



First Trust JFL Fixed Income Core Plus ETF • FJFB

Annual Management Report of Fund Performance
December 31, 2021

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2021

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 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 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 period 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, 2021 was \$2,033,978 or \$20.34 per unit.

For the period ended December 31, 2021, the First Trust ETF paid total cash distributions per unit of \$0.2983. In addition, the First Trust ETF declared cash distributions per unit of \$0.0368 for record date of December 31, 2021 with payment date of January 10, 2022. The First Trust ETF also made total notional distributions per unit of \$0.1150 for the year ended December 31, 2021. These amounts were reinvested in the First Trust ETF and not paid in cash to unitholders.

Investment Performance

For the period ended December 31, 2021, the First Trust ETF returned 3.72% compared to FTSE Canada Universe Bond Index (the “benchmark”) total return of 3.39%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

In the second quarter, the First Trust ETF outperformed its benchmark. Security selection in the First Trust ETF’s investment grade corporate and provincial holdings as well as its high yield and preferred share securities, all contributed to the First Trust ETF’s quarterly outperformance.

Bond markets saw modest gains as yields declined slightly in the third quarter; however, as yields increased in the last weeks, those gains were lost and the benchmark ended the quarter with a decline of -0.5%. The ETF’s outperformance in the third quarter was driven by both its allocation and security selection of corporate bonds. Its overweight exposure to corporate bonds combined with its selection in energy related securities were key contributors to the outperformance in the third quarter.

In the fourth quarter, the ETF outperformed its benchmark by 33 bps, bringing the year-to-date outperformance to 84 bps. The ETF’s outperformance in the fourth quarter was driven by both its corporate and provincial bond selection as well as inflation-linked bond securities. The ETF’s overall duration and curve positioning was also a modest positive contributor to its quarterly outperformance.

At December 31, 2021, the First Trust ETF held 94 individual positions. The portfolio has a strong Canada focus and as at December 31, 2021 is comprised of 98.86% bonds and 0.88% cash. The top 10 holdings by issuer accounted for 32.33% of the total portfolio.

By comparison, the First Trust ETF held 76 individual positions with the top 10 holdings by issuer comprising 29.0% of the portfolio at the beginning of the period.

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Recent Developments

Interest rates increased for government bonds with less than 7-year maturities while they declined for longer bonds. This is the definition of a yield curve flattening. Some may be surprised that yields did not rise more, or actually declined in the case of longer maturities, given the continued strength in inflation and economic growth. In addition, bond markets also had to contend with the central banks' transition to a less friendly policy stance. The modest response was another reminder that financial markets are discounting mechanisms. Most of the response to the increased inflation pressures and pivot in central bank policies occurred in the first quarter of the year; since then markets have been fine-tuning the length and strength of these pressures.

Spreads on provincial and corporate bonds slightly increased relative to their government equivalents after ending Q3 near record valuations to government bonds. The Bank of Canada ended its incremental bond purchase program while the US Federal Reserve started reducing the size of its bond purchase program. These actions clear the way for future increases in short-term interest rates.

Inflation reached multi-year highs during the last quarter of the year, but we expect it to moderate at least in the near term, with or without central bank intervention. Energy prices have moved lower from their peak, supply chain issues should gradually improve, and consumers will likely return to a more normal balance of spending on services vs. goods. We continue to see price pressures concentrated in fuel, new and used cars, and rent. Rising labour costs could be a longer-term issue for inflation, but many of these pressures are likely to be offset by the constant technology innovations we are experiencing globally. Judging by gold's inability to rally in the face of these favourable macro factors, as well as the weakness in inflation-linked bonds, markets are not pricing in significant long-term inflation risks.

In the long run, we expect inflation to settle closer to 3%, rather than the 2% we have been accustomed to seeing over the last couple of decades. We do question the policy response to inflation: How does raising interest rates to punitive levels help address a monumental problem with the supply of goods? Today's situation is similar to the 1970s energy crisis in that it was also a supply issue (albeit with a different genesis). The proper response then, as now, was to concentrate efforts on facilitating an increased expansion of supply or creating alternatives. This requires increased investment and financing of that investment. A monetary response of higher interest rates would discourage investment beyond a certain interest rate level. We believe a fiscal policy response would be a suitable alternative to a monetary policy response to inflation, particularly in the current situation given the supply problem.

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 period. The information are derived from the First Trust ETF's audited annual financial statements.

Net Asset Value per Unit

FJFB	December 31, 2021
Net asset value, beginning of period ⁽¹⁾	\$20.00 ^(a)
Increase (Decrease) from operations:	
Total revenue	0.46
Total expenses	(0.11)
Realized gains (losses) for the period	0.11
Unrealized gains (losses) for the period	0.22
Total increase (decrease) from operations ⁽²⁾	\$0.68
Distributions:	
From income (excluding dividends)	(0.30)
From dividends	(0.03)
From capital gains	(0.12)
Return of capital	-
Total annual distributions ⁽³⁾	\$(0.45)
Net asset value, end of period ⁽⁴⁾	\$20.34

(a) Seed capital

(1) This information is provided for the period from March 19, 2021 (commencement of operations) to December 31, 2021 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.

(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	December 31, 2021
Net asset value (000's)	\$2,034
Number of units outstanding	100,000
Management expense ratio ⁽¹⁾	0.68%
Management expense ratio before waivers or absorption	0.80%
Trading expense ratio ⁽²⁾	0.03%
Portfolio turnover rate ⁽³⁾	34.11%

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(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.

(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. The higher a First Trust ETF's portfolio turnover rate in a period, the greater the trading cost payable by the First Trust ETF in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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.

The First Trust ETF currently pays the Manager a management fee equal to 0.60%.

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 until December 31, 2021 in response to the current low interest rate environment. The Manager anticipates that if the trailing average 30-day yield of the current 10-year Canadian Treasury Bond exceeds 3.50% before December 31, 2021, the fee waiver may not be continued past December 31, 2021. Given that the 0.10% waiver is on an annualized basis, if the waiver is for less than a year, the net 12 management fee will be higher than 0.60%. Following December 31, 2021, the Manager may waive a portion of the management fee at any time in its discretion.

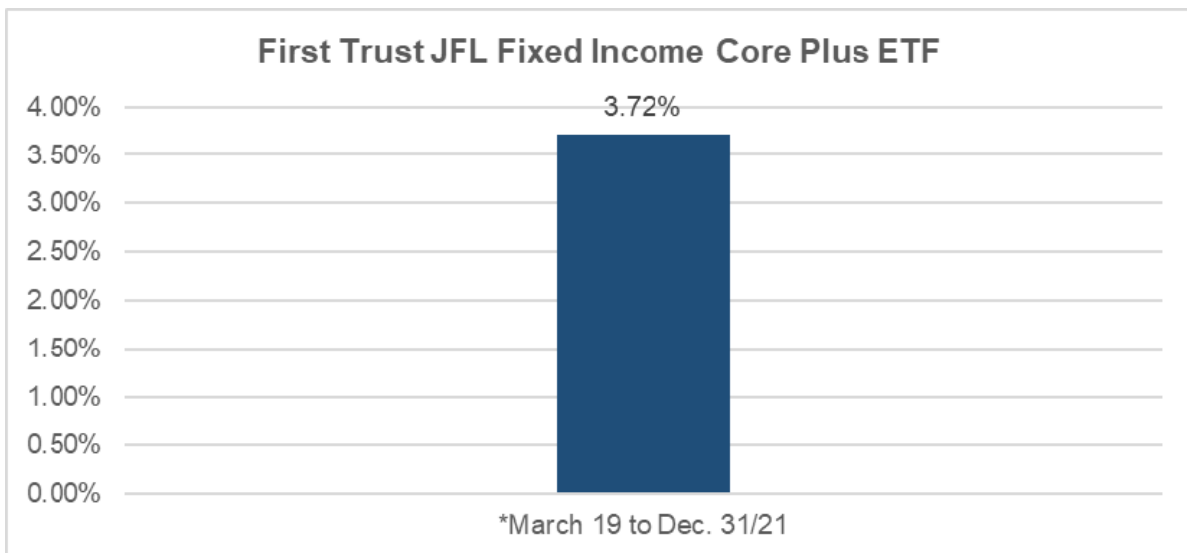
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period 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 period from commencement of operations to December 31, 2021 and illustrates how the investment fund's performance has changed for the period.



*First Trust ETF Commencement: March 19, 2021

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Annual Compound Returns

The table below shows the First Trust ETF's annual compound total return for the period from commencement of operations to December 31, 2021. 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 period performance of the First Trust ETF relative to the benchmark.

	Since Inception
First Trust JFL Fixed Income Core Plus ETF	3.72%
FTSE Canada Universe Bond Index	3.39%

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, 2021. 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.

Top 25 Holdings	Coupon Rate/Yield	Maturity Date	% of ETF Total Net Asset Value
Government of Canada	2.00%	01-Dec-51	5.56%
Royal Bank of Canada	3.30%	26-Sep-23	3.81%
Bank of Montreal	2.89%	20-Jun-23	3.43%
Canada Housing Trust No. 1	1.40%	15-Mar-31	3.22%
Province of Quebec	3.50%	01-Dec-48	2.97%
Province of Ontario	2.65%	02-Dec-50	2.91%
Canada Housing Trust No. 1	2.35%	15-Jun-27	2.86%
Province of New Brunswick	3.10%	14-Aug-28	2.55%
Canada Housing Trust No. 1, Series '104'	2.15%	15-Dec-31	2.52%
Canadian Imperial Bank of Commerce	2.43%	09-Jun-23	2.50%
Walt Disney Co. (The)	3.06%	30-Mar-27	2.30%
Suncor Energy Inc., Callable	3.10%	24-May-29	2.13%
National Bank of Canada	2.98%	04-Mar-24	2.03%
Toronto-Dominion Bank (The)	1.91%	18-Jul-23	1.99%
Wells Fargo & Co.	3.87%	21-May-25	1.92%
Province of Ontario	2.80%	02-Jun-48	1.88%
Federation des Caisses Desjardins du Québec	1.09%	21-Jan-26	1.76%
Corus Entertainment Inc., Callable	5.00%	11-May-28	1.73%
Federation des Caisses Desjardins du Québec	3.06%	11-Sep-23	1.72%
Government of Canada	1.25%	01-Jun-30	1.71%
Manulife Bank of Canada	2.38%	19-Nov-24	1.70%
Province of British Columbia	5.70%	18-Jun-29	1.56%
Wells Fargo & Co.	2.49%	18-Feb-27	1.54%
Canadian Imperial Bank of Commerce	2.00%	17-Apr-25	1.53%
Toronto-Dominion Bank (The), Variable Rate, Callable	3.11%	22-Apr-30	1.52%
Total			59.35%

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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 sector, as at December 31, 2021.

Sector Weightings	% of ETF Total Net Asset Value
Corporate Bonds	52.38%
Federal Bonds & Guarantees	23.43%
Provincial Bonds & Guarantees	23.05%
Cash and Cash Equivalents	0.88%
Other Assets, Less Liabilities	0.26%
Total	100.00%

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, 2021.

Country Weightings	% of ETF Total Net Asset Value
Canada	88.29%
United States	8.84%
Jersey C.I.	1.49%
United Kingdom	0.24%
Total	98.86%

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, 2021.

S&P Rating	% of ETF Total Net Asset Value
AAA	23.42%
AA	20.37%
A	29.79%
BBB	21.73%
Below BBB	3.55%
Total	98.86%

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