of duration, we took advantage of the higher yields to increase the relative duration during the quarter. Our timing was slightly early but we believe that the economic weakness which leading economic indicators are pointing to, as well as moderating inflation pressures should lead to positive returns in the near future. The First Trust ETF's duration position as well as its overweight in corporate bonds were detractors to quarterly performance. Security selection, including specific corporate bond holdings in Communications and Energy sectors, provided positive relative performance to the First Trust ETF's quarterly return. The First Trust ETF's high yield corporate bond holdings were a detraction to absolute and relative performance as high yield bond spreads widened notably in the second quarter.

For the third quarter, the First Trust ETF outperformed the benchmark by 6 bps*. A slightly longer maturity profile than the benchmark was a modest positive contributor to performance, while yield curve positioning was relatively neutral. The overweight in corporate bonds was a minor headwind to performance, as both investment grade and high yield spreads widened during the quarter. A positive contributor was individual corporate bonds which, in one case, benefitted from the company buying back their outstanding bonds at a premium.

* For the portfolio, rates of return are time-weighted, which is a method of measuring performance that is not sensitive to contributions or withdrawals. Returns are calculated daily, using the gross (prior to the deduction of fees) modified Dietz method but net of (or after) withholding taxes on foreign income. Returns were calculated based on gross foreign income.

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For the fourth quarter, the First Trust ETF outperformed its benchmark by 23 bps*. The largest positive contributor to relative performance was its overweight exposure to corporate bonds, which was further enhanced by tactical allocation additions to corporate bonds in the fourth quarter. In addition, the First Trust ETF benefitted from positive individual corporate bond selection diversified across Communications, Energy and Financials holdings. Within high yield, holdings detracted overall performance, with positive contributions from Energy holdings offset by weakness in Communications and Financials. With notable intra-quarter interest rate volatility, the First Trust ETF's relative performance contribution from duration and yield curve was a modest detraction to fund returns.

As of December 31, 2022, the First Trust ETF held 123 individual positions. The portfolio had a strong Canada focus and as of December 31, 2022 was comprised of 93.1% bonds, 1.0% in preferreds, and 5.9% cash. The top 10 holdings by issuer accounted for 29.45% of the total portfolio.

By comparison, at December 31, 2021, the First Trust ETF held 94 individual positions. The portfolio has a strong Canada focus and as at December 31, 2021, was comprised of 98.86% bonds and 0.88% cash. The top 10 holdings by issuer accounted for 32.33% of the total portfolio.

Recent Developments

The unprecedented pace of interest rate increases by the Bank of Canada has brought the policy rate to 4.25% in Canada, its highest level in 15 years. At the end of the fourth quarter, the yield curve inverted further, with short-term interest rates rising more than long-term rates, although 5-year bond rates rose the least. After underperforming for most of the year, corporate bonds slightly outperformed federal government bonds in the more favourable risk environment driven by declining inflation.

The last quarter was a positive cap to one of the worst years for the bond markets. The shocking rapid rise in inflation, followed by strong policy stances to curb the rise through interest rate hikes resulted in extreme increases in yields that the market was not ready for. Government of Canada 10-year bond yields more than doubled, rising from 1.45% to 3.30%, while the 2-year yields more than quadrupled, going from 0.95% to 4.05% by the end of 2022.

Overall, the economic fundamentals are pointing to a headwind for equity markets in the near term. Given that the stock market is a leading indicator in and of itself, some of these economic headwinds are already priced into markets. What investors have to decide is whether this margin of safety is enough. Have markets adequately priced in the potentially more challenging environment ahead? We would argue that, to some extent, they have, but there is possibly more to go. This may provide good buying opportunities for long-term investors like us, and for this reason, we continue to watch for investment prospects at better entry points.

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.

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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 years ended December 31. This information is derived from the First Trust ETF's annual financial statements.

Net Asset Value per Unit

FJFB	2022	2021 ^(a)
Net asset value, beginning of period/year ⁽¹⁾	\$20.34	\$20.00 ^(b)
Increase (Decrease) from operations:		
Total revenue	0.60	0.46
Total expenses	(0.12)	(0.11)
Realized gains (losses) for the period/year	(0.87)	0.11
Unrealized gains (losses) for the period/year	(2.02)	0.22
Total increase (decrease) from operations ⁽²⁾	\$(2.41)	\$0.68
Distributions:		
From income (excluding dividends)	(1.23)	(0.30)
From dividends	-	(0.03)
From capital gains	-	(0.12)
Return of capital	(0.01)	-
Total annual distributions ⁽³⁾	\$(1.24)	\$(0.45)
Net asset value, end of period/year ⁽⁴⁾	\$16.69	\$20.34

(a) December 31, 2021 does not relate to the full year as the First Trust ETF commenced operations on March 19, 2021.

(b) Seed capital

(1) This information is provided as at December 31, 2022 and for the period from March 19, 2021 (commencement of operations) to December 31, 2021 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

FJFB	2022	2021
Net asset value (000's)	\$1,669	\$2,034
Number of units outstanding	100,000	100,000
Management expense ratio ⁽¹⁾	0.67%	0.68%
Management expense ratio before waivers or absorption	0.79%	0.80%
Trading expense ratio ⁽²⁾	0.00%	0.03%
Portfolio turnover rate ⁽³⁾	65.10%	34.11%

(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.

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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.

The First Trust ETF currently pays the Manager a management fee equal to 0.60%.

The Manager has agreed to waive a portion of the management fee equal to 0.10% of average daily net assets of the First Trust ETF until December 31, 2022 in response to the current low interest rate environment. The Manager anticipates that if the trailing average 30-day yield of the current 10-year Canadian Treasury Bond exceeds 3.50% before December 31, 2022, the fee waiver may not be continued past December 31, 2022. Given that the 0.10% waiver is on an annualized basis, if the waiver is for less than a year, the net management fee will be higher than 0.60%. Following December 31, 2022, the Manager may waive a portion of the management fee at any time in its discretion.

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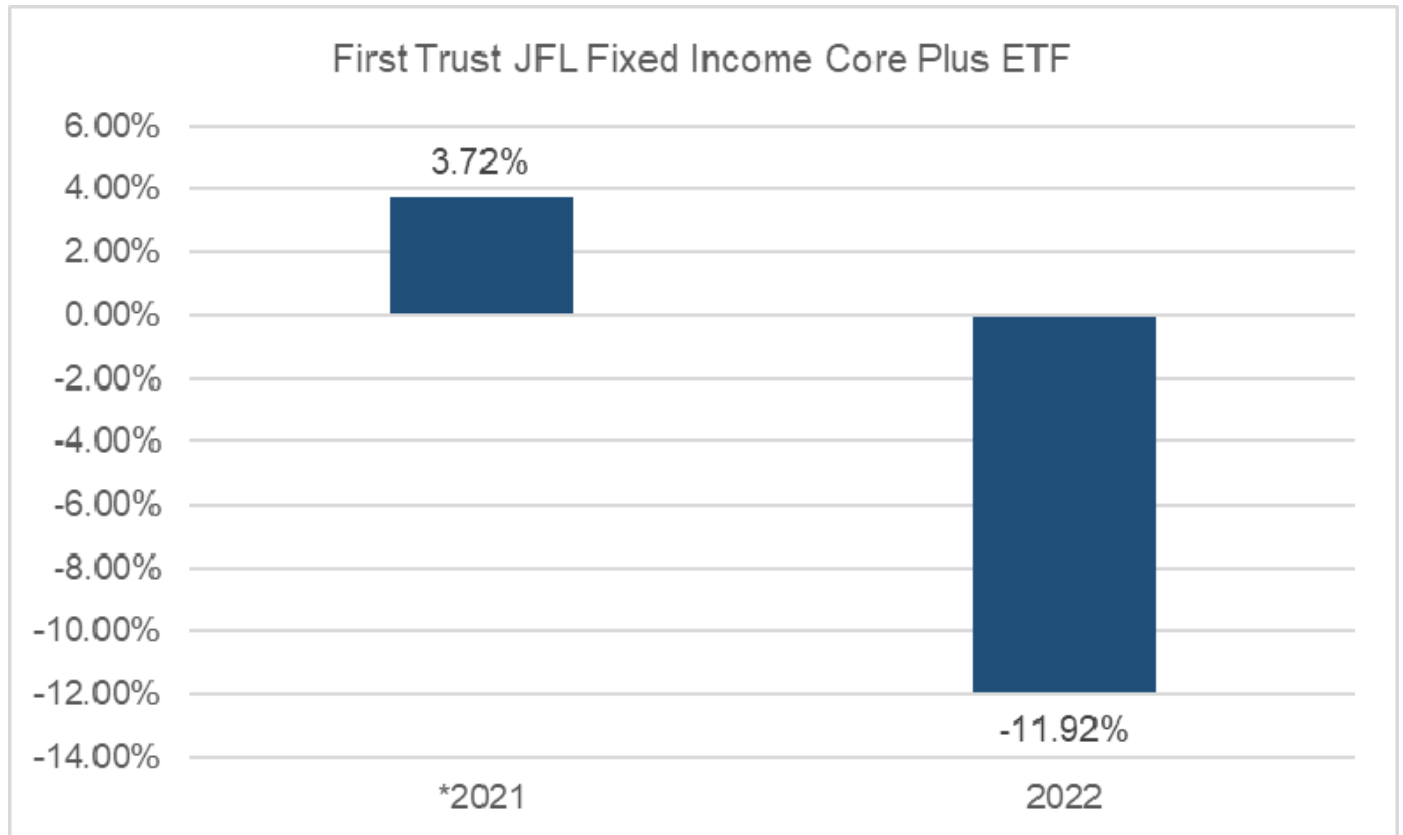
Past Performance

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 year ended December 31, 2022 and for the period from commencement of operations to December 31, 2021 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: March 19, 2021

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Annual Compound Returns

The table below shows the First Trust ETF's annual compound total return since inception and for the year ended December 31, 2022. The annual compound return is compared to the returns of the relevant benchmark; 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.

Returns	1-year	3-year	5-year	10-year	Since Inception
First Trust JFL Fixed Income Core Plus ETF	-11.92%	-	-	-	-4.93%
FTSE Canada Universe Bond Index	-11.69%	-	-	-	-4.95%

FTSE Canada Universe Bond Index measures the performance of the Canadian Dollar denominated investment-grade fixed income market, covering Canadian government, quasi-government and corporate bonds. The index is designed to track the performance of marketable government and corporate bonds outstanding in the Canadian market.

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, by issuer, as at December 31, 2022. 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.

Top 25 Holdings	Coupon Rate/Yield	Maturity Date	% of ETF Total Net Asset Value
Royal Bank of Canada	3.30%	26-Sep-23	3.49%
Bank of Montreal	2.28%	29-Jul-24	2.81%
Province of New Brunswick	3.10%	14-Aug-28	2.76%
Province of Quebec	3.50%	01-Dec-48	2.62%
Province of Ontario	2.65%	02-Dec-50	2.51%
Government of Canada	3.50%	01-Dec-45	2.21%
Wells Fargo & Co.	3.87%	21-May-25	2.14%
Walt Disney Co. (The)	3.06%	30-Mar-27	2.12%
Government of Canada	2.00%	01-Jun-28	2.08%
Fédération des caisses Desjardins du Québec	1.09%	21-Jan-26	1.97%
Toronto-Dominion Bank (The), Variable Rate, Callable	3.11%	22-Apr-30	1.93%
National Bank of Canada, Variable Rate, Callable	7.50%	16-Nov-82	1.78%
Canadian Imperial Bank of Commerce	2.00%	17-Apr-25	1.74%
Bank of Montreal, Callable	3.65%	01-Apr-27	1.71%
Wells Fargo & Co.	2.49%	18-Feb-27	1.67%
Province of Ontario	2.80%	02-Jun-48	1.66%
Canadian Imperial Bank of Commerce, Callable	4.95%	29-Jun-27	1.62%
Government of Canada	2.00%	01-Dec-51	1.59%
Manulife Bank of Canada	2.38%	19-Nov-24	1.59%
Province of Quebec	5.00%	01-Dec-41	1.43%
Canada Housing Trust No. 1	2.65%	15-Dec-28	1.42%
Province of British Columbia	5.70%	18-Jun-29	1.39%
CPPIB Capital Inc.	3.00%	15-Jun-28	1.37%
Canada Housing Trust No. 1	1.10%	15-Dec-26	1.24%
Government of Canada	1.50%	01-Dec-31	1.24%
Total			48.09%

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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 sector, as at December 31, 2022.

Sector Weightings	% of ETF Total Net Asset Value
Corporate Bonds	56.66%
Provincial Bonds & Guarantees	25.85%
Federal Bonds & Guarantees	17.49%
Cash and Cash Equivalents	4.78%
Other Assets, Less Liabilities	-4.78%
Total	100.00%

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, including equities, by country, as at December 31, 2022.

Country Weightings	% of ETF Total Net Asset Value
Canada	89.11%
United States	9.07%
Jersey C.I.	1.57%
United Kingdom	0.25%
Total	100.00%

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio by credit rating, as at December 31, 2022.

S&P Rating	% of ETF Total Net Asset Value
AAA	18.03%
AA	14.51%
A	37.60%
BBB	20.95%
Below BBB	8.91%
Total	100.00%

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