

 **First Trust**
Portfolios Canada

2009 Interim

Management Report of Fund Performance

ScotiaMcLeodTM Canadian
Core Portfolio

This interim management report of Trust and/or Fund performance contains financial highlights, but does not contain the complete unaudited interim financial statements of the investment Trust and/or Fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling us at 877-622-5552, or by writing to us at:

First Defined Portfolio Management Co.
330 Bay Street, Suite 1300
Toronto, Ontario M5H 2S8

or by visiting our website at
www.firsttrust.ca

or
SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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Investment Objective and Strategies

The fundamental investment objective of the ScotiaMcLeod™ Canadian Core Portfolio (the “Trust”) is to provide investors with a consistent long term rate of return by holding a diversified portfolio of Canadian stocks comprised of industry leaders. The universe of investments from which the Trust’s portfolio will be selected is derived using the ScotiaMcLeod™ Canadian Core Guided Portfolio, a model portfolio that is based on the best equity investment ideas available from the research produced by Scotia Capital, providing a tangible vehicle that illustrates Scotia Capital’s equity sector strategy combined with fundamental stock selections. Relative sector weightings are determined by the Scotia Capital Investment Strategy Committee, while stocks are selected from the universe of Canadian equities and income trusts covered by Scotia Capital. Stocks are selected using Fundamental, Quantitative, and Technical analysis, with a greater emphasis on Fundamental research.

Risk

The Trust is a concentrated portfolio that is comprised of 15 to 20 companies. The strategy is to hold a fully invested portfolio of 20 holdings of approximately 5% each, which allows for greater diversification, thus minimizing risk, and improving the ability to achieve desired sector weights. Specifically during the past fiscal year, market-assessed risk reached its peak in early March as investors appeared to price in an economic depression scenario, taking global equity markets to cycle-low levels. Portfolio risk is managed through a combination of sector diversification and stock selection. The Trust had maintained a relatively defensive emphasis within the portfolio even prior to the market contraction due to concerns regarding a global economic slowdown. “Defensive” in the Canadian context however leads to being underweight Energy and Materials which have a very heavy concentration in the Canadian equity market, and thus still meaningful exposure to cyclical sectors. After sector allocation, risk is mitigated through stock selection and efforts to invest in the stocks within each sector that offer the best potential return.

Results of Operation

Equity markets continued their upward trajectory in the third quarter of the calendar year, following the pattern established in the previous quarter after the market bottomed in early March. Since the market lows, market participants have been increasingly encouraged by improving economic data supporting a significantly more optimistic outlook and, aided by liquidity injected by central banks globally, equity prices were driven higher.

The Trust outperformed the benchmark in the July to September period due to a combination of appropriate sector allocation and effective stock selection. During a phase when economically sensitive stocks led the market higher, the heavy emphasis on Financial holdings contributed significantly to overall performance. In sympathy with stronger commodity prices resource holdings in the portfolio also got a lift. Early in the quarter Scotia Capital re-balanced portfolio weights due to the strength in the price of **Teck Resources** and its impact on the portfolio. **Teck Resources** had a huge increase of 245% since the previous rebalancing that occurred coincident with a switch in bank holdings. As a result the portfolio weight of the **Teck** position had grown to more than 10% of the portfolio, which is excessive, and thus it was prudent to rebalance and return all positions back to equal weights. **Teck** shares had advanced an impressive 584% since they hit their closing low price in March, 2009. Scotia Capital reiterated at that time Scotia Capital’s confidence in the long term outlook for **Teck Resources** but the shares had made a remarkable bounce off their lows and were vulnerable to a pullback; trimming extra-large positions, especially at a profit, was both timely and prudent. Later in July Scotia Capital switched out of **Power Financial (PWF)** and replaced it with a direct investment in its core underlying component **Great West Lifeco (GWO)** as its shares offered greater capital appreciation potential in addition to an attractive dividend yield. In August Scotia Capital sold the position in **Fortis Inc.** and bought shares of **Research in Motion (RIM)**, eliminating exposure to the very lightly weighted Utilities sector in the process. The addition of **RIM** represents a shift in sector allocation toward a more cyclical emphasis in anticipation of the economic recovery. **RIM** is currently the only truly investment grade Canadian technology company available to investors and the company is the market leader in smart phone technology, both in terms of market share and product innovation. The final change made during an uncharacteristically active quarter in this portfolio was the switch out of **Yellow Pages Income Fund** and into **Thomson Reuters Corporation (TRI)**. **TRI** has consistently exceeded expectations on both revenue and earnings per share since the merger of **The Thomson Corporation** and **Reuters Group Plc** in 2008.

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The fourth calendar quarter delivered a strong finish for Canadian equity markets in 2009, although returns were modest compared with those experienced in the second and third quarters. In what became a recurring theme in 2009, most industrial commodities were strong during the fourth quarter in response to an improving global demand outlook combined with ongoing selling pressure on the U.S. dollar. For the final six months of 2009 the Trust outperformed the benchmark; the relative performance gains during the period resulted from some large capital gains generated among some of the more heavily weighted Financials, Energy, and Materials sectors. For the period the Trust returned 15.37% versus an 11.56% return for the S&P/Toronto Stock Exchange 60 benchmark index. No changes were made to the Trust during the final quarter of 2009. Scotia Capital continue to monitor all current holdings as well as the portfolio composition to ensure that the portfolio reflects characteristics and attributes in line with the investment mandate which is to provide a consistent long term rate of return. Scotia Capital's objective is to establish appropriate sector allocation and then to identify the best investment opportunities within each sector.

Recent Developments

Investors should anticipate positive equity returns in 2010, but certainly more modest returns than those generated in 2009. While 2008 was a highly abnormal year, characterized by gut-wrenching volatility and massive capital deterioration, 2009 was as much or more anomalous, but thankfully in a positive direction. The trend for equities remains higher, but likely with limited upside potential until such time as investors are more willing to look beyond 2010 and start discounting further economic recovery and profit growth into 2011. Investors will need to moderate return expectations for the coming year and consequently, not only will stock selection become increasingly important, but dividend income will also play a larger component of total shareholder returns. For now the Trust is emphasizing economically sensitive sectors as they are expected to outperform in the early part of the year, but as 2010 unfolds and there is a clearer indication of when the Federal Reserve is likely to begin raising interest rates, it will be time to begin a shift back toward a more market neutral, if not defensive, portfolio positioning.

Financial Instruments

Effective on July 1, 2009, the Trust adopted the recent amendments to CICA 3862, Financial Instruments – Disclosures. Disclosures about fair value of Financial Instruments, requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Trust's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

An amendment to CICA 3862, Financial Instruments – Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows.

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 One or more significant pricing inputs are unobservable for the financial asset or liability and include situations where there is little, if any, market activity for the financial asset or liability. The inputs into the determination of fair value require significant management judgment or estimation.

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Net Assets and Net Asset Value

The Canadian Securities and regulatory authorities have published amendments to National Instruments 81-106 “Investments Fund Continuous Disclosure” (“NI 81-106”) that remove the requirement that net asset value for transactional purposes, (“Net Asset Value”) be calculated in accordance with CICA Handbook section 3855 “Financial Instruments – Recognition and Measurement” effective September 8, 2008. As a result of the amendments, the Net Asset Value of investment funds will continue to be calculated based on the fair value of investments using the close or last trade price. The net assets per unit for financial reporting purposes (“Net Assets”) and Net Asset Value per unit could be different due to the use of different valuation techniques. As at December 31, 2009, the Trust’s net asset value per unit was \$18.47 (2008 – \$13.16) per Series A unit & \$19.46 (2008 – \$13.78) per Series F unit. The difference between the net asset value per unit for unitholder transactions and the net assets per unit as shown on the Statement of Net Assets is due to the use of different pricing methodologies discussed above.

International Financial Reporting Standards

As of December 31, 2009, the Manager has commenced the development of a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants (CICA) for conversion to International Financial Reporting Standards (IFRS). The key elements of the plan include disclosures of the qualitative impact in the 2009 and 2010 financial statements, the disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS, with comparatives. The impact the conversion from Canadian GAAP to IFRS will have on the Trust’s net assets, accounting policies, financial statements and other business arrangements is being evaluated by the Manager.

Related Party Transactions

First Defined Portfolio Management Co. is the Manager of the Trust and is a Canadian affiliate of First Trust Advisors L.P., the investment advisor (the “Advisor”) of the Trust.

Pursuant to terms of the declaration of trust of the Trust, the Manager provides or arranges for all management, administrative and other services required by the Trust. The Manager receives a management fee from the Trust. For further details, please see “Management Fees”.

The Manager has retained the Advisor to provide certain services to the Trust 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 Trust and are intended to help you understand the Trust's financial performance for the past five years. The date of inception of the Trust is October 1, 2003. The 2009 information is derived from the Trust's unaudited interim financial statements for the six-month period ending December 31 and the prior years are from audited annual financial statements for the fiscal years ending June 30.

The Trust's Net Assets per Unit

	Dec. 31, 2009		June 30, 2009		June 30, 2008		June 30, 2007		June 30, 2006	
	Series A	Series F	Series A	Series F	Series A	Series F	Series A	Series F	Series A	Series F
Net assets, at the beginning of the period⁽¹⁾	\$ 16.00	\$ 16.77	\$ 19.79	\$ 20.62	\$ 19.75	\$ 20.37	\$ 16.21	\$ 16.66	\$ 16.17	\$ 16.46
Increase (decrease) from operations:										
Total revenue	0.25	0.26	0.51	0.53	0.46	0.48	0.35	0.37	0.32	0.33
Total expenses	(0.17)	(0.09)	(0.30)	(0.16)	(0.39)	(0.21)	(0.35)	(0.18)	(0.32)	(0.16)
Realized gains (losses) for the period	(0.58)	(0.61)	(0.47)	(0.52)	1.50	1.49	0.98	0.98	(0.27)	(0.38)
Unrealized gains (losses) for the period	2.90	3.08	(3.49)	(3.90)	(1.50)	(1.58)	2.60	2.67	0.48	0.63
Total increase (decrease) from operations⁽²⁾	\$ 2.40	\$ 2.64	\$ (3.75)	\$ (4.05)	\$ 0.07	\$ 0.18	\$ 3.58	\$ 3.84	\$ 0.21	\$ 0.42
Distributions:										
From income (excluding dividends)	–	–	–	–	–	–	–	–	–	–
From dividends	–	–	0.02	0.02	–	–	0.02	0.14	–	–
From capital gains	–	–	–	–	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–	–	–	–	–
Total Annual distributions⁽³⁾	\$ –	\$ –	\$ 0.02	\$ 0.02	\$ –	\$ –	\$ 0.02	\$ 0.14	\$ –	\$ –
Net assets, at the end of the period⁽⁴⁾	\$ 18.42	\$ 19.40	\$ 16.00	\$ 16.77	\$ 19.79	\$ 20.62	\$ 19.79	\$ 20.40	\$ 16.21	\$ 16.66

(1) This information is provided as at June 30, of the years shown, except in December 2009, it is shown as at December 31, 2009. The net assets per unit presented in the financial statements differs from the net asset value calculated for trust pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

(2) Net assets 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 financial period.

(3) Distributions were paid in cash/reinvested in additional units of the Trust.

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

Ratios and Supplemental Data

	Dec. 31, 2009		June 30, 2009		June 30, 2008		June 30, 2007		June 30, 2006	
	Series A	Series F	Series A	Series F	Series A	Series F	Series A	Series F	Series A	Series F
Net asset value (000's)	\$ 30,220	\$ 5,459	\$ 24,703	\$ 4,470	\$ 28,902	\$ 5,482	\$ 27,529	\$ 4,759	\$ 28,599	\$ 4,104
Number of units outstanding	1,635,964	280,512	1,542,751	266,154	1,455,559	265,039	1,391,323	233,220	1,763,786	246,277
Management expense ratio ⁽¹⁾	1.94%	0.94%	2.05%	1.01%	1.96%	0.95%	1.94%	0.95%	1.95%	0.95%
Management expense ratio before waivers or absorption	1.94%	0.94%	2.05%	1.01%	1.96%	0.95%	2.16%	1.05%	1.99%	0.92%
Trading expense ratio ⁽²⁾	0.10%	0.10%	0.08%	0.08%	0.03%	0.03%	0.06%	0.06%	0.10%	0.10%
Portfolio turnover rate ⁽³⁾	20.19%	20.19%	46.28%	46.28%	35.06%	35.06%	39.19%	39.19%	71.38%	71.38%
Net asset value per unit	\$ 18.47	\$ 19.46	\$ 16.01	\$ 16.79	\$ 19.86	\$ 20.68	\$ 19.79	\$ 20.40	\$ 16.21	\$ 16.66

(1) Management expense ratio is based on total expenses 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 Trust's portfolio turnover rate indicates how actively the Trust's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher a Trust's portfolio turnover rate in a year, the greater the trading cost payable by the Trust 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 Trust.

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Management Fees

An annual management fee, including operating expenses, is accrued daily at a rate of 1.95% of net assets for Series A and 0.95% of net assets for Series F and is paid to the manager monthly. The Trust received services in consideration of the management fees as follows:

Services Provided	Series A	Series F
Distribution related costs	51%	0%
Portfolio Advisor and Management services	49%	100%

The Manager has agreed to waive all or a portion of its fees or absorb any expenses of the Trust which would cause the management expense ratio to exceed 1.95% and 0.95% for Series A and Series F respectively. For purposes of the foregoing, the expenses referred to above do not include income taxes, brokerage commissions, and reasonable costs relating to the operation of the Independent Review Committee or extra-ordinary expenses such as litigation.

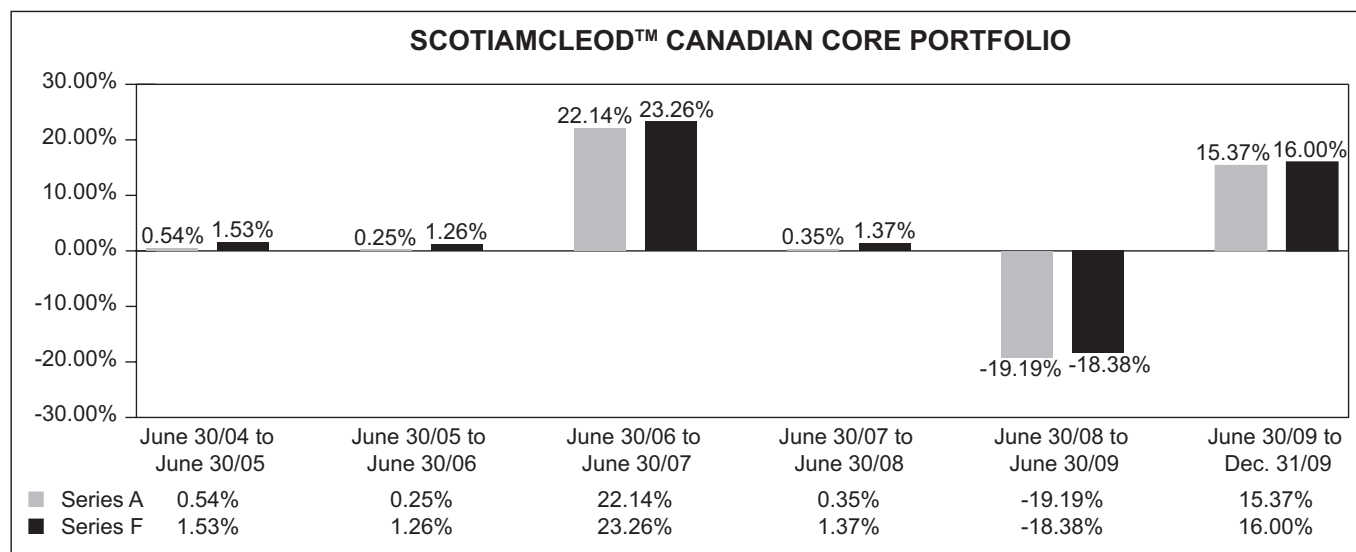
Past Performance

General

The past performance information shown assumes that all distributions made by the Trust in the periods shown were reinvested in additional securities of the Trust. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Trust 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 Trust's performance for the six-month period ended December 31, 2009 and each of the past years' fiscal year ended June 30, and illustrates how the investment trust'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.



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Summary of Investment Portfolio

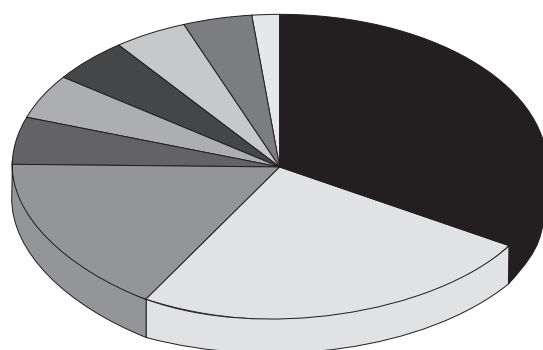
The table sets out the percentage (based on net asset value) of the Trust's holdings as at December 31, 2009.

Issuers	% of Trust Net Asset Value
TECK RESOURCES LTD.	6.31%
AGRIUM INC.	6.04%
AGF MANAGEMENT LTD.	5.26%
TRANSCANADA CORP.	5.20%
CANADIAN NATURAL RESOURCES LTD.	5.12%
BANK OF NOVA SCOTIA	5.07%
GREAT WEST LIFECO INC.	4.95%
ROYAL BANK OF CANADA	4.91%
TALISMAN ENERGY INC.	4.90%
CANADIAN NATIONAL RAILWAY CO.	4.90%
ROGERS COMMUNICATIONS INC.	4.84%
BROOKFIELD ASSET MANAGEMENT INC.	4.81%
NEXEN INC.	4.81%
BARRICK GOLD CORP.	4.73%
SUNCOR ENERGY INC.	4.67%
THOMSON REUTERS CORP.	4.58%
SHOPPERS DRUG MART CORP.	4.50%
SUN LIFE FINANCIAL INC.	4.47%
MANULIFE FINANCIAL CORP.	4.26%
RESEARCH IN MOTION LTD.	4.23%
CASH	1.44%

This summary of portfolio holdings may change due to ongoing portfolio transactions of the Trust. A quarterly update is available at www.firsttrust.ca

Portfolio Breakdown

The table sets out the percentage (based on net asset value) of the Trust's portfolio as at December 31, 2009.



Financials	33.73%
Energy	24.70%
Materials	17.08%
Industrials	4.90%
Telecommunication Services	4.84%
Consumer Discretionary	4.58%
Consumer Staples	4.50%
Information Technology	4.23%
Other Holdings	1.44%

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Redemption of Units

Unitholders may redeem units of Trust and receive an amount for each unit redeemed equal to the applicable series NAV per unit as next calculated after the Manager receives the redemption request. A redemption of units of the Trust is a disposition for tax purposes. If units are held outside a registered plan, unitholders may realize a taxable capital gain upon a redemption.

The following paragraphs set out the redemption procedure for the Trust.

- Redemption requests received before 4:00 p.m. (Toronto time) on a business day will be priced using the applicable series NAV calculated on that day.
- Requests received after 4:00 p.m. (Toronto time) on a business day will be priced using the relevant series NAV calculated on the next business day.
- Unitholders may redeem Series A or Series F units through their registered dealer or broker, or by wire order by delivering a request to the Manager. In order to complete such a request unitholders must provide all required redemption application documents. Once done, the Trust will pay the redemption price within three business days after the date of the calculation of the NAV per unit used to establish the redemption price.
- Upon the direction of the Manager, the Trust may require that unitholders hold a minimum amount of units of the Trust. If they hold less than the minimum amount, the Trust may require to redeem their units upon fifteen days prior notice.
- The Manager may suspend the right of redemption and postpone the date of payment of redemptions for any period provided that it complies with applicable securities regulatory policies in doing so. Unitholders' right to redeem units may be suspended for any period when normal trading is suspended on a stock exchange on which securities are listed which represent more than 50% of the value of the Trust, subject to certain allowances and modification by the consent of securities regulatory authorities and provided those securities are not traded on another exchange that represents a reasonable practical alternative for the Trust.
- If the Manager suspends the right of redemption, unitholders may either withdraw their redemption request or receive, once the suspension is lifted, a payment based on the NAV per Series A or Series F unit next calculated after the suspension is lifted.
- A short-term trading fee of the purchase price (excluding any sales charges) will be applicable if units are redeemed within the specified period described on the prospectus. The fee will be deducted from the redemption proceeds when units are redeemed. Any such fees will be retained by the Trust.

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