



First Trust AlphaDEX™ European Dividend Index ETF
(CAD-Hedged)

Annual Management Report of Fund Performance
December 31, 2016

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2016

First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged) **(the “First Trust ETF”)**

This annual management report of fund performance contains financial highlights, but does not contain the complete 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 3001, Scotia Plaza, Box 312, Toronto, Ontario M5H 3Y2 or by visiting our web site 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™ European Dividend Index ETF (CAD-Hedged)** (the "First Trust ETF") is to replicate, to the extent possible, the performance of the AlphaDEX™ European Dividend Index, net of expenses. The AlphaDEX™ European Dividend Index results from applying the AlphaDEX™ methodology to a universe of ADRs of European companies that are listed on the NYSE, NYSE Market and NASDAQ exchanges.

The AlphaDEX™ European Dividend Index is an index developed, maintained and sponsored by the index provider, which employs the AlphaDEX™ stock selection methodology to select dividend paying ADRs from a universe of ADRs of European companies that meet certain investment criteria. In connection with the First Trust ETF, the Manager has licensed certain rights it has to the AlphaDEX™ stock selection methodology to the index provider for use by the index provider in constructing the AlphaDEX™ European Dividend Index. The index provider constructs the AlphaDEX™ European Dividend Index by ranking the eligible universe of ADRs on growth factors including 3-month, 6-month and 12-month price appreciation, sales to price and one year sales growth, and then separately on value factors, including, book value to price, cash flow to price and return on assets. All ADRs are ranked on the sum of ranks for the growth factors, and separately all ADRs are ranked on the sum of ranks for the value factors. An ADR must have data for all growth and/or value factors to receive a rank for that style. The top 75% of the ADRs are then selected based on the better of their growth or value rank. The selected ADRs are divided into quintiles based on their rankings. The top ranked quintile receives a top weight of 5/15 (33.3%) of the portfolio with successive quintiles receiving 4/15 (26.7%), 3/15 (20.0%), 2/15 (13.3%) and 1/15 (6.7%). The ADRs are equally-weighted within each quintile. The AlphaDEX™ European Dividend Index will be rebalanced semi-annually and the constituent issuers in the Index will be adjusted at that time.

There are two classes of units offered by the First Trust ETF:

- Common Class (TSX symbol: EUR)
- Advisor Class (TSX symbol: EUR.A)

The inception date of the First Trust ETF was February 4, 2014.

Risk

The portfolio held 41 equity securities at the end of the reporting period. The top ten equity holdings accounted for 37.67% of the portfolio. Health Care, Information Technology, and Financial Services were the top three sector weightings at the beginning of the reporting period. At the end of the period, Financials, Technology, and Energy were the top three sector weightings. The sector weighting changes were a result of the AlphaDEX™ stock selection process, and not a material change in benchmark composition. The AlphaDEX™ stock selection process is a rules-based process and can result in sector weightings that differ from that of the benchmark. The First Trust ETF uses a base universe of stocks that pay dividends. The ability of the company to pay a dividend in the future is dependent on factors that are not controlled by fund management. A company held in the First Trust ETF may, at any time, decide to cut or eliminate its dividend payment. During the first semi-annual rebalance at the beginning of June the fund added 6 stocks and removed 8. The First Trust ETF added 7 stocks and removed 9 stocks during second semi-annual rebalance at the beginning of December. The decrease in holdings was a result of the reduction in the number of eligible stocks in the starting universe. At the end of the period Information Technology, Telecommunication Services, and Energy holdings were the most overweight positions relative to the benchmark. Consumer Staples, Consumer Discretionary, and Industrials were the most underweight sectors relative to the benchmark at the end of the period. At the beginning of the period, the top three overweight sectors were Information Technology, Materials, and Telecommunication Services. The most underweight sectors at the beginning of the period were Consumer Staples, Financials, and Industrials. Given the First Trust ETF employs a currency hedging strategy (GBP/CAD, EUR/CAD, CHF/CAD) to minimize the impact of changes in the exchange rates of hedged currencies, and considering that the portfolio continues to seek to replicate the AlphaDEX™ European Dividend Index, we conclude there was no material change to the risk profile of the First Trust ETF.

First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged)

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Results of Operations

The First Trust ETF's total net asset value as of December 31, 2016 \$28,106,584 or \$21.62 per Common Class unit and \$21.63 per Advisor Class unit. The First Trust ETF's total net asset value as of December 31, 2015 was \$36,310,450 or \$19.63 per Common Class unit and \$19.63 per Advisor Class unit.

The First Trust ETF paid cash distributions per unit as follows:

	2016 Payment Dates											
	Jan 8 th	Feb 5 th	Mar 7 th	Apr 7 th	May 6 th	Jun 7 th	Jul 8 th	Aug 8 th	Sep 8 th	Oct 7 th	Nov 7 th	Dec 7 th
EUR	0.0400	0.0410	0.0420	0.0388	0.0375	0.0370	0.0370	0.0440	0.0464	0.0464	0.0464	0.1000
EUR.A	0.0217	0.0240	0.0252	0.0209	0.0189	0.0192	0.0192	0.0253	0.0272	0.0276	0.0275	0.0808

The First Trust ETF also made reinvested distribution to Unitholders of record, of EUR, on December 30, 2016 of \$0.0023 per unit. These amounts were reinvested in the First Trust ETF and not paid in cash to Unitholders.

Investment Performance

The First Trust ETF's Common Class units returned 13.45% and the Advisor Class units returned 12.21%, net of fees and expenses, for the year ended December 31, 2016. This compares with the Bank of New York ADR Index (the "benchmark") net total return (CAD) of -4.08% and (USD) -1.39%. A hedged version of the benchmark does not exist. For comparative purposes, The Bank of New York Mellon Europe ADR Index (USD) was converted to CAD using Bloomberg FX rates. An official CAD version of the index does not exist with BNY. The First Trust ETF employs a hedging strategy to limit exposure to various currencies.

Stock selection in the Information Technology sector was the largest positive contributor to relative performance. Materials also contributed to relative return versus the benchmark during the period. Stock selection in Consumer Staples holdings were a drag on relative performance versus the benchmark. An overweight position in Energy holdings also helped relative outperformance, but the timing of the model caused some negative relative contribution versus the benchmark.

The top five stocks by contribution to return were STMicroelectronics NV ADR RegS, ArcelorMittal SA ADR, Mobile TeleSystems PJSC Sponsored ADR, Logitech International S.A., and Statoil ASA Sponsored ADR. The bottom five stocks by contribution to return were LM Ericsson Telefon AB Sponsored ADR Class B, Teva Pharmaceutical Industries Limited Sponsored ADR, Novo Nordisk A/S Sponsored ADR Class B, BT Group PLC Sponsored ADR, and Credit Suisse Group AG Sponsored ADR.

The currency hedging strategy was beneficial to the First Trust ETF. British pounds and Euro exposure was favorable relative to an unhedged strategy given a -18.65% and -5.88% depreciation of these currencies, respectively, against the Canadian dollar.

Recent Developments

In December, the First Trust ETF added 7 positions and removed 9 during its semi-annual rebalance. The changes were made by applying the quantitative AlphaDEX™ selection methodology to a universe of European market dividend paying stocks.

The dividend yield on the MSCI Europe, the broad benchmark, increased slightly during the first half of the year, while the First Trust ETF dividend yield decreased after the rebalance in June. The yield of the fund was higher than the MSCI Europe Index throughout the reporting period. The MSCI Europe Index is made up of European stocks that may or may not pay a dividend, while the First Trust ETF only includes stocks that pay a dividend. An early selloff for European equities in January, followed by a volatile upswing from February through May kept investors on edge through the first half of 2016. The EU referendum, also known as the "Brexit" vote, on June 23 added to the volatility in the market. A post US election upswing in global markets continued through December pushing European equities to levels observed last January.

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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.

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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 two years. The date of inception of the First Trust ETF was February 4, 2014. The information are derived from the First Trust ETF's annual financial statements for the years ended December 31 and for the period from since inception to December 31, 2014.

Net Asset Value per Unit – EUR

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014 ^(a)
Net asset value, beginning of period/year⁽¹⁾	\$19.63	\$19.82	\$20.00^(b)
Increase (Decrease) from operations:			
Total revenue	0.74	0.82	0.88
Total expenses	(0.25)	(0.23)	(0.22)
Realized gains (losses) for the period/year	0.61	(2.24)	0.58
Unrealized gains (losses) for the period/year	0.87	0.96	(2.02)
Total increase (decrease) from operations⁽²⁾	\$1.97	\$(0.69)	\$(0.78)
Distributions:			
From income (excluding dividends)	(0.59)	(0.50)	(0.50)
From dividends	-	-	-
From capital gains	-	-	(0.80)
Return of capital	-	(0.05)	(0.01)
Total annual distributions⁽³⁾	\$(0.59)	\$(0.55)	\$(1.31)
Net asset value, end of period/year⁽⁴⁾	\$21.62	\$19.63	\$19.82

(a) December 31, 2014 does not relate to the full year as the date of inception of the First Trust ETF was February 4, 2014.

(b) Initial offering price

(1) This information is provided as at December 31 of the years/period 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 either paid in cash or reinvested in additional units of the First Trust ETF.

(4) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

Ratios and Supplemental Data – EUR

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Net asset value (000's)	\$26,463	\$34,740	\$24,182
Number of units outstanding	1,224,001	1,770,000	1,220,000
Management expense ratio ⁽¹⁾	0.67%	0.68%	0.66%
Management expense ratio before waivers or absorption	0.89%	0.90%	0.69%
Trading expense ratio ⁽²⁾	0.12%	0.08%	0.07%
Portfolio turnover rate ⁽³⁾	94.41%	112.62%	117.14%
Net asset value per unit	\$21.62	\$19.63	\$19.82

(1) Management expense ratio is based on total expenses 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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Net Asset Value per Unit – EUR.A

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014 ^(a)
Net asset value, beginning of period/year⁽¹⁾	\$19.63	\$19.82	\$20.00^(b)
Increase (Decrease) from operations:			
Total revenue	0.74	0.92	0.95
Total expenses	(0.47)	(0.47)	(0.44)
Realized gains (losses) for the period/year	0.78	(2.26)	0.58
Unrealized gains (losses) for the period/year	1.28	1.93	(1.39)
Total increase (decrease) from operations⁽²⁾	\$2.33	\$0.12	\$(0.30)
Distributions:			
From income (excluding dividends)	(0.37)	(0.27)	(0.30)
From dividends	-	-	-
From capital gains	-	-	(0.80)
Return of capital	-	(0.03)	-
Total annual distributions⁽³⁾	\$(0.37)	\$(0.30)	\$(1.10)
Net asset value, end of period/year⁽⁴⁾	\$21.63	\$19.63	\$19.82

(a) December 31, 2014 does not relate to the full year as the date of inception of the First Trust ETF was February 4, 2014.

(b) Initial offering price

(1) This information is provided as at December 31 of the years/period 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 either paid in cash or reinvested in additional units of the First Trust ETF.

(4) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

Ratios and Supplemental Data – EUR.A

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Net asset value (000's)	\$1,644	\$1,571	\$1,586
Number of units outstanding	76,000	80,000	80,000
Management expense ratio ⁽¹⁾	1.78%	1.81%	1.80%
Management expense ratio before waivers or absorption	2.00%	2.03%	1.82%
Trading expense ratio ⁽²⁾	0.12%	0.08%	0.07%
Portfolio turnover rate ⁽³⁾	94.41%	112.62%	117.14%
Net asset value per unit	\$21.63	\$19.63	\$19.82

(1) Management expense ratio is based on total expenses 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 equal to up to 0.80% and, in respect of the EUR.A, an additional amount for a service fee (see “EUR.A Service Fee” below) 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.

EUR.A Service Fee

The Manager pays registered dealers a service fee equal to 1.00% per annum of the NAV of the Units held by clients of the registered dealer, plus any applicable taxes. The service fee will be calculated and accrued daily and paid quarterly at the end of each calendar quarter.

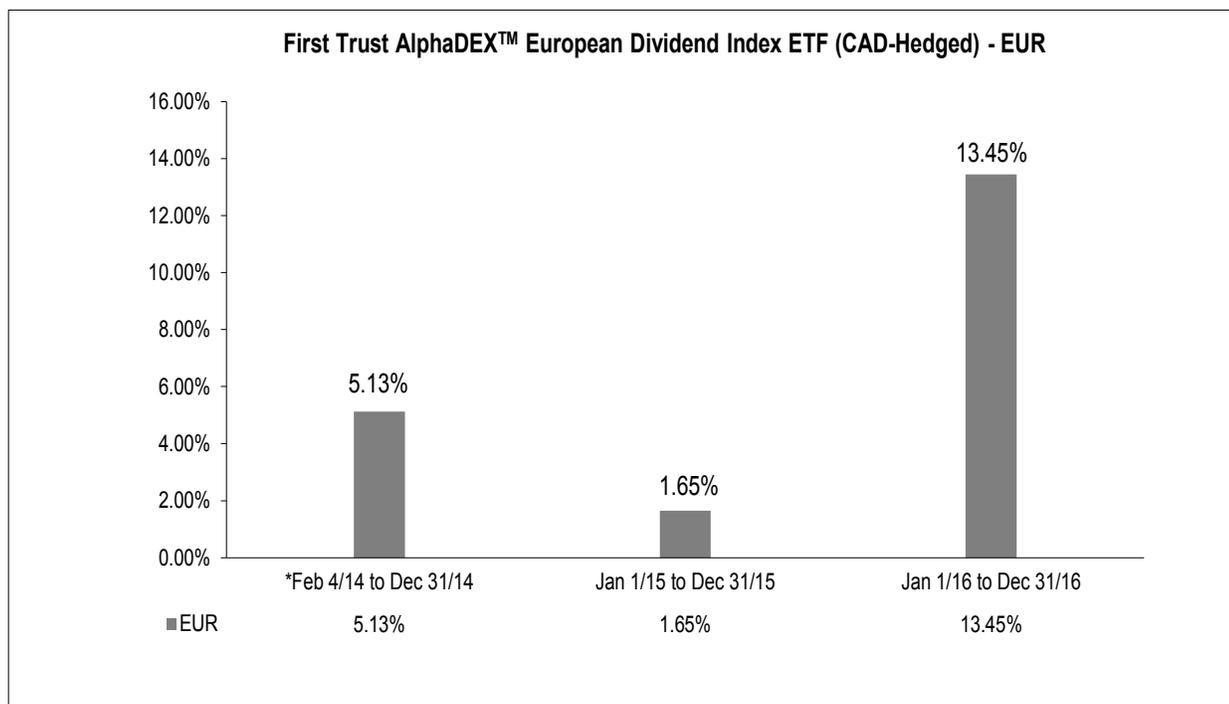
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the periods 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.

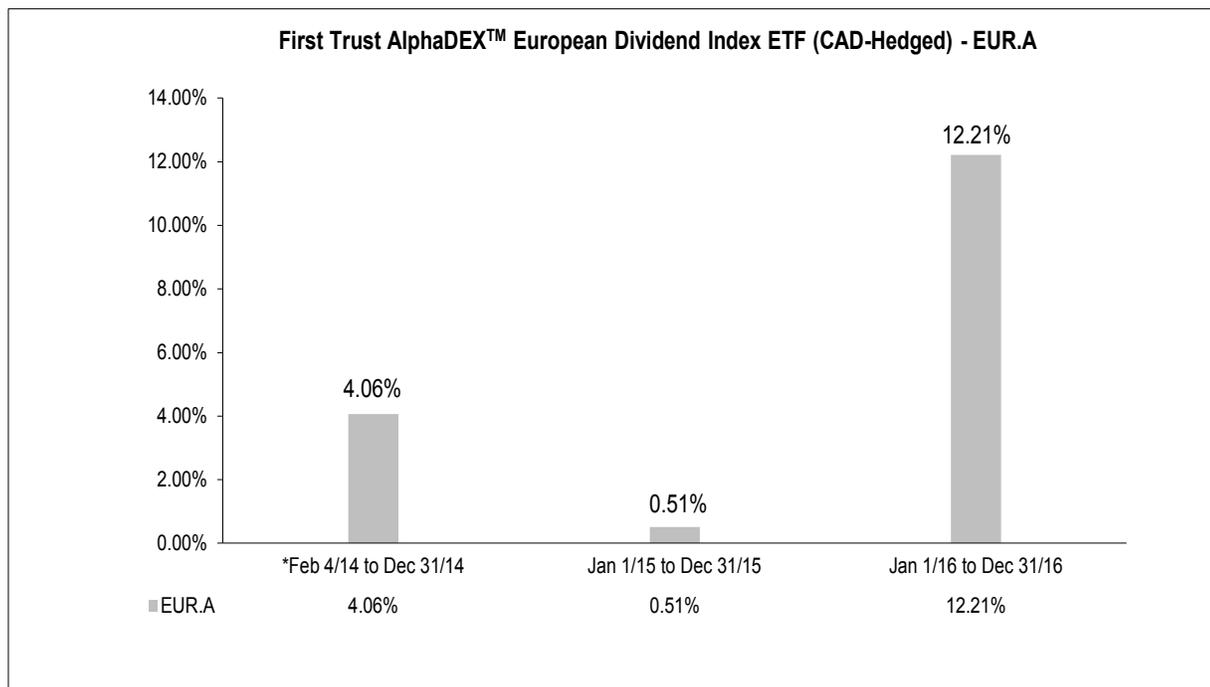
Year by Year Returns

The bar charts below show the First Trust ETF’s performance, per class, for the years ended December 31, and for the period from February 4, 2014 to December 31, 2014 and illustrate how the investment fund’s performance has changed from year to year. The charts also show, 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.



*Date of Inception

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*Date of Inception

Annual Compound Returns

The First Trust ETF Common Class units outperformed its primary benchmark, in CAD, over the period. Stock selection in Information Technology stocks boosted relative performance for the year. Stock selection combined with a slightly overweight position in Materials stocks also led to relative outperformance in 2016.

	1 year	Since Inception
First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged) - EUR	13.45%	6.85%
First Trust AlphaDEX™ European Dividend Index ETF (CAD-Hedged) - EUR.A	12.21%	5.66%
Bank of New York Mellon Europe ADR Index (CAD)*	-4.08%	4.85%
Bank of New York Mellon Europe ADR Index (USD)*	-1.39%	-1.96%
MSCI Europe Index (USD)**	0.22%	-0.92%

*Primary Benchmark: BNY Mellon Europe ADR Index- is a subset of BNY Mellon ADR Index. BNY Mellon ADR Index is the only index to track all Depositary Receipts traded on The New York Stock Exchange (NYSE), NYSE Amex and NASDAQ. BNY Mellon ADR Index is calculated on a continuous basis throughout the trading day. BNY Mellon ADR Indices are capitalization-weighted and adjusted for free-float utilizing Dow Jones' current methodology. In addition to the Bank's Composite Index, there are 3 regional indices (Europe, Asia and Latin America), 4 market indices (Developed, Emerging, Euroland and Telebras), 3 sector indices (European Telecom, Latin Telecom and European Oil and Gas), 15 select indices (International 100, Europe 100, Developed Markets 100, Asia 50, Emerging Markets 50, Latin America 35, International Telecom 35, BRIC Select, China Select, Small Cap Select, Euro-Pacific Select, Lat Am Balanced and China "Xià Yì Dài") and 36 country indices.

For comparative purposes, The Bank of New York Mellon Europe ADR Index (USD) was converted to CAD using Bloomberg FX rates. An official CAD version of the index does not exist with BNY.

**Broad Benchmark: MSCI Europe Index (USD) - The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK). With 448 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

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Summary of Investment Portfolio

The table sets out the percentage (based on total net asset value) of the First Trust ETF's top 25 holdings as at December 31, 2016. 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
Banco Santander SA, ADR	4.45%
Telefonaktiebolaget LM Ericsson, Class 'B', ADR	4.42%
STMicroelectronics NV	4.32%
AEGON NV	4.21%
Total SA, ADR	4.15%
Orange SA, ADR	4.12%
CRH PLC, ADR	4.03%
Logitech International SA, Registered	3.93%
Mobile TeleSystems PJSC, ADR	3.61%
Koninklijke Philips NV	3.32%
BP PLC, ADR	3.32%
Royal Dutch Shell PLC, Class 'A', ADR	3.30%
Statoil ASA, ADR	3.26%
ING Groep NV, ADR	3.23%
Rio Tinto PLC, ADR	3.15%
Teva Pharmaceutical Industries Ltd., ADR	2.99%
VimpelCom Ltd., ADR	2.67%
Banco Bilbao Vizcaya Argentaria SA, ADR	2.56%
Fresenius Medical Care AG & Co. KGaA, ADR	2.53%
Lloyds Banking Group PLC, ADR	2.47%
NICE Ltd., ADR	2.43%
BT Group PLC, ADR	2.38%
HSBC Holdings PLC, ADR	2.37%
BHP Billiton PLC, ADR	2.21%
Tenaris SA ADR, ADR	1.72%

Portfolio Breakdown

The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio as at December 31, 2016.

Sector Weightings	% of ETF Total Net Asset Value
Information Technology	20.70%
Financials	19.90%
Energy	15.75%
Telecommunication Services	14.24%
Materials	9.40%
Healthcare	9.27%
Industrials	5.65%
Consumer Discretionary	2.39%
Utilities	1.59%
Cash & Cash Equivalent	1.03%

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The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio excluding cash, by country, as at December 31, 2016.

Country Weightings	% of ETF Total Net Asset Value
United Kingdom	23.60%
Netherlands	21.80%
Spain	9.37%
France	8.96%
Switzerland	7.07%
Israel	5.42%
Sweden	4.42%
Germany	4.14%
Ireland	4.03%
Russia	3.61%
Norway	3.26%
Luxembourg	1.72%
Denmark	0.74%
Jersey, Channel Islands	0.73%

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40 King Street West, Suite 3001
Scotia Plaza, Box 312
Toronto, Ontario M5H 3Y2

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