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First Trust AlphaDEX™ Emerging Market Dividend ETF  
(CAD-Hedged) • FDE, FDE.A

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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™ Emerging Market Dividend 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](http://www.firsttrust.ca) or SEDAR at [www.sedar.com](http://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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# First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)

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### For the year ended December 31, 2019

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#### **Investment Objective and Strategy**

The fundamental investment objective of **First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)** (the “First Trust ETF”) is to provide unitholders with exposure to the performance of a portfolio of dividend paying equity securities domiciled in the emerging markets and selected from the countries represented in the S&P BMI Emerging Markets Index as well as providing unitholders with monthly distributions.

To achieve its investment objectives, the First Trust ETF will primarily invest in common shares, GDRs, ADRs or other depository receipts listed on a major U.S. or Canadian stock exchange, of dividend paying companies in emerging countries as defined by the S&P Emerging Markets BMI Index. Securities will also be subject to an initial screening process to ensure sufficient liquidity (minimum three month average daily trading volume of \$2.5 million), market capitalization (minimum of \$1 billion) and price per security (minimum of \$2). Eligible companies will then be assigned a score and ranked based on the AlphaDEX™ selection methodology which is a rules based methodology that analyzes companies based on five growth factors consisting of three, six and twelve month price appreciation, one year sales growth and sales-price ratio and three value factors consisting of book value-to-price ratio, cash flow-to-price ratio and return on assets. The top 75% of the eligible companies, based on selection score, will comprise the portfolio. The resulting stocks are not weighted based on market capitalization, but on the basis of potential investment merit. The selected stocks are then divided equally into quintiles based on their AlphaDEX™ methodology scores; the higher scoring quintiles are given a greater weight than lower scoring quintiles. 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 First Trust ETF will generally seek to hedge substantially any of its U.S. dollar currency exposure back to the Canadian dollar.

The First Trust ETF will rebalance and reconstitute the portfolio of constituent securities semi-annually. Between rebalancing dates, the allocation between each of the constituent securities will change due to market movement and the portfolio advisor will typically not reallocate, include or exclude issuers from the First Trust ETF portfolio until its next rebalance date.

#### **Risk**

The AlphaDEX™ stock selection process is a rules-based process and can result in sector weightings that differ from that of the benchmark. The ability of the underlying securities to pay a dividend in the future is dependent on factors that are not controlled by fund management. A security held in the First Trust ETF may, at any time, decide to cut or eliminate its dividend payment. Given the First Trust ETF employs a currency hedging strategy to minimize the impact of changes in the USD-CAD exchange rate and considering that the portfolio remains consistent in its application of the AlphaDEX™ stock selection methodology to pick stocks for the portfolio, we conclude there was no material change to the risk profile of the First Trust ETF. Investors should refer to the most recent prospectus as it contains detailed discussion of risk relating to the investment of the First Trust ETF.

#### **Results of Operations**

##### **General**

The First Trust ETF's total net asset value as of December 31, 2019 was \$4,203,406 or \$16.84 per Common Class unit (“FDE”) and \$16.77 per Advisor Class unit (“FDE.A”). The First Trust ETF's total net asset value as of December 31, 2018 was \$4,323,118 or \$14.42 per FDE and \$14.40 per FDE.A.

For the year ended December 31, 2019, the First Trust ETF paid total cash distributions per unit of \$0.5100 for FDE and \$0.3900 for FDE.A. In addition, the First Trust ETF declared cash distributions per unit of \$0.0400 for FDE and \$0.0300 for FDE.A for record date of December 31, 2019 with payment date of January 8, 2020.

##### **Investment Performance**

For the year ended December 31, 2019, FDE returned 20.70% and FDE.A returned 19.44% compared to MSCI Emerging Market Index (USD) (the “benchmark”) return of 18.90%. Unlike the benchmark, the First Trust ETF's returns are net of fees and expenses.

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# First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the year ended December 31, 2019

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FDE outperformed the benchmark. FDE benefitted from selection in South African stocks relative to the benchmark. FDE also outperformed due to strong selection in the Utilities, Energy, and Industrials sectors. FDE's outperformance can also be attributed to FDE's emphasis on dividend yield, one of the best performing factors during the period.

The top five stocks by contribution to return were Companhia Paranaense de Energia Sponsored ADR Pfd Class B, Cosan Limited Class A, AngloGold Ashanti Limited Sponsored ADR, Seaspan Corporation, and Gold Fields Limited Sponsored ADR. The bottom five stocks by contribution to return were FinVolution Group Sponsored ADR Class A, Au Optronics Corp. Sponsored ADR, Companhia Siderurgica Nacional Sponsored ADR, Sasol Limited Sponsored ADR, and Ternium S.A. Sponsored ADR.

The portfolio held 42 equity securities at the end of the reporting period. The top ten equity holdings accounted for 39.31% of the portfolio. Materials, Information Technology, and Financials were the top three sector weightings at the beginning of the reporting period. At the end of the period, Communication Services, Utilities, and Industrials were the top three sector weightings. During the period, the First Trust ETF added 18 positions and removed 20 positions. The changes were made by applying the quantitative AlphaDEX™ selection methodology to a universe of emerging market dividend paying stocks.

During the period, depreciation in the U.S. dollar versus the Canadian dollar was advantageous for the First Trust ETF given the currency hedge.

#### **Recent Developments**

Over the reporting period, emerging market equities underperformed their developed market peers. We believe the underperformance is largely due to a strengthening U.S. dollar during the period, which makes it more difficult for debt-burdened emerging market countries to pay back debt denominated in U.S. dollars. Moreover, investors fear that the developing trade war between the United States and China could slow global growth, lowering demand for raw materials and hurting emerging market economies that are commodity exporters.

#### **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 audited annual financial statements.

**Net Asset Value per Unit**

FDE	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value, beginning of year <sup>(1)</sup>	\$14.42	\$16.68	\$14.38	\$11.91	\$16.36
Increase (Decrease) from operations:					
Total revenue	0.46	0.64	0.36	0.35	0.66
Total expenses	(0.24)	(0.22)	(0.20)	(0.19)	(0.20)
Realized gains (losses) for the year	0.48	(1.09)	1.41	(0.68)	(4.39)
Unrealized gains (losses) for the year	2.35	(1.78)	0.83	1.05	0.18
Total increase (decrease) from operations <sup>(2)</sup>	\$3.05	\$(2.45)	\$2.40	\$0.53	\$(3.75)
Distributions:					
From income (excluding dividends)	(0.39)	(0.46)	(0.32)	(0.30)	(0.30)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	(0.12)	(0.04)	(0.24)	(0.08)	(0.07)
Total annual distributions <sup>(3)</sup>	\$(0.51)	\$(0.50)	\$(0.56)	\$(0.38)	\$(0.37)
Net asset value, end of year <sup>(4)</sup>	\$16.84	\$14.42	\$16.68	\$14.38	\$11.91

FDE.A	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value, beginning of year <sup>(1)</sup>	\$14.40	\$16.67	\$14.37	\$11.90	\$16.36
Increase (Decrease) from operations:					
Total revenue	0.56	0.71	1.01	1.35	(0.13)
Total expenses	(0.39)	(0.39)	(0.41)	(0.35)	(0.36)
Realized gains (losses) for the year	0.52	(1.76)	1.31	(0.54)	(4.88)
Unrealized gains (losses) for the year	2.08	(0.36)	(0.06)	2.24	1.13
Total increase (decrease) from operations <sup>(2)</sup>	\$2.77	\$(1.80)	\$1.97	\$2.70	\$(4.24)
Distributions:					
From income (excluding dividends)	(0.30)	(0.34)	(0.15)	(0.18)	(0.17)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	(0.09)	-	(0.22)	(0.05)	(0.04)
Total annual distributions <sup>(3)</sup>	\$(0.39)	\$(0.34)	\$(0.37)	\$(0.23)	\$(0.21)
Net asset value, end of year <sup>(4)</sup>	\$16.77	\$14.40	\$16.67	\$14.37	\$11.90

(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.

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**Ratios and Supplemental Data**

FDE	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value (000's)	\$2,536	\$2,892	\$7,514	\$7,918	\$1,787
Number of units outstanding	150,600	200,600	450,600	550,599	150,000
Management expense ratio <sup>(1)</sup>	0.71%	0.72%	0.71%	0.72%	0.73%
Management expense ratio before waivers or absorption	0.73%	0.74%	0.73%	0.74%	0.75%
Trading expense ratio <sup>(2)</sup>	0.29%	0.20%	0.17%	0.26%	0.16%
Portfolio turnover rate <sup>(3)</sup>	115.61%	175.26%	204.83%	136.38%	114.10%
Net asset value per unit	\$16.84	\$14.42	\$16.68	\$14.38	\$11.91

FDE.A	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net asset value (000's)	\$1,667	\$1,431	\$2,490	\$710	\$595
Number of units outstanding	99,399	99,399	149,399	49,400	50,000
Management expense ratio <sup>(1)</sup>	1.78%	1.79%	1.81%	1.83%	1.83%
Management expense ratio before waivers or absorption	1.80%	1.80%	1.83%	1.85%	1.85%
Trading expense ratio <sup>(2)</sup>	0.29%	0.20%	0.17%	0.26%	0.16%
Portfolio turnover rate <sup>(3)</sup>	115.61%	175.26%	204.83%	136.38%	114.10%
Net asset value per unit	\$16.77	\$14.40	\$16.67	\$14.37	\$11.90

(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.

**Management Fees**

The First Trust ETF will pay the Manager a management fee of 0.65% and, in respect of the FDE.A, an additional amount for a service fee (see "FDE.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.

**FDE.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.

# First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)

## Management Report of Fund Performance

### For the year ended December 31, 2019

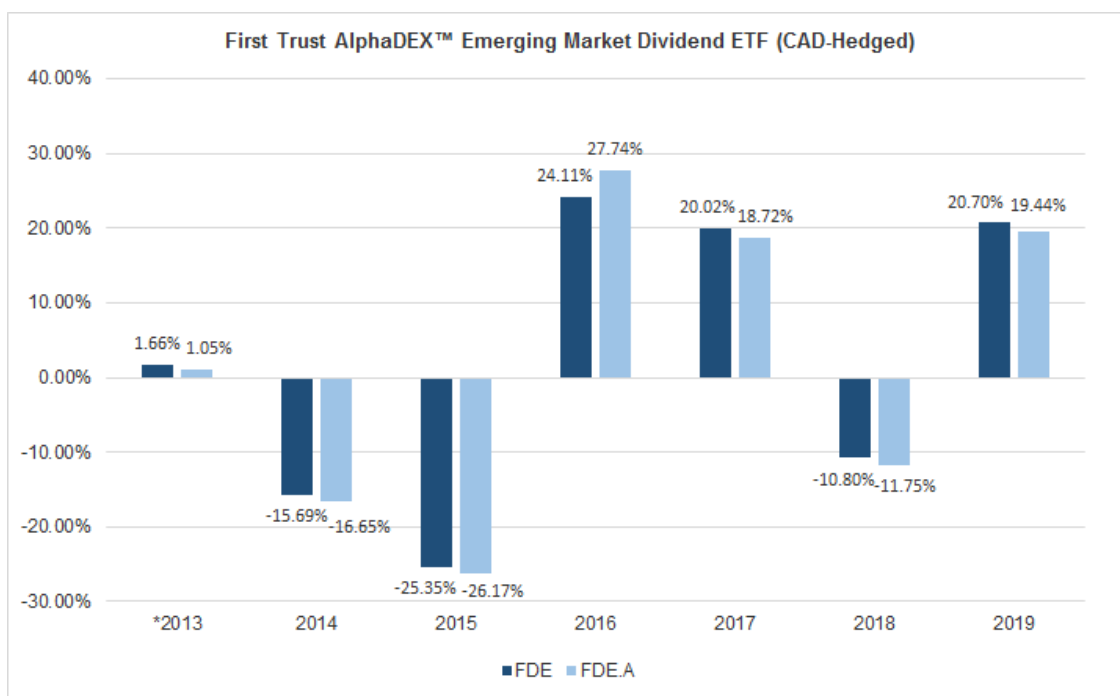
#### Past Performance

##### 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, per class, 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: May 15, 2013

##### 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 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.

	1-year	3-year	5-year	Since Inception
First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged) - FDE	20.70%	8.92%	3.66%	0.43%
First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged) - FDE.A	19.44%	7.76%	2.55%	-0.66%
MSCI Emerging Markets Index (USD)	18.90%	11.99%	6.01%	3.83%

MSCI Emerging Markets Index- is a free float-adjusted market capitalization weighted index provided by MSCI that is designed to measure the equity market performance of emerging markets.



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**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](http://www.firsttrust.ca).

Top 25 Holdings	% of ETF Total Net Asset Value
Tim Participacoes SA, ADR	4.41%
Enel Americas SA, ADR	4.23%
Companhia Energetica de Minas Gerais SA, ADR	4.20%
China Petroleum and Chemical Corp. (Sinopec), ADR	4.01%
Mobile TeleSystems PJSC, ADR	4.01%
Star Bulk Carriers Corp.	4.01%
Vedanta Ltd., ADR	4.00%
NetEase Inc., ADR	3.63%
Companhia Paranaense de Energia	3.46%
Companhia de Saneamento Basico do Estado de Sao Paulo, ADR	3.35%
PetroChina Co. Ltd., ADR	3.28%
China Life Insurance Co. Ltd., ADR	3.27%
Telefonica Brasil SA, ADR	3.25%
Petroleo Brasileiro SA, ADR	3.23%
ICICI Bank Ltd., ADR	3.19%
Latam Airlines Group SA, ADR	2.84%
Gerdau SA, ADR	2.45%
Grupo Aeroportuario del Pacifico SAB de CV, ADR	2.33%
Companhia Siderurgica Nacional SA, ADR	2.32%
ZTO Express (Cayman) Inc., ADR	2.18%
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	2.18%
Ecopetrol SA, ADR	2.17%
Coca-Cola FEMSA SAB de CV, Series 'L', ADR	2.08%
Cemex SAB de CV, ADR	2.02%
Dr. Reddy's Laboratories Ltd., ADR	1.98%
<b>Total</b>	<b>78.08%</b>

**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, 2019.

Sector Weightings	% of ETF Total Net Asset Value
Utilities	15.24%
Communication Services	13.91%
Industrials	13.76%
Energy	13.50%
Materials	13.40%
Financials	12.07%
Information Technology	7.34%
Consumer Staples	3.45%
Consumer Discretionary	3.09%
Health Care	1.98%
Cash and Cash Equivalents	0.39%
Other Assets, Less Liabilities	1.86%
<b>Total</b>	<b>100.00%</b>

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The table below 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, 2019.

<b>Country Weightings</b>	<b>% of ETF Total Net Asset Value</b>
Brazil	28.26%
China	17.15%
Mexico	14.28%
India	12.24%
Chile	7.75%
Russia	4.01%
Greece	4.01%
Columbia	3.86%
South Africa	2.62%
Taiwan	2.18%
United States	0.71%
Indonesia	0.68%
<b>Total</b>	<b>97.75%</b>

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