

 **First Trust**  
Portfolios Canada

2009 Interim

Management Report of Fund Performance

**First Trust Raymond James Canadian  
Focus Picks Portfolio**

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

or  
SEDAR at [www.sedar.com](http://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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# First Trust Portfolios Canada

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## Investment Objective and Strategies

The fundamental investment objective of First Trust Raymond James Canadian Focus Picks Portfolio, formerly known as Raymond James Canadian Focus Picks Portfolio, (the “Fund”) is to seek to provide capital appreciation by investing primarily in the same securities of Canadian issuers as the “Focus Picks Portfolio” (as it may be renamed from time to time) chosen by Raymond James Ltd. The Fund is permitted to invest in a range of 12 to 30 securities.

Raymond James selects Canadian equity securities for the Focus Picks Portfolio based on those issuers it believes have the best return potential over the next six to twelve months, as determined by a combination of fundamental and technical analysis. Securities selected must be rated by Raymond James as either “Strong Buy” or “Outperform.” In determining investment ratings for a particular stock, analysts take a variety of factors into consideration including general macroeconomic conditions, commodity outlook and firm specific catalysts. When making final selections, Raymond James focuses on the conviction level of the analyst rather than over or under weighting certain industrial sectors based on expected economic developments.

The Focus Picks Portfolio is not intended as a model portfolio. Raymond James determines the composition of the Focus Picks Portfolio with no limits in terms of sector concentration or market capitalization.

An important part of the stock selection process involves selecting those stocks that trade in sufficient volume so that the Fund’s trading activity does not account for more than approximately 30% of a particular stock’s daily trading volume.

While the benchmark for the Fund is the S&P/TSX Small Cap Index, investors should note that one reason, among others, for the performance of the Fund to differ from that of the S&P/TSX Small Cap Index is due to differences in sector exposures. For example, the Raymond James Coverage Universe may have a greater weighting in the Materials sector vis-à-vis the Small Cap Index.

The inception date of the Fund was March 24, 2008.

## Risk

The Fund continues to seek to achieve its investment objective by investing primarily in a portfolio of small and medium-capitalization Canadian equities, drawn from the securities comprising the Raymond James Equity Research Universe. Since inception, additions and deletions to the List have been consistent with Raymond James’ bottom-up investment style. Raymond James note that in the past six months the typical number of holdings in the Fund has averaged 15 holdings. This is similar to the previous six month period. As such, the risk profile of the List has remained relatively consistent since the previous reporting period. Nonetheless, Raymond James do point out that the Fund’s assets are invested among a concentrated group of holdings, which is at the lower end of the range of permitted holdings for the Fund.

## Results of Operation

Fund’s net asset value at December 31, 2009 was \$5,807,824.31 while the net asset value per share of the Fund was \$11.49. The NAV per share at the start of the reporting period, June 30, 2009, was \$7.48. The Fund returned 53.63% for the reporting period and outperformed its benchmark the S&P/TSX Small Cap Index, which returned 37.67%. The Fund outperformed its benchmark index by 15.96% for the reporting period. For all of 2009 the Fund’s net asset value per share has appreciated 127.5%, more than twice that of its benchmark which returned 62.35%.

The Fund continued to deliver strong performance in the second half of 2009. Raymond James attribute this performance to solid stock-picking by Raymond James research analysts amid volatile market conditions.

Notable performers in the Fund’s investment portfolio since June 30, 2009 included two silver stocks, **Silvercorp (SVM)** and **Silver Wheaton (SLW)**, as well as **Quadra Mining Ltd. (QUA)** which was also a top performer in the previous six month period, and **Gran Tierra (GTE)** which benefited from international oil and gas production and exploration. Holdings of shares of **Agnico Eagle (AEM)** contributed to negative performance given extreme volatility in the stock over the past six months due in part to its exposure to gold.

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## Recent Developments

As of December 31, 2009, the Raymond James research team consisted of 16 analysts covering over 215 Canadian issuers in the following seven (7) sectors: Consumer Special Situations, Energy, Industrial Special Situations, Mining, Paper & Forest Products Research, Real Estate and Technology. Raymond James continues to specialize in providing research coverage on issuers with a market capitalization of under \$1 billion which comprised approximately 65% of its Canadian investment research universe as at December 31, 2009 while approximately 35% of its coverage is of issuers with market capitalization of greater than \$1 billion. The equity research universe still has a strong bias towards small and medium capitalization stocks.

At the end of December, the Focus Picks Portfolio held 17 securities with the following sector breakdown: Materials 40.2%, Industrials 29.02%, Energy 17.65%, Financials 6.02% and Information Technology 6.02% and 1.09% in cash. The sector classifications are according to Bloomberg and their weightings are calculated by summing the total market value of the holdings in the portfolio. Material and Industrial companies account for a significant weight in the Focus Picks Portfolio as a meaningful proportion of Raymond James' research effort is devoted to coverage of companies operating in these industry sub-sectors.

Over time, the Raymond James research universe will likely change due to:

- Strategic decisions to initiate or discontinue coverage of a sector or individual securities within a sector;
- Merger & acquisition activity; and
- The addition or loss (either voluntary or involuntary) of research staff.

In the second half of 2009, Raymond James augmented research by initiating coverage on 30 new companies across various sectors. This included significantly expanding coverage in the oil and gas sectors, with a special emphasis on the junior and intermediate space. As anticipated, Raymond James expanded coverage of stocks in the consumer sector in the past six months. Of note, Raymond James also launched coverage of the Alternative Energy sector and expanded coverage of precious metals companies.

Raymond James research analysts had a strong showing in the 2009 Brendan Wood International report. The Brendan Wood Panel consists of over 200 of Canada's largest and most influential buy-side portfolio managers and traders who provide in-depth rankings of research analysts. In terms of Quality of Research Coverage, Raymond James moved up two spots to ninth place from eleventh place last year (out of 31 brokers). Five Raymond James research analysts achieved "Top Gun" (top 3) status this year, up from just one last year. The analysts who earned this recognition were Andrew Bradford (Oil and Gas Services), Steven Li (Technology, Alternative Energy & Clean Tech, who was recognized in two subsectors), Ben Cherniavsky (Industrial Products & Services and Aerospace & Aviation) and Frederic Bastien (Industrial Products and Services).

## Financial Instruments

Effective July 1, 2009, the Fund 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 Fund'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).

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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.

## **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 share for financial reporting purposes (“Net Assets”) and Net Asset Value per share could be different due to the use of different valuation techniques. As at December 31, 2009, the Fund’s net asset value per share was \$11.49 (2008 – \$5.05) per Series A share & \$11.76 (2008 – \$5.09) per Series F share. The difference between the net asset value per share for shareholder transactions and the net assets per share 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 Fund’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 Fund and is a Canadian affiliate of First Trust Advisors L.P., the investment advisor (the “Advisor”) of the Fund.

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

The Manager has retained the Advisor to provide certain services to the Fund 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 Fund and are intended to help you understand the Fund's financial performance for the period. The date of inception of the Fund is March 24, 2008. This information is derived from the Fund's unaudited interim financial statements for the six-month period ending December 31, 2009 and the audited annual financial statements for the fiscal year ending June 30, 2008 and June 30, 2009.

### The Fund's Net Assets per Share

	Dec. 31, 2009		June 30, 2009		June 30, 2008	
	Series A	Series F	Series A	Series F	Series A	Series F
<b>Net assets, at the beginning of the period<sup>(1)</sup></b>	<b>\$ 7.47</b>	<b>\$ 7.57</b>	<b>\$ 9.77</b>	<b>\$ 9.79</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.10	0.09	0.20	0.20	0.06	0.06
Total expenses	(0.13)	(0.09)	(0.18)	(0.12)	(0.30)	(0.23)
Realized gains (losses) for the period	1.70	1.78	(3.66)	(3.98)	0.11	0.12
Unrealized gains (losses) for the period	2.32	2.20	0.74	0.71	(0.46)	(0.55)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 3.99</b>	<b>\$ 3.98</b>	<b>\$ (2.90)</b>	<b>\$ (3.19)</b>	<b>\$ (0.59)</b>	<b>\$ (0.60)</b>
<b>Distributions:</b>						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
<b>Total Annual distributions</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>
<b>Net assets, at the end of the period<sup>(3)</sup></b>	<b>\$ 11.46</b>	<b>\$ 11.73</b>	<b>\$ 7.47</b>	<b>\$ 7.57</b>	<b>\$ 9.77</b>	<b>\$ 9.79</b>

(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 share presented in the financial statements differs from the net asset value calculated for fund 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 shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

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

### Ratios and Supplemental Data

	Dec. 31, 2009		June 30, 2009		June 30, 2008	
	Series A	Series F	Series A	Series F	Series A	Series F
Net asset value (000's)	\$ 4,871	\$ 969	\$ 1,102	\$ 718	\$ 1,800	\$ 1,038
Number of shares outstanding	423,880	82,361	146,758	94,496	183,495	105,571
Management expense ratio <sup>(1)</sup>	2.68%	1.91%	2.84%	1.84%	5.85%	4.22%
Management expense ratio before waivers or absorption	5.80%	4.90%	5.14%	3.94%	5.85%	4.22%
Trading expense ratio <sup>(2)</sup>	1.80%	1.80%	2.39%	2.39%	1.45%	1.45%
Portfolio turnover rate <sup>(3)</sup>	120.80%	120.80%	361.96%	361.96%	49.12%	49.12%
Net asset value per share	\$ 11.49	\$ 11.76	\$ 7.51	\$ 7.60	\$ 9.81	\$ 9.83

(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 Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading cost payable by the Fund 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 Fund.

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## Management Fees

An annual management fee is accrued daily at a rate of 1.75% of Series A net assets and 0.75% of Series F net assets and is paid to the manager monthly. The Fund received services in consideration of the management fees as follows:

Services Provided	Series A	Series F
Distribution related costs	57%	0%
Portfolio Advisor and Management services	43%	100%

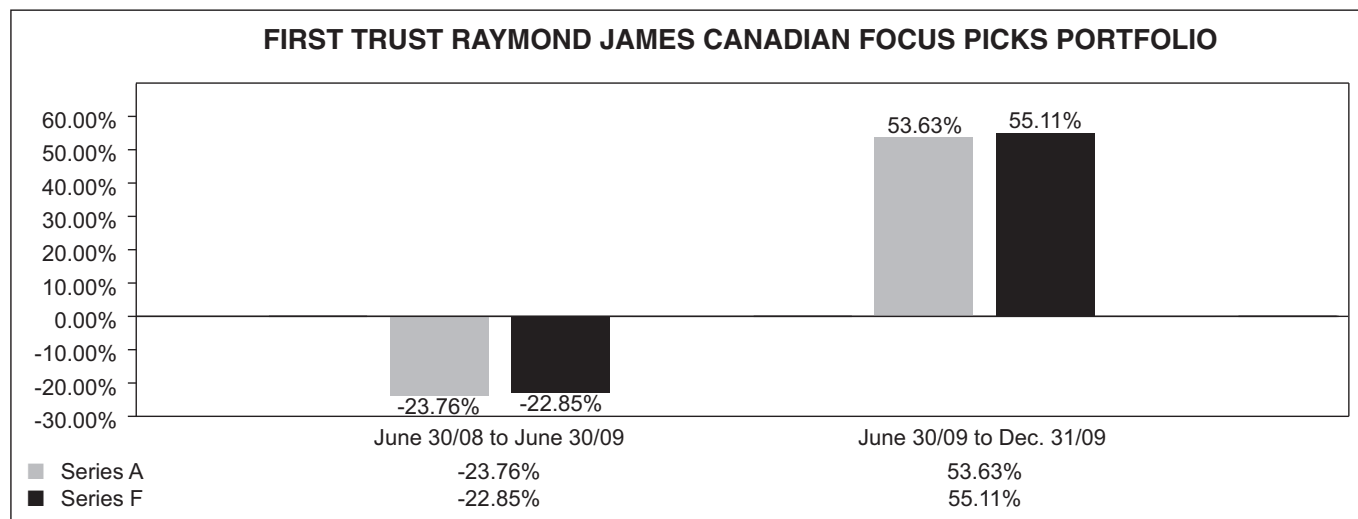
## Past Performance

### General

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

## Summary of Investment Portfolio

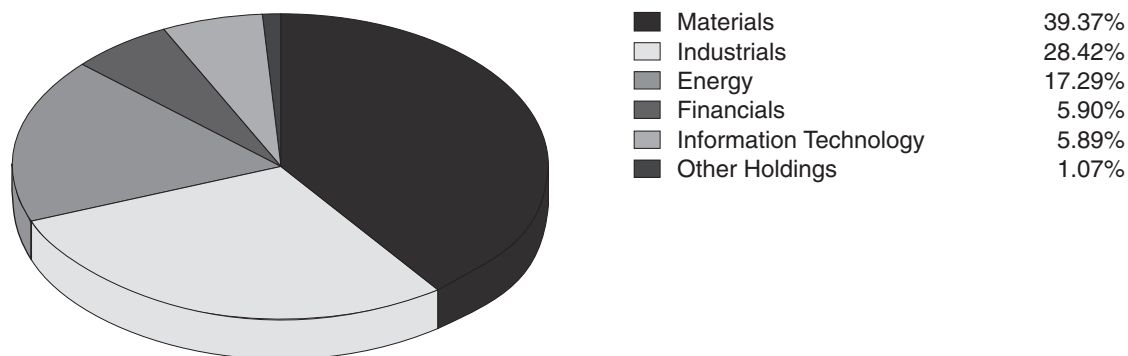
The table sets out the percentage (based on net asset value) of the Fund's holdings as at December 31, 2009.

Issuers	% of Fund Net Asset Value
BANKERS PETROLEUM LTD.	6.13%
AURA MINERALS INC.	6.03%
QUADRA MINING LTD.	6.03%
DETOUR GOLD CORP.	5.97%
CONNACHER OIL AND GAS LTD.	5.94%
H&R REAL ESTATE INVESTMENT TRUST	5.90%
OPEN TEXT CORP.	5.89%
TOROMONT INDUSTRIES LTD.	5.77%
FINNING INTERNATIONAL INC.	5.73%
ROCKY MOUNTAIN DEALERSHIPS INC.	5.73%
GENIVAR INCOME FUND	5.61%
AECON GROUP INC.	5.58%
METHANEX CORP.	5.52%
SILVER WHEATON CORP.	5.41%
SILVERCORP METALS INC.	5.40%
GRAN TIERRA ENERGY INC.	5.22%
AGNICO-EAGLE MINES LTD.	5.02%
CASH	1.07%

*This summary of portfolio holdings may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at [www.firsttrust.ca](http://www.firsttrust.ca)*

## Portfolio Breakdown

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



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## Redemption of Shares

Shareholders may redeem shares of the Fund and receive an amount for each share redeemed equal to the applicable series NAV per share as next calculated after the Manager receives the redemption request. A redemption of shares of the Fund is a disposition for tax purposes, unless switched to another Fund in the FT Mutual Fund Corporation (Fundcorp). If shares are held outside a registered plan, shareholders may realize a taxable capital gain upon a redemption.

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

- 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.
- Shareholders may redeem Series A or Series F shares through their registered dealer or broker, or by wire order by delivering a request to the Manager. In order to complete such a request shareholders must provide all required redemption application documents. Once done, the Fund 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 Fund may require that shareholders hold a minimum amount of shares of the Fund. If they hold less than the minimum amount, the Fund may require them to redeem their shares upon fifteen days prior notice.
- Upon the direction of the Manager, the Fund may redeem the shares to the extent necessary to pay any outstanding fees, charges or expenses that you owe. The Manager may also require a redemption of the shares in certain circumstances in order to ensure that Fundcorp maintains its status as a “mutual fund corporation” for tax purposes.
- 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. Shareholders’ right to redeem shares 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 Fund, 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 Fund.
- If the Manager suspends the right of redemption, shareholders 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 share next calculated after the suspension is lifted.
- A short-term trading fee of the purchase price (excluding any sales charges) will be applicable if shares 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 Fund.

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