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## First Trust JFL Fixed Income Core Plus ETF • FJFB

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Annual Management Report of Fund Performance  
December 31, 2024

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# **ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

## **December 31, 2024**

### **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](http://www.firsttrust.ca) or SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

### **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 JFL Fixed Income Core Plus ETF

## Management Report of Fund Performance

### For the year ended December 31, 2024

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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 year 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, 2024 was \$15,706,107 or \$17.45 per unit. The First Trust ETF’s net asset value as of December 31, 2023 was \$22,410,027 or \$17.24 per unit.

For the year ended December 31, 2024, the First Trust ETF paid total cash distributions per unit of \$0.5525. In addition, the First Trust ETF declared cash distributions per unit of \$0.0710 for record date of December 31, 2024 with payment date of January 8, 2025.

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

For the year ended December 31, 2024, the First Trust ETF returned 4.70% compared to FTSE Canada Universe Bond Index (the “benchmark”) total return of 4.23%. 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 FTSE Canada Universe Bond Index by 43 basis points (“bps”). The portfolio’s overweight position in corporate bonds was by far the largest positive contributor to the outperformance. For the fourth consecutive quarter, corporate spreads tightened relative to government bonds. We continue to reduce the portfolio’s exposure to corporate bond risk as valuations on individual issuers reach cyclical highs. Hybrid bonds, which are typically the lowest rated debt from high-grade issuers, were notable outperformers relative to other corporate bonds. The portfolio’s high-yield holdings provided positive relative performance as they saw notable credit spread tightening to start 2024. In addition, the portfolio’s financial and energy-related corporate bond positions provided incremental relative performance in the first quarter.

For the second quarter, the First Trust ETF outperformed its benchmark by 6 bps. Corporate spreads were slightly weaker over the quarter; however, we did take advantage of the tighter spreads early in the quarter by reducing our risk allocation to corporate bonds. With valuations elevated, default rates rising, and rating downgrades also rising, we expect our cautiousness to be rewarded with more attractive opportunities in the future. The portfolio’s performance benefited from the purchase of the new Coastal Gas Link Pipeline LP bonds, which performed quite strongly from the new issuance levels. The portfolio’s high-yield holdings, both hybrid securities and select industrial credits, produced positive excess returns.

For the third quarter, the First Trust ETF outperformed its benchmark by 16 bps. Corporate spreads were modestly tighter quarter over quarter, as risk sentiment was supported by central bank easing in both Canada and the US. The portfolio’s allocation to corporate securities, along with security selection in specific provincial and corporate sectors, contributed to its relative outperformance. Select infrastructure corporate holdings were notable contributors.

The portfolio was active in the third quarter, particularly in the primary corporate debt market, participating in WSP Global Inc.’s (“WSP”) \$1 billion dual-tranche transaction. This issuance was aimed at funding WSP’s recent acquisition of POWER Engineers, Incorporated. Additionally, the portfolio participated in Caisse centrale Desjardins’

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# First Trust JFL Fixed Income Core Plus ETF

## Management Report of Fund Performance

### For the year ended December 31, 2024

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new five-year senior debt issue and ATS Corporation's inaugural Canadian dollar high-yield transaction. In the secondary markets, we also actively added to existing holdings in sectors such as Utilities, Infrastructure, and Real Estate. The portfolio was also active in primary and secondary sub-sovereign markets, adding select provincial government bonds.

For the fourth quarter, the First Trust ETF outperformed its benchmark by 32 bps. Corporate spreads were tighter quarter over quarter, as risk sentiment was positively impacted by central bank easing in Canada and globally.

The portfolio's allocation and selection of corporate securities provided a material contribution to its relative outperformance. Select energy, financial and industrial corporate holdings provided notable positive security selection. In addition, the portfolio's high-yield holdings further added to its quarterly performance.

With Canadian corporate credit spreads reaching levels only recorded twice since the global financial crisis, the portfolio's activity in the primary corporate debt market was muted. The portfolio was active in the secondary markets, initiating a position in McDonald's Inc.'s seven-year maple bond and reducing other positions based on valuation criteria, including exiting its position in Keyera Inc. At the beginning of the fourth quarter, the portfolio was also active in the primary and secondary sub-sovereign markets, adding select provincial and municipal government bonds. Towards the latter part of 2024, it focused on modest reductions in overall sub-sovereign holdings as valuations tightened for Canadian sub-sovereign risk.

For the 2024 calendar year, the portfolio also outperformed the benchmark, driven by corporate allocation and selection. Input from a variety of sectors provided the excess return with energy, financial and infrastructure holdings being notable contributors. High-yield holdings in energy and industrials were notable alpha contributors.

By comparison, at December 31, 2023, the First Trust ETF held 151 individual positions. The portfolio has a strong Canada focus and as at December 31, 2023 is comprised of 98.9% bonds, 0.5% in preferred, and 0.6% cash. The top 10 holdings by issuer accounted for 33.94% of the total portfolio.

At December 31, 2024, the First Trust ETF held 161 individual positions. The portfolio has a strong Canada focus and as at December 31, 2024 is comprised of 98.23% bonds, 0.17% in preferred, and 1.6% cash. The top 10 holdings by issuer accounted for 27.68% of the total portfolio.

### **Recent Developments**

To the extent that economic, political and policy divergence between the U.S. persists or intensifies with Canada and/or globally, including China, Europe, Japan and various emerging market countries, the financial imbalances and the potential risks provided by this divergence will likely increase risk asset volatility as well as interest rate volatility in 2025. Despite the ongoing uncertainty and geopolitical tensions, global equity markets continue to march forward, albeit in a narrow fashion. Valuations in most regions, notably the U.S., look quite elevated relative to history due in part to the expectations of an enhanced growth agenda under President-elect Donald Trump.

Against this backdrop, our fixed income portfolios are structured to respond over the medium term to opportunities which are generated by the higher volatility. On the equity side, we continue to pay attention to evaluating downside risk as sentiment is optimistic and valuations leave little margin of safety in many sectors. Specifically for Canada, although we are concerned about the negative impact of potential tariffs on the Canadian economy, a large proportion of the portfolio is composed of global leaders in industries with resilient growth and high barriers to entry while the companies that are more Canadian-focused operate in nondiscretionary sectors with strong pricing power. The resignation of the Canadian prime minister and resulting leadership uncertainty at a critical time adds risks and potential volatility. With that said, we believe the potential impact of tariffs and leadership transitions in Canada will have a limited impact on the portfolio.

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**First Trust JFL Fixed Income Core Plus ETF  
Management Report of Fund Performance  
For the year ended December 31, 2024**

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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 JFL Fixed Income Core Plus ETF

## Management Report of Fund Performance

### For the year ended December 31, 2024

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

#### Net Asset Value per Unit

FJFB	2024	2023	2022	2021 <sup>(a)</sup>
Net asset value, beginning of period/year <sup>(1)</sup>	\$17.24	\$16.69	\$20.34	\$20.00 <sup>(b)</sup>
Increase (Decrease) from operations:				
Total revenue	0.66	0.62	0.60	0.46
Total expenses	(0.11)	(0.11)	(0.12)	(0.11)
Realized gains (losses) for the period/year	0.45	(0.20)	(0.87)	0.11
Unrealized gains (losses) for the period/year	(0.20)	0.98	(2.02)	0.22
Total increase (decrease) from operations <sup>(2)</sup>	\$0.80	\$1.29	\$(2.41)	\$0.68
Distributions:				
From income (excluding dividends)	(0.58)	(0.44)	(1.23)	(0.30)
From dividends	-	-	-	(0.03)
From capital gains	-	-	-	(0.12)
Return of capital	-	(0.12)	(0.01)	-
Total annual distributions <sup>(3)</sup>	\$(0.58)	\$(0.56)	\$(1.24)	\$(0.45)
Net asset value, end of period/year <sup>(4)</sup>	\$17.45	\$17.24	\$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 of the period/years shown, and is prepared under IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

(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	2024	2023	2022	2021
Net asset value (000's)	\$15,706	\$22,410	\$1,669	\$2,034
Number of units outstanding	900,000	1,300,000	100,000	100,000
Management expense ratio <sup>(1)</sup>	0.63%	0.65%	0.67%	0.68%
Management expense ratio before waivers or absorption	0.75%	0.77%	0.79%	0.80%
Trading expense ratio <sup>(2)</sup>	0.00%	0.00%	0.00%	0.03%
Portfolio turnover rate <sup>(3)</sup>	83.72%	52.94%	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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First Trust JFL Fixed Income Core Plus ETF  
Management Report of Fund Performance  
For the year ended December 31, 2024

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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%.

*Maximum annual management fee of 0.70%. 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 and is subject to review periodically.*



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# First Trust JFL Fixed Income Core Plus ETF

## Management Report of Fund Performance

### For the year ended December 31, 2024

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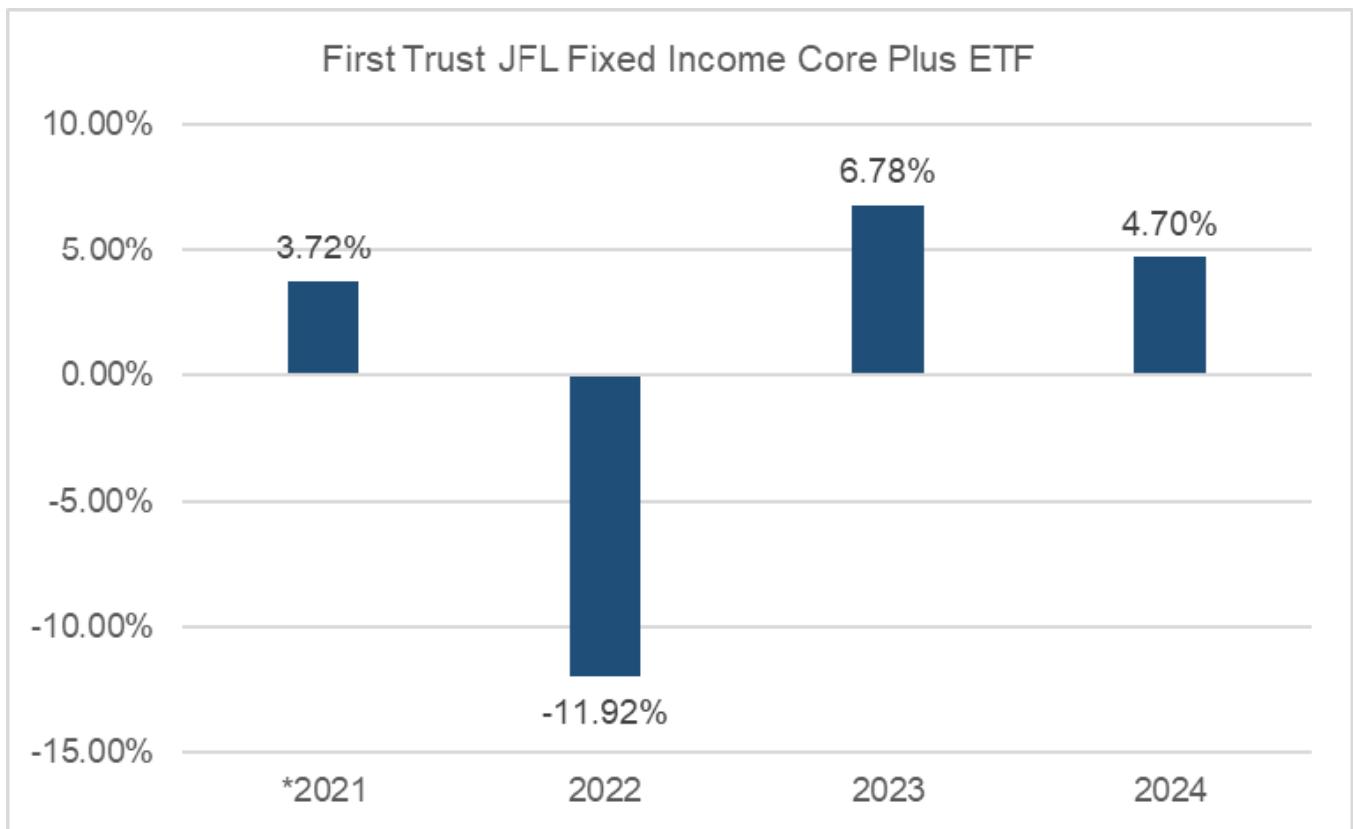
#### Past Performance

##### General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period/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 years ended December 31 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

# First Trust JFL Fixed Income Core Plus ETF

## Management Report of Fund Performance

### For the year ended December 31, 2024

#### 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, 2024. 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	4.70%	-0.51%	-	-	0.56%
FTSE Canada Universe Bond Index	4.23%	-0.60%	-	-	0.40%

*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, 2024. 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	Coupon Rate/Yield	Maturity Date	% of ETF Total Net Asset Value
Province of Ontario	4.15%	02-Jun-34	4.97%
Government of Canada	2.75%	01-Dec-55	3.33%
Province of Ontario	3.65%	02-Jun-33	2.89%
Province of Ontario	3.75%	02-Dec-53	2.68%
Province of Ontario	1.35%	02-Dec-30	2.65%
Government of Canada	2.75%	01-Jun-33	2.52%
Canadian Imperial Bank of Commerce, Callable	4.95%	29-Jun-27	2.31%
Parkland Corp., Callable	4.38%	26-Mar-29	2.26%
Royal Bank of Canada	4.61%	26-Jul-27	2.02%
Province of Ontario	4.70%	02-Jun-37	1.97%
Province of Ontario	4.15%	02-Dec-54	1.96%
Canada Housing Trust No. 1	3.50%	15-Dec-34	1.79%
NuVista Energy Ltd., Callable	7.88%	23-Jul-26	1.55%
Government of Canada	1.50%	01-Dec-31	1.51%
Toronto-Dominion Bank (The)	4.21%	01-Jun-27	1.33%
Royal Bank of Canada	5.23%	24-Jun-30	1.31%
Province of Ontario	4.65%	02-Jun-41	1.26%
Choice Properties REIT, Callable, Series 'R'	6.00%	24-Jun-32	1.24%
Province of Quebec	3.50%	01-Dec-48	1.13%
Government of Canada	1.75%	01-Dec-53	1.12%
Province of Quebec	5.00%	01-Dec-41	1.07%
Fédération des caisses Desjardins du Québec	4.41%	19-May-27	1.05%
Fédération des caisses Desjardins du Québec, Callable	5.47%	17-Nov-28	1.03%
Bank of Montreal, Callable	4.31%	01-Jun-27	0.99%
Cooper Equipment Rentals Ltd., Callable	7.45%	04-Jul-29	0.98%
<b>Total</b>			<b>46.92%</b>

# First Trust JFL Fixed Income Core Plus ETF

## Management Report of Fund Performance

### For the year ended December 31, 2024

#### 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, 2024.

Sector Weightings	% of ETF Total Net Asset Value
Corporate Bonds	48.92%
Provincial Bonds & Guarantees	32.84%
Federal Bonds & Guarantees	16.11%
Municipal Bonds & Guarantees	0.21%
Cash and Cash Equivalents	1.20%
Other Assets, Less Liabilities	0.72%
<b>Total</b>	<b>100.00%</b>

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, 2024.

Country Weightings	% of ETF Total Net Asset Value
Canada	91.66%
United States	3.25%
United Kingdom	3.17%
<b>Total</b>	<b>98.08%</b>

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, 2024.

S&P Rating	% of ETF Total Net Asset Value
AAA	17.17%
AA	32.30%
A	23.07%
BBB	16.43%
Below BBB	9.11%
<b>Total</b>	<b>98.08%</b>

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[www.firsttrust.ca](http://www.firsttrust.ca)