



First Trust AlphaDEX™ U.S. Energy Sector Index ETF
• FHE

Annual Management Report of Fund Performance
December 31, 2019

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2019

First Trust AlphaDEX™ U.S. Energy 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 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 AlphaDEX™ U.S. Energy Sector Index ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of the StrataQuant® Energy 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 Energy 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 Energy AlphaDEX® Fund (NYSE Arca ticker: FXN), 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: FHE.

*The Hedged Units of the First Trust ETF were qualified for distribution by a prospectus dated June 7, 2019. 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, 2019. 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 energy 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, 2019 was \$1,392,259 or \$9.28 per unit. The First Trust ETF’s net asset value as of December 31, 2018 was \$1,586,768 or \$10.58 per unit.

For the year ended December 31, 2019, the First Trust ETF paid total cash distributions per unit of \$0.0400. The First Trust ETF did not declare cash distributions for record date of December 31, 2019.

Investment Performance

For the year ended December 31, 2019, the First Trust ETF returned -11.88% compared to Russell 1000® Energy Index (the “benchmark”) total return of 5.14%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

As of December 31, 2019, the energy sector accounted for 4.15% of the weight of the Russell 1000® Index. The benchmark underperformed the Russell 1000® Index which returned 24.78%.

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The portfolio held 35 equity securities as of December 31, 2019. The top ten equity holdings accounted for 45.50% 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 period due to stock selection in the Non-Renewable Energy industry, especially in the Crude Producers sub-industry which included all five of the bottom contributing return stocks.

The top five stocks by contribution to return were Phillips 66, WPX Energy, Inc., Noble Energy, Inc., Valero Energy Corporation, and QEP Resources, Inc. The bottom five stocks by contribution to return were Antero Resources Corporation, Centennial Resource Development, Inc. Class A, Chesapeake Energy Corporation, CNX Resources Corporation, and Occidental Petroleum Corporation.

Recent Developments

The Russell 1000® Index rebounded from steep losses in the fourth quarter of 2018 to post a 28.89% price return in 2019, its best year since 2013. The U.S. dollar depreciated relative to the Canadian dollar in 2019, meaning the index gained 22.78% over the same period measured in Canadian dollars. 2019's gain capped a strong decade for U.S. stocks in which the Russell 1000® Index advanced 11.29% annualized before dividends, measured in U.S. dollars. This year's gains were propelled in part by three interest rate cuts by the U.S. Federal Reserve in the second half of the year, a strong U.S. economy, and positive trade developments at the end of the year. The Fed cut rates to sustain the U.S. economic expansion and buffer it from a slowdown in global growth. Additionally, the Fed cited weak growth in certain areas of the U.S. economy, such as business investment, and low inflation for its accommodative moves. The U.S. economy remained strong during the period, despite weakness in manufacturing, with the unemployment rate reaching its lowest level since 1969 at 3.5%. Moreover, real GDP grew at least 2% annualized in each of the three quarters with data during the period. The year ended strong, with the Russell 1000® advancing in each of the final four months of the year. Positive trade developments contributed to the rally, as the U.S. and China agreed to a phase-one trade deal that is expected to be signed in 2020. The yield on the benchmark U.S. 10-year Treasury fell as low as 1.5% during the period but finished higher at 1.9%. After 2019's gains, the Russell 1000® Index finished the year trading at a P/E multiple of 22.3, compared to 16.9 at the end of 2018, with a dividend yield of 1.78%.

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 past five years. This information is derived from the First Trust ETF's current unaudited interim financial statements and audited annual financial statements.

Net Asset Value per Unit

FHE	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value, beginning of year ⁽¹⁾	\$10.58	\$12.98	\$14.71	\$12.74	\$17.50
Increase (Decrease) from operations:					
Total revenue	0.15	0.25	0.27	0.23	0.29
Total expenses	(0.13)	(0.14)	(0.14)	(0.15)	(0.19)
Realized gains (losses) for the year	0.83	4.11	(1.59)	(3.13)	(3.58)
Unrealized gains (losses) for the year	1.26	(2.30)	(0.86)	4.96	(1.04)
Total increase (decrease) from operations ⁽²⁾	\$2.11	\$1.92	\$(2.32)	\$1.91	\$(4.52)
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	(0.82)	-	-	-
Return of capital	(0.04)	-	(0.03)	(0.06)	(0.13)
Total annual distributions ⁽³⁾	\$(0.04)	\$(0.82)	\$(0.03)	\$(0.06)	\$(0.13)
Net asset value, end of year ⁽⁴⁾	\$9.28	\$10.58	\$12.98	\$14.71	\$12.74

(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

FHE	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value (000's)	\$1,392	\$1,587	\$1,298	\$2,943	\$1,911
Number of units outstanding	150,000	150,000	100,000	200,000	150,000
Management expense ratio ⁽¹⁾	0.77%	0.77%	0.79%	0.78%	0.79%
Management expense ratio before waivers or absorption	0.79%	0.79%	0.81%	0.80%	0.81%
Trading expense ratio ⁽²⁾	0.18%	0.08%	0.10%	0.14%	0.13%
Portfolio turnover rate ⁽³⁾	728.61%	356.26%	130.59%	133.14%	109.55%
Net asset value per unit	\$9.28	\$10.58	\$12.98	\$14.71	\$12.74

(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.

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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.

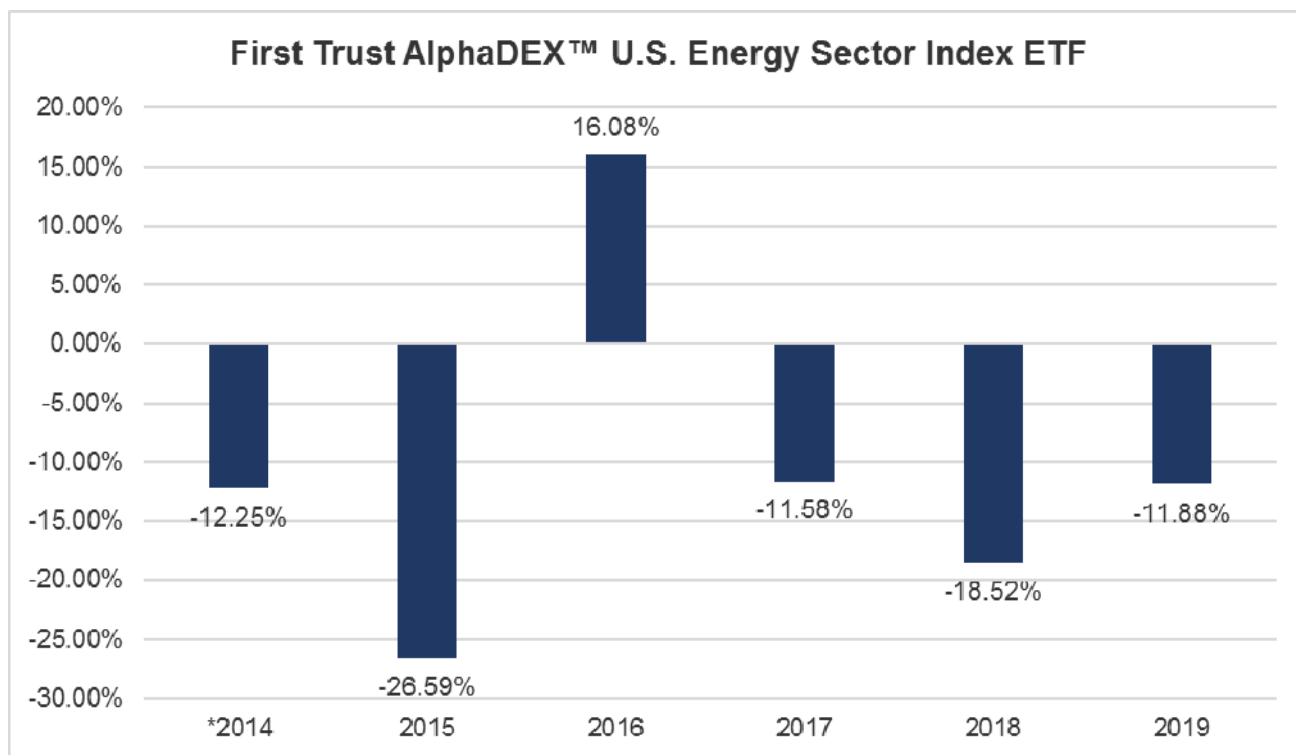
Past Performance

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, 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

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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 years ended December 31, 2019. 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. Energy Sector Index ETF	-11.88%	-14.05%	-11.56%	-13.41%
Russell 1000® Energy Index	5.14%	-4.80%	-0.46%	-1.19%
Russell 1000® Index	24.78%	13.77%	14.03%	15.31%
S&P 500 Energy Index	6.16%	-4.29%	0.39%	-0.15%
StrataQuant® Energy Index*	-10.75%	-13.07%	-9.04%	-10.32%

The Russell 1000® Energy Index - is an unmanaged index which includes the stocks in the energy 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 Energy Index - is an unmanaged index which includes the stocks in the energy sector of the S&P 500 Index.

**Reference Index: StrataQuant® Energy 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, 2019. 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
WPX Energy Inc.	5.73%
ConocoPhillips	5.04%
Marathon Oil Corp.	4.89%
Cimarex Energy Co.	4.84%
Devon Energy Corp.	4.77%
Antero Resources Corp.	4.17%
Occidental Petroleum Corp.	4.09%
EOG Resources Inc.	3.98%
Continental Resources Inc.	3.93%
Phillips 66	3.84%
Chevron Corp.	3.59%
Cabot Oil & Gas Corp.	3.50%
Halliburton Co.	3.44%
Concho Resources Inc.	3.41%
HollyFrontier Corp.	3.34%
Murphy Oil Corp.	3.21%
Parsley Energy Inc., Class 'A'	2.98%
Diamondback Energy Inc.	2.74%
Centennial Resource Development Inc.	2.71%
Marathon Petroleum Corp.	2.63%
Patterson-UTI Energy Inc.	2.17%
Pioneer Natural Resources Co.	2.13%
Schlumberger Ltd.	2.08%
Chesapeake Energy Corp.	2.07%
Baker Hughes Co.	1.95%
Total	87.23%

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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 at December 31, 2019.

Industry Weightings	% of ETF Total Net Asset Value
Oil, Gas & Consumable Fuels	87.79%
Energy Equipment & Services	11.74%
Cash and Cash Equivalents	0.08%
Other Assets, Less Liabilities	0.39%
Total	100.00%

FT Portfolios Canada Co.

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

www.firsttrust.ca