



First Trust Morningstar Dividend Leaders ETF
(CAD-Hedged) • FDL

Annual Management Report of Fund Performance
December 31, 2023

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2023

First Trust Morningstar Dividend Leaders 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.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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Investment Objective and Strategy

The fundamental investment objective of **First Trust Morningstar Dividend Leaders ETF (CAD-Hedged)** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of an index of U.S. companies that have shown dividend consistency and dividend sustainability, initially the Morningstar® Dividend Leaders IndexSM.

The Morningstar® Dividend Leaders IndexSM consist of stocks listed on one of the three major exchanges, NYSE, NYSE Amex or Nasdaq, that have shown dividend consistency and dividend sustainability. Real Estate Investment Trusts (REITs) are not included.

Risk

The First Trust ETF provides exposure to its index by investing all or substantially all of its assets in an underlying U.S. index fund known as First Trust Morningstar Dividend Leaders Index Fund (the “Underlying Fund”), which is managed by the First Trust ETF's portfolio advisor.

The risks associated with an investment in the First Trust ETF is discussed in the First Trust ETF's most recent prospectus.

Results of Operations

General

The First Trust ETF's net asset value as of December 31, 2023 was \$9,347,744 or \$30.15 per unit. The First Trust ETF's net asset value as of December 31, 2022 was \$11,750,158 or \$30.92 per unit.

For the year ended December 31, 2023, the First Trust ETF paid total cash distributions of \$1.1917 per unit. In addition, the First Trust ETF declared cash distributions of \$0.2150 per unit for record date of December 29, 2023 with payment date of January 8, 2024.

Investment Performance

For the year ended December 31, 2023, the First Trust ETF returned 0.97% compared to the S&P 500® Index (CAD-Hedged) (the “benchmark”) return of 25.06%. Unlike the benchmark, the First Trust ETF's return is net of fees and expenses.

The First Trust ETF's only holding, the Underlying Fund, held 92 equity securities as of December 31, 2023. The top ten equity holdings for the Underlying Fund accounted for 56.66% of the portfolio within the Underlying Fund.

The Underlying Fund underperformed the benchmark during this year mostly due to an underweight allocation to Information Technology and an overweight allocation to Energy. Stock selection in Communication Services also hurt performance. Stock selection within Financials mitigated the underperformance.

The Underlying Fund's top five stocks by contribution to return were International Business Machines Corporation, Citigroup Inc., Cisco Systems, Inc., Phillips 66, and Blackstone Inc. The Underlying Fund's bottom five stocks by contribution to return were Pfizer Inc., Devon Energy Corporation, Exxon Mobil Corporation, Chevron Corporation, and Ford Motor Company.

The First Trust's ETF's exposure to the U.S. dollar contributed negatively to its absolute performance during the year as the U.S. dollar depreciated 2.39% against the Canadian dollar from December 31, 2022, to December 31, 2023.

Recent Developments

The S&P 500® Index rebounded in 2023, gaining 26.29%, including dividends. The U.S. dollar depreciated relative to the Canadian dollar, meaning the index gained 22.90% over the same period measured in Canadian dollars. The gains in the first half of the year were concentrated in a few mega-cap companies from the Information Technology, Communication Services, and Consumer Discretionary sectors that rebounded from last year's losses as 2022's bearish sentiment subsided. However, the gains broadened out in the second half of the year. These three sectors

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were the best-performing sectors in 2023. Consumer Discretionary stocks, in particular, benefitted from announcing better-than-expected earnings during the period. Utilities, Energy, and Consumer Staples were the three worst-performing sectors. Utilities stocks as a group missed sales expectations during the period, while Energy stocks missed earnings expectations as oil prices fell during the year. Inflation moderated during the period, reaching its lowest level since early 2021 of 3% by June, primarily driven by decreased energy prices. The improvements stalled, however, with inflation climbing back to 3.4% in December. A significant recent development late in 2023 was optimism that the US Federal Reserve might achieve a “soft landing,” slowing inflation without sending the economy into a recession, allowing it to pivot to cutting interest rates in 2024. Consequently, the U.S. 10-year Treasury yield decreased from a high of 4.99% in October to 3.88% at year-end. Meanwhile, the US economy so far has avoided a much-anticipated recession, growing 4.9% annualized in the 3rd quarter and achieving five consecutive quarters of at least 2% growth. The prospect of a soft landing and lower rates contributed to the market rally. Overall, the S&P 500® Index finished the year trading at a 21.9 P/E multiple with a 1.49% dividend yield, more expensive than 17.2 and 1.76%, respectively, at the end of 2022.

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

Net Asset Value per Unit

FDL	2023	2022	2021 ^(a)	2020	2019
Net asset value, beginning of year ⁽¹⁾	\$30.92	\$30.58	\$24.43	\$25.04	\$20.29
Increase (Decrease) from operations:					
Total revenue	1.30	1.35	1.32	0.52	0.11
Total expenses	(0.24)	(0.25)	(0.25)	(0.11)	(0.08)
Realized gains (losses) for the year	(0.36)	(1.65)	6.02	(1.61)	3.03
Unrealized gains (losses) for the year	(1.17)	1.80	(0.21)	3.50	2.65
Total increase (decrease) from operations ⁽²⁾	\$(0.47)	\$1.25	\$6.88	\$2.30	\$5.71
Distributions:					
From income (excluding dividends)	(1.02)	(1.07)	(0.97)	(0.57)	-
From dividends	-	-	-	(0.05)	-
From capital gains	-	-	(2.11)	-	(2.20)
Return of capital	-	-	-	-	(0.01)
Total annual distributions ⁽³⁾	\$(1.02)	\$(1.07)	\$(3.08)	\$(0.62)	\$(2.21)
Net asset value, end of year ⁽⁴⁾	\$30.15	\$30.92	\$30.58	\$24.43	\$25.04

(a) Effective February 12, 2021, the First Trust ETF is fully invested in the Underlying Fund.

(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.

Ratios and Supplemental Data

FDL	2023	2022	2021 ^(a)	2020	2019
Net asset value (000's)	\$9,348	\$11,750	\$4,892	\$2,443	\$2,504
Number of units outstanding	310,000	380,000	160,000	100,000	100,000
Management expense ratio ⁽¹⁾	0.61%	0.61%	0.66%	1.02%	1.09%
Management expense ratio before waivers or absorption	0.63%	0.63%	0.67%	1.04%	1.11%
Trading expense ratio ⁽²⁾	0.00%	0.01%	0.05%	0.23%	0.06%
Portfolio turnover rate ⁽³⁾	44.39%	26.80%	133.70%	280.86%	23.29%

(a) Effective February 12, 2021, the First Trust ETF is fully invested in the Underlying Fund.

(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 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 0.15% 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 0.30% 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 0.45% per annum of NAV of the First Trust ETF plus applicable taxes.

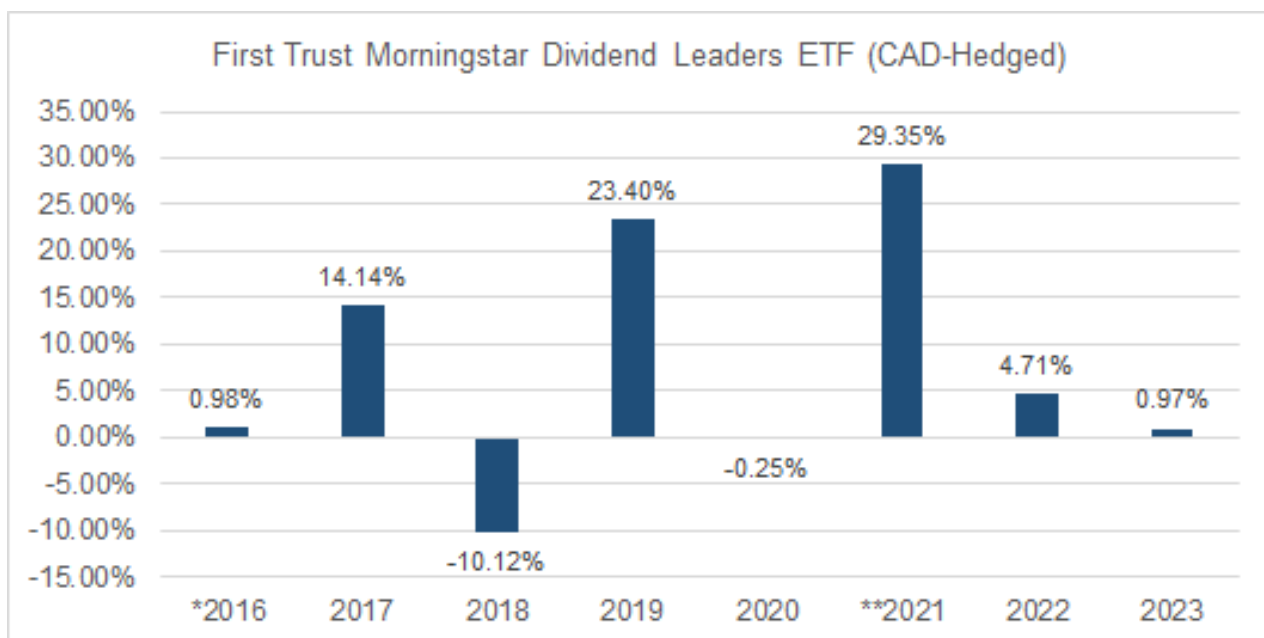
Past Performance

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, 2016 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: September 29, 2016

**Effective February 12, 2021, the First Trust ETF is 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 year ended December 31, 2023. 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/index.

Returns	1-year	3-year	5-year	10-year	Since Inception
First Trust Morningstar Dividend Leaders ETF (CAD-Hedged)	0.97%	11.00%	10.98%	-	7.97%
S&P 500® Index (CAD-Hedged)	25.06%	9.27%	14.73%	-	12.56%

S&P 500® Currency Hedged Indices are designed to represent the returns of index strategies that involve hedging currency risk while accepting underlying equity market risk. By employing such a strategy, the index seeks to reduce the risk of downward currency fluctuations while also sacrificing potential currency gains.

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, 2023. 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 Morningstar Dividend Leaders Index Fund	96.90%
Cash and Cash Equivalents	1.24%
Other Assets, Less Liabilities	1.86%
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, 2023.

Breakdown	% of ETF Total Net Asset Value
Exchange-Traded Fund	96.90%
Cash and Cash Equivalents	1.24%
Other Assets, Less Liabilities	1.86%
Total	100.00%

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