



First Trust AlphaDEX™ U.S. Consumer Staples Sector
Index ETF • FHC, FHC.F

Annual Management Report of Fund Performance
December 31, 2018

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2018

First Trust AlphaDEX™ U.S. Consumer Staples Sector Index 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 web site 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 AlphaDEX™ U.S. Consumer Staples Sector Index ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of the StrataQuant® Consumer Staples Index (“Index”), net of expenses.

The investment strategy of the First Trust ETF is to invest in and hold the constituent securities of the Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of such Index. The Index results from applying the AlphaDEX™ methodology to the Russell 1000® Index, a market index representing the large and mid-capitalization segment of the U.S. equity universe, and then selecting the constituent securities for the Index from those qualifying stocks included in the Consumer Staples Sector.

The Manager may use a sampling methodology in selecting investments for the First Trust ETF. As an alternative or in conjunction with investing in and holding constituent securities, the First Trust ETF may also invest in other securities to obtain exposure to the constituent securities of the applicable Index in a manner that is consistent with the investment objective and investment strategy of the First Trust ETF.

In this case, the First Trust ETF may also obtain exposure to the applicable Index by holding securities of a US-listed index ETF, First Trust Consumer Staples AlphaDEX® Fund (NYSE Arca ticker: FXG), of an affiliate of the Manager, which replicates or substantially replicates the applicable Index.

Risk

Given that the underlying index that the First Trust ETF seeks to replicate has not changed, the risks associated with an investment in the First Trust ETF remain as discussed in the First Trust ETF's most recent prospectus. The First Trust ETF provides exposure to the consumer staples sector of the U.S. equity market in either a non-U.S. currency hedged and U.S. currency hedged manner.

Results of Operations

General

The First Trust ETF's total net asset value as of December 31, 2018 was \$6,607,395 or \$22.80 per Unit (“FHC”) and \$17.31 per Hedged Unit (“FHC.F”). The First Trust ETF's total net asset value as of December 31, 2017 was \$3,422,636 or \$24.21 per FHC and \$20.03 per FHC.F.

For the year ended December 31, 2018, the First Trust ETF paid total cash distributions per unit of \$0.4772 for FHC and \$0.0725 for FHC.F. In addition, the First Trust ETF declared cash distributions per unit of \$0.2245 for FHC and \$0.0621 for FHC.F for record date of December 31, 2018 with payment date of January 8, 2019. The First Trust ETF also made reinvested distribution to Unitholders of record on December 31, 2018 of \$0.2654 per unit for FHC. This amount was reinvested in the First Trust ETF and not paid in cash to Unitholders.

Investment Performance

FHC returned -4.57% for the year ended December 31, 2018. This compares with the Russell 1000® Consumer Staples Index (CAD) (the “benchmark”) total return of -1.61%. FHC.F returned -12.91% for the year ended December 31, 2018, compared to the Russell 1000® Consumer Staples Index (USD) (the “hedged benchmark”) total return of -9.74%. Unlike the benchmark and the hedged benchmark, the First Trust ETF's returns are net of fees and expenses. As of December 31, 2018, the consumer staples sector accounted for 6.22% of the weight of the Russell 1000® Index. The benchmark underperformed the Russell 1000® Index (CAD) which returned 3.79%. The hedged benchmark underperformed the Russell 1000® Index (USD) which returned -4.78%.

The portfolio held 33 equity securities as of December 31, 2018. The top ten equity holdings accounted for 50.85% of the portfolio. The AlphaDEX™ stock selection process is a rules-based process and can result in industry weightings that differ from that of the benchmark and the hedged benchmark.

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The First Trust ETF underperformed during the year due to industry allocation. An underweight position in the Soft Drinks industry relative to the benchmark was the largest contributor to the underperformance, as the Soft Drinks industry was the best performing in the benchmark during the period. Overweight positions in the Agriculture Fishing & Ranching and Foods industries relative to the benchmark also contributed to the underperformance. Mitigating the underperformance was strong selection in the Foods industry, including a favorable position in Blue Buffalo Pet Products, Inc. which was acquired during the period.

FHC.F suffered from the reduced exposure to the U.S. dollar as the U.S. dollar appreciated 8.5% against the Canadian dollar from December 29, 2017, to December 31, 2018. The appreciation of the U.S. dollar contributed positively to the FHC's performance during the period because it is exposed to movements in the U.S. dollar.

The top five stocks by contribution to return were Lamb Weston Holdings, Inc., Herbalife Nutrition Ltd., McCormick & Company, Inc., Blue Buffalo Pet Products, Inc., and Casey's General Stores, Inc. The bottom five stocks by contribution to return were Pilgrim's Pride Corp., Kraft Heinz Company, Conagra Brands, Inc., Tyson Foods, Inc. – Class A, and Molson Coors Brewing Company – Class B.

Recent Developments

2018 marked a volatile year for U.S. stocks and the Russell 1000® Index posted its first negative calendar-year price return, measured in U.S. dollars, since 2015. However, the Canadian dollar depreciated relative to the U.S. dollar during the period, meaning the index gained 1.60% in 2018 measured in Canadian dollars. Despite the volatility in the stock market, the U.S. economy was strong in 2018. For example, in 2018 real U.S. GDP grew more than 3% annualized for two consecutive quarters for the first time since 2015. Moreover, the unemployment rate in the U.S. was as low as 3.7% during the period, a level not reached since 1969. Corporate earnings were also strong, boosted by increased economic activity and corporate tax cuts that took effect in 2018. After-tax corporate profits grew nearly 20% in the third quarter over the prior year. Late in the year, volatility increased amidst a continued trade war between the U.S. and China, a flatter yield curve, and fears of slowing earnings growth in 2019. Meanwhile, the Federal Reserve, the central bank of the United States, raised the upper bound of the federal funds rate from 1.50% to 2.50% in 2018 amidst a strong U.S. economy. The Fed's decision to raise rates in December contributed to the market volatility at the end of the year. While the U.S. stock market was volatile in 2018, U.S. stocks were demonstrably cheaper at the end of the year compared to the end of 2017. For example, the Russell 1000® Index finished December trading at a P/E multiple of 17.5 with a dividend yield of 2.19% compared to 22.4 and 1.85%, respectively, at the end of 2017.

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 four years for FHC and past year for FHC.F. This information is derived from the First Trust ETF's audited annual financial statements.

Net Asset Value per Unit

FHC	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014 ^(a)
Net asset value, beginning of period/year ⁽¹⁾	\$24.21	\$24.62	\$24.73	\$21.63	\$20.00 ^(b)
Increase (Decrease) from operations:					
Total revenue	0.66	0.40	0.62	0.65	0.08
Total expenses	(0.36)	(0.28)	(0.28)	(0.26)	(0.04)
Realized gains (losses) for the period/year	0.91	(0.59)	0.57	1.04	(0.63)
Unrealized gains (losses) for the period/year	(2.30)	0.76	(1.25)	0.37	2.23
Total increase (decrease) from operations ⁽²⁾	\$(1.10)	\$0.29	\$(0.34)	\$1.80	\$1.64
Distributions:					
From income (excluding dividends)	(0.17)	(0.44)	(0.15)	(0.41)	(0.01)
From dividends	-	-	-	-	-
From capital gains	(0.41)	-	(1.27)	-	-
Return of capital	-	-	-	(0.08)	(0.01)
Total annual distributions ⁽³⁾	\$(0.58)	\$(0.44)	\$(1.42)	\$(0.49)	\$(0.02)
Net asset value, end of period/year ⁽⁴⁾	\$22.80	\$24.21	\$24.62	\$24.73	\$21.63

FHC.F	Dec. 31, 2018	Dec. 31, 2017 ^(a)
Net asset value, beginning of period/year ⁽¹⁾	\$20.03	\$20.00 ^(b)
Increase (Decrease) from operations:		
Total revenue	0.49	0.10
Total expenses	(0.27)	(0.03)
Realized gains (losses) for the period/year	(0.67)	0.01
Unrealized gains (losses) for the period/year	(3.00)	(0.05)
Total increase (decrease) from operations ⁽²⁾	\$(3.45)	\$0.03
Distributions:		
From income (excluding dividends)	(0.13)	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions ⁽³⁾	\$(0.13)	\$ -
Net asset value, end of period/year ⁽⁴⁾	\$17.31	\$20.03

(a) FHC: December 31, 2014 does not relate to the full year as FHC commenced operations on October 30, 2014.
FHC.F: December 31, 2017 does not relate to the full year as FHC.F commenced operations on December 8, 2017.

(b) Initial offering price

(1) This information is provided as at December 31 of the period/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 period/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

FHC	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Net asset value (000's)	\$2,280	\$2,421	\$2,462	\$3,710	\$2,163
Number of units outstanding	100,000	100,000	100,000	150,000	100,000
Management expense ratio ⁽¹⁾	0.77%	0.82%	0.77%	0.79%	0.79%
Management expense ratio before waivers or absorption	0.79%	0.84%	0.79%	0.80%	0.82%
Trading expense ratio ⁽²⁾	0.05%	0.11%	0.06%	0.04%	0.00%
Portfolio turnover rate ⁽³⁾	116.28%	498.88%	289.16%	273.49%	3.31%
Net asset value per unit	\$22.80	\$24.21	\$24.62	\$24.73	\$21.63

FHC.F	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$4,328	\$1,001
Number of units outstanding	250,000	50,000
Management expense ratio ⁽¹⁾	0.79%	0.74%
Management expense ratio before waivers or absorption	0.80%	0.97%
Trading expense ratio ⁽²⁾	0.05%	0.11%
Portfolio turnover rate ⁽³⁾	116.28%	498.88%
Net asset value per unit	\$17.31	\$20.03

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period/year and is expressed as an annualized percentage of daily average net asset value during the period/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 period/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 period/year. The higher a First Trust ETF's portfolio turnover rate in a period/year, the greater the trading cost payable by the First Trust ETF in the period/year, and the greater the chance of an investor receiving taxable capital gains in the period/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 0.70% 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.

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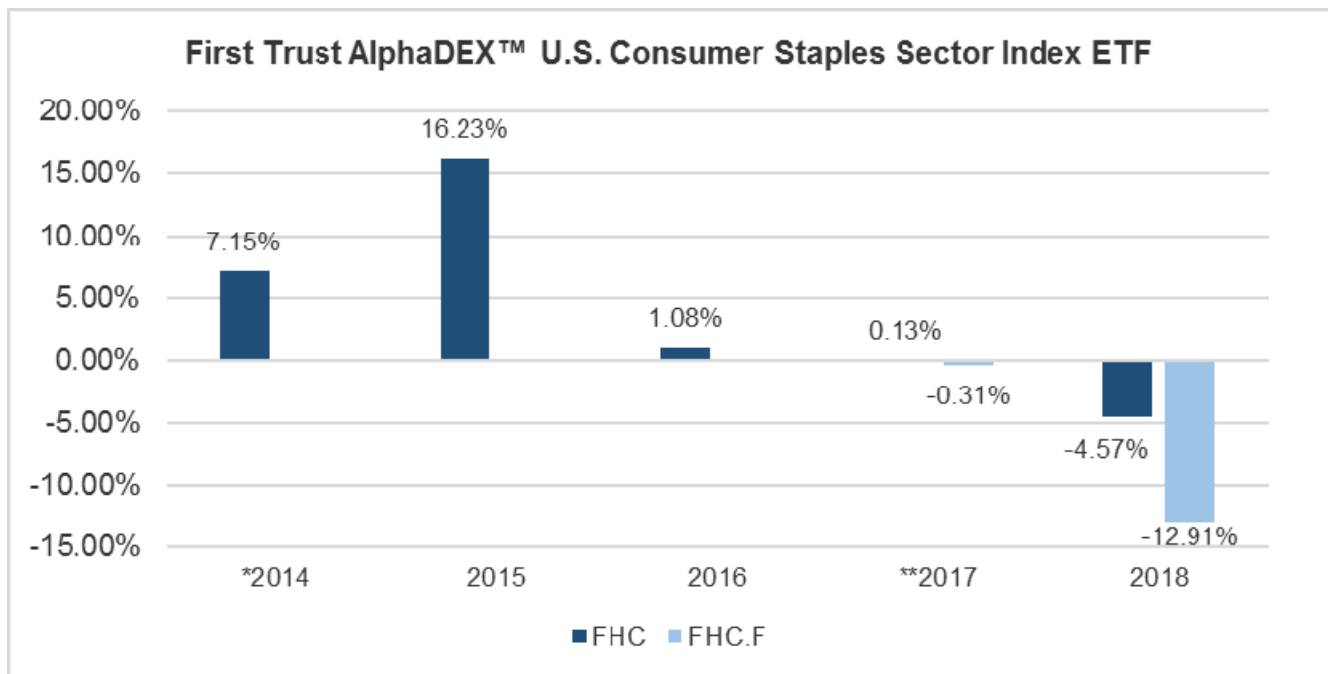
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the periods 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 period/years ended December 31, 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.



*FHC Commencement: October 30, 2014

**FHC.F Commencement: December 8, 2017

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Annual Compound Returns

The following table shows the First Trust ETF's annual compound total return since inception and for the years ended December 31, 2018. The annual compound return is compared to the returns of the relevant benchmarks and reference index; 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.

	1-year	3-year	Since Inception
First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF – FHC	-4.57%	-1.15%	4.52%
Russell 1000® Consumer Staples Index	-1.61%	0.95%	9.53%
Russell 1000® Index	3.79%	8.48%	13.15%
S&P 500 Consumer Staples Index	-0.13%	2.51%	10.45%
StrataQuant® Consumer Staples Index*	-2.78%	0.23%	8.81%
First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF – FHC.F	-12.91%	N/A	-12.42%
Russell 1000® Consumer Staples Index USD	-9.74%	N/A	-7.96%
Russell 1000® Index USD	-4.78%	N/A	-3.14%
S&P 500 Consumer Staples Index USD	-8.38%	N/A	-6.59%
StrataQuant® Consumer Staples Index USD*	-10.81%	N/A	-10.33%

The Russell 1000® Consumer Staples Index - is an unmanaged index which includes the stocks in the consumer staples sector of the Russell 1000® Index.

The Russell 1000® Index – consists of the largest 1000 companies in the Russell 3000 Index. It represents the universe of large capitalization stocks from which most active money managers typically select.

The S&P 500 Consumer Staples Index - is an unmanaged index which includes the stocks in the consumer staples sector of the S&P 500 Index.

**Reference Index: StrataQuant® Consumer Staples Index - is an "enhanced" index developed, maintained and sponsored by ICE Data Indices, LLC or its affiliates ("IDI") which employs the AlphaDEX® stock selection methodology to select stocks from the Russell 1000® Index.*

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Summary of Investment Portfolio

The table sets out the percentage (based on total net asset value) of the First Trust ETF's top 25 holdings as at December 31, 2018. 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.

Top 25 Holdings	% of ETF Total Net Asset Value
Molson Coors Brewing Co., Class 'B'	5.82%
J.M. Smucker Co. (The)	5.81%
Tyson Foods Inc., Class 'A'	5.72%
Pilgrim's Pride Corp.	5.47%
Sprouts Farmers Markets Inc.	5.47%
Kraft Heinz Co. (The)	4.98%
McCormick & Co. Inc.	4.62%
US Foods Holding Corp.	4.49%
Casey's General Stores Inc.	4.34%
Kroger Co. (The)	4.13%
Post Holdings Inc.	3.98%
Sysco Corp.	3.74%
Church & Dwight Co. Inc.	3.63%
Archer-Daniels-Midland Co.	3.56%
Walgreens Boots Alliance Inc.	3.08%
General Mills Inc.	2.98%
Ingredion Inc.	2.86%
Conagra Brands Inc.	2.76%
Nu Skin Enterprises Inc., Class 'A'	2.44%
Procter & Gamble Co. (The)	2.42%
Hormel Foods Corp.	2.37%
Herbalife Nutrition Ltd.	2.36%
Flowers Foods Inc.	2.16%
Mondelez International Inc., Class 'A'	2.04%
Kellogg Co.	1.78%
Total	93.01%

Portfolio Breakdown

The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by industry, as at December 31, 2018.

Industry Weightings	% of ETF Total Net Asset Value
Food Products	54.95%
Food & Staples Retailing	25.24%
Household Products	9.51%
Beverages	5.82%
Personal Products	4.80%
Health Care Providers & Services	0.91%
Cash and Cash Equivalents	0.65%
Other Assets, Less Liabilities	(1.88)%
Total	100.00%

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