



First Trust Senior Loan ETF (CAD-Hedged) • FSL

Annual Management Report of Fund Performance
December 31, 2022

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE December 31, 2022

First Trust Senior Loan ETF (CAD-Hedged) (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.

First Trust Senior Loan ETF (CAD-Hedged)

Management Report of Fund Performance

For the year ended December 31, 2022

Background

As of February 28, 2022, **First Trust Senior Loan ETF (CAD-Hedged)** (the “First Trust ETF”) no longer offered Advisor Class Units (“FSL.A”) and FT Portfolios Canada Co. (the “Manager”) successfully redesignated FSL.A to Common Units (“FSL”) of the First Trust ETF providing unitholders with a lower cost solution going forward.

Investment Objective and Strategy

The fundamental investment objective of the First Trust ETF is to provide unitholders with a high level of current income by investing primarily in a diversified portfolio of senior floating rate loans and debt securities, with capital appreciation as a secondary objective. The First Trust ETF will primarily invest in a portfolio of senior floating rate loans which are generally rated at or below BB+ by Standard & Poor’s, or Ba1 or less by Moody’s Investor Services, Inc., or a similar rating by designated credit rating organization (as defined in NI 81- 102) and debt securities by holding securities of First Trust Senior Loan Fund, a U.S. listed exchange-traded fund (the “Underlying Fund”). The First Trust ETF will generally seek to hedge substantially all of its U.S. dollar currency exposure back to the Canadian dollar.

The primary investment objective of the Underlying Fund is to provide high current income and its secondary investment objective is preservation of capital. The Underlying Fund seeks to achieve its investment objectives by investing in a portfolio of senior floating rate loans which are generally rated at or below BB+ by Standard & Poor’s, or Ba1 or less by Moody’s Investor Services, Inc., or a similar rating by a designated rating organization (as defined in NI 81-102) and debt securities.

Risk

The overall risk for the First Trust ETF during the period remains as discussed in the most recent prospectus for the First Trust ETF.

The ability of a company/issuer to pay interest and repay principal are not factors controlled by the First Trust ETF’s management. A company may default on their obligation to repay interest and principal which could impact the value of the holdings in the First Trust ETF or the ability to pay a dividend at or above the current level. Companies may also refinance their existing debt (the First Trust ETF’s holdings) which would also impact the level of income available to pay to shareholders.

The First Trust ETF is suitable for investors seeking a high level of current income and potential for capital gains through exposure to a diversified portfolio of below investment grade debt securities.

Results of Operations

General

The First Trust ETF’s total net asset value as of December 31, 2022 was \$ 37,139,987 or \$16.59 per unit. The First Trust ETF’s total net asset value as of December 31, 2021 was \$50,113,347 or \$17.91 per FSL and \$17.88 per FSL.A. As of February 28, 2022, the First Trust ETF no longer offered FSL.A and the Manager successfully redesignated FSL.A to FSL of the First Trust ETF.

For the year ended December 31, 2022, the First Trust ETF paid total cash distributions per unit of \$0.6672 for FSL and \$0.0771 for FSL.A. In addition, FSL declared cash distributions of \$0.0750 per unit for record date of December 30, 2022 with payment date of January 9, 2023.

The First Trust ETF’s only holding, the Underlying Fund, held 189 individual positions (0.53% average position size) diversified across 32 industries at the end of the reporting year. The top ten holdings by issuer accounted for 33% of the portfolio. Software (21.25%), Insurance (11.36%), and Healthcare Technology (10.87%) comprised the top three industries by market value. By comparison, the Underlying Fund held 231 individual positions (0.43% average position size) diversified across 34 industries with the top 10 holdings by issuer comprising 20.08% of the portfolio as of December 31, 2021.

First Trust Senior Loan ETF (CAD-Hedged)

Management Report of Fund Performance

For the year ended December 31, 2022

Investment Performance

For the year ended December 31, 2022, the First Trust ETF returned -3.57% compared to the Morningstar® LSTA® US Leveraged Loan Index CAD-Hedged (“benchmark”) return of -0.79%. Unlike the benchmark, the First Trust ETF’s returns are net of fees and expenses.

The First Trust ETF’s only holding, the Underlying Fund, benefitted from its higher quality credit positioning relative to the benchmark. The investment team increased the Underlying Fund’s exposure to BBB rated and BB rated credit to reduce overall portfolio volatility and enhance liquidity. As of December 31, 2022, the Underlying Fund maintained allocations to BBB rated, BB rated, B rated, and CCC and below rated assets (including Not Rated) of 11.81%, 17.06%, 65.96%, and 5.17%, respectively. Strong security selection within the Software and Healthcare Technology industries, in addition to defensive overweight positions in the Insurance industry, proved additional tailwinds to performance.

The Underlying Fund’s allocation to high-yield bonds proved a headwind to performance as high-yield bonds underperformed senior loans in the last twelve months (“LTM”) period. As high-yield bond prices fell over the course of the year, the Underlying Fund increased its exposure to higher quality, relatively short dated high-yield bonds to bolster liquidity and enhance credit quality. While this positioning resulted in a modest headwind to performance, we believe it will serve the fund well over time. The Underlying Fund’s overweight to the Healthcare Providers & Services industry detracted from performance. Healthcare providers across the industry continue to recover from the lingering negative impacts of the COVID pandemic. The Underlying Fund’s underweight (0.00% allocation) to the Oil, Gas & Consumable Fuels industry also detracted from performance; the industry outperformed the benchmark as crude oil prices remained elevated throughout the LTM period.

The Leveraged Finance Investment Team’s investment process combines rigorous bottom-up fundamental credit analysis and disciplined portfolio construction. This process led to the First Trust ETF experiencing one default in the LTM period, compared to 8 defaults within the S&P/LSTA Leveraged Loan Index (“LLI”). Since inception, the First Trust ETF has experienced nine defaults; this compares favorably to the 150 defaults experienced by the LLI over that same time period.

Recent Developments

The senior loan market experienced its eighth consecutive monthly outflow in December, bringing annual outflows to \$36.5 billion. The discounted spread to a 3-year life for the senior loan market widened 217 basis points (“bps”) to end the period at L+645. The current spread is 129 bps above the senior loan market’s long-term average spread of L+516, dating back to December 1997. The LLI’s default rate increased from 0.29% to 0.72% throughout the quarter. The current default rate remains well below the long-term average default rate of 2.74%, dating back to March 1999.

We expect market volatility to persist as investors attempt to gauge the U.S. Federal Reserve’s ultimate federal funds target rate as well as the likelihood and timing of a possible recession. Given the heightened volatility within financial markets, our focus remains on positioning in sectors we believe to be less cyclical and more defensive through the business cycle. As we assess such market opportunities, we continue to employ our disciplined bottom-up credit underwriting process and rigorous approach to risk management.

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 Senior Loan ETF (CAD-Hedged)
Management Report of Fund Performance
For the year ended December 31, 2022

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 audited annual financial statements.

Net Asset Value per Unit

FSL	2022 ^(a)	2021 ^(b)	2020	2019 ^(c)	2018
Net asset value, beginning of year ⁽¹⁾	\$17.91	\$17.96	\$18.62	\$18.14	\$19.29
Increase (Decrease) from operations:					
Total revenue	0.71	0.59	0.74	1.03	1.04
Total expenses	(0.15)	(0.14)	(0.17)	(0.17)	(0.18)
Realized gains (losses) for the year	(1.09)	(0.61)	(0.34)	(0.04)	(1.34)
Unrealized gains (losses) for the year	(0.13)	0.62	(0.66)	0.64	0.36
Total increase (decrease) from operations ⁽²⁾	\$(0.66)	\$0.46	\$(0.43)	\$1.46	\$(0.12)
Distributions:					
From income (excluding dividends)	(0.64)	(0.52)	(0.61)	(0.88)	(0.91)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	(0.04)	-	(0.14)	-	-
Total annual distributions ⁽³⁾	\$(0.68)	\$(0.52)	\$(0.75)	\$(0.88)	\$(0.91)
Net asset value, end of year ⁽⁴⁾	\$16.59	\$17.91	\$17.96	\$18.62	\$18.14

(a) As of February 28, 2022, the First Trust ETF no longer offered FSL.A and the Manager successfully redesignated FSL.A to FSL of the First Trust ETF.

(b) Effective January 21, 2021, the First Trust ETF was fully invested in the Underlying Fund.

(c) Effective November 4, 2019, First Trust Short Duration High Yield Bond ETF (CAD-Hedged) ("FSD") was merged with the First Trust ETF upon receiving management, regulatory and unitholder approval. Pursuant to the Merger, each holder of common units of FSD automatically received 1.108414 FSL for each common unit of FSD held and each holder of advisor class units of FSD automatically received 1.001905 FSL.A for each advisor class unit of FSD held on the effective date of the Merger.

(1) This information is provided as at December 31 of the 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.

First Trust Senior Loan ETF (CAD-Hedged) Management Report of Fund Performance For the year ended December 31, 2022

Ratios and Supplemental Data

FSL	2022 ^(a)	2021 ^(b)	2020	2019 ^(c)	2018
Net asset value (000's)	\$37,140	\$40,037	\$37,431	\$54,625	\$85,087
Number of units outstanding	2,238,282	2,514,316	2,084,316	2,934,316	4,690,010
Management expense ratio ⁽¹⁾	1.02%	1.01%	0.93%	0.93%	0.94%
Management expense ratio before waivers or absorption	1.04%	1.03%	0.95%	0.95%	0.96%
Trading expense ratio ⁽²⁾	0.00%	0.08%	0.01%	N/A	N/A
Portfolio turnover rate ⁽³⁾	21.19%	182.47%	134.83%	86.53%	166.27%

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(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year, including the First Trust ETF's proportionate share of the MER of the Underlying Fund in which the First Trust ETF has invested, 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. This includes the First Trust ETF's proportionate share of the commissions of Underlying Fund in which the First Trust ETF has invested.

(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 period/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.

Management Fees

The First Trust ETF will pay the Manager a management fee of 0.15% 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 will bear the Underlying Fund's management fee of 0.85% per annum on average daily net assets on the First Trust ETF's portfolio assets invested in the Underlying Fund. Accordingly, the management fee cost to unitholders of their investment will be 1.00% per annum of NAV of the First Trust ETF plus applicable taxes.

First Trust Senior Loan ETF (CAD-Hedged) Management Report of Fund Performance For the year ended December 31, 2022

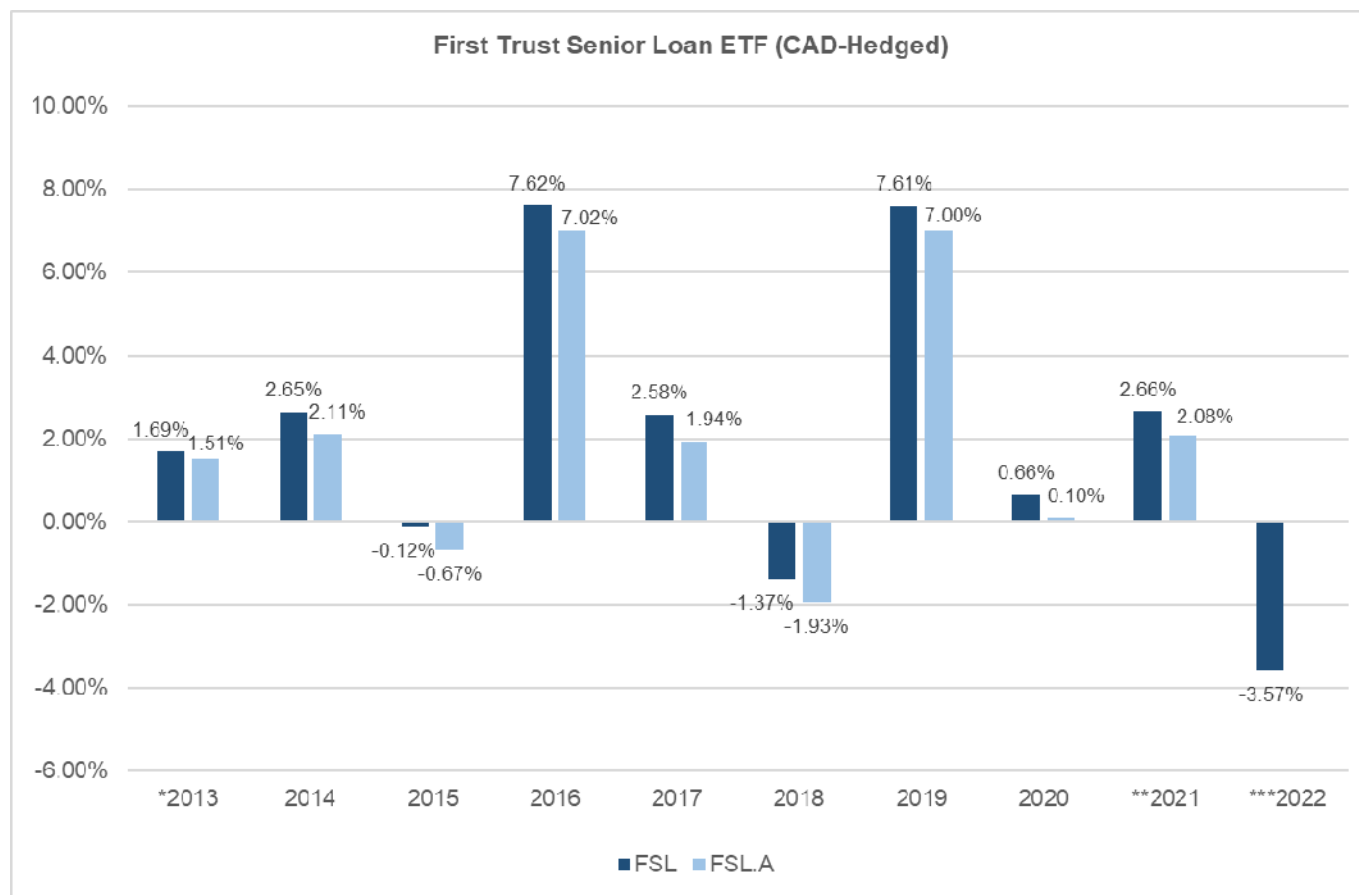
Past Performance

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, 2013 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: August 28, 2013

** Effective January 21, 2021, the First Trust ETF was fully invested in the Underlying Fund.

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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, 2022. The annual compound return is compared to the returns of the relevant 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 index.

Returns	1-year	3-year	5-year	10-year	Since Inception
First Trust Senior Loan ETF (CAD-Hedged)	-3.57%	-0.12%	1.13%	-	2.16%
Morningstar® LSTA® US Leveraged Loan Index (CAD-Hedged)	-0.79%	2.02%	2.64%	-	3.29%

Morningstar® LSTA® US Leveraged Loan Index is a market-value weighted index designed to measure the performance of the U.S. leveraged loan market. The U.S. dollar currency exposure is hedged back to the Canadian dollar.

Summary of Investment Portfolio

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's holdings 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.

Holdings	% of ETF Total Net Asset Value
First Trust Senior Loan Fund	99.42%
Cash and Cash Equivalents	0.64%
Other Assets, Less Liabilities	-0.06%
Total	100.00%

Portfolio Breakdown

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

Breakdown	% of ETF Total Net Asset Value
Exchange-Traded Fund	99.42%
Cash and Cash Equivalents	0.64%
Other Assets, Less Liabilities	-0.06%
Total	100.00%

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