



First Trust Long/Short Equity ETF • FTLS

Annual Management Report of Fund Performance
December 31, 2025

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2025

First Trust Long/Short Equity 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.sedarplus.ca.

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 Long/Short Equity ETF** (the "First Trust ETF") is to provide unitholders with long-term total return by investing in both a long and short portfolio of U.S. exchange listed equity securities and index futures contracts by investing (a) at least 80% of its net assets in U.S. exchange-listed equity securities of U.S. and other foreign companies such as common stocks and exchange-traded funds and (b) up to 20% of its net assets in U.S. exchange-listed equity index futures contracts. The First Trust ETF may also invest in equity securities of master limited partnerships and real estate investment trusts.

The First Trust seeks to achieve its investment objectives by investing all or substantially all of its assets in First Trust Long/Short Equity ETF (the "Underlying Fund"), a U.S. exchange-traded fund listed on the NYSE Arca, Inc.

Although the First Trust ETF has two classes of units called "Units**" and "Hedged Units", the First Trust ETF currently offers only Units on the TSX with the symbol: FTLS.

*The Hedged Units of the First Trust ETF were qualified for distribution by a prospectus dated June 23, 2025. As of the date of this management report of fund performance ("MRFP"), the First Trust ETF has not offered any Hedged Units to the public. No transactions or other activities have been undertaken by the First Trust ETF for the Hedged Units for the period ended December 31, 2025. As such, no financial highlights or management discussion for the Units are included in this MRFP.

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 total net asset value as of December 31, 2025 was \$ 3,221,016 or \$21.47 per unit.

For the period ended December 31, 2025, the First Trust ETF declared cash distribution of \$0.0700 per unit for record date of December 31, 2025, with payment date of January 8, 2026. In addition, the First Trust ETF made a notional distribution per unit of \$0.0100 for the year ended December 31, 2025. This amount was reinvested in the First Trust ETF and not paid in cash to unitholders.

Investment Performance

For the period ended December 31, 2025, the First Trust ETF returned 7.72% compared to the S&P 500® Index (the benchmark) return of 9.23%. Unlike the benchmark, the First Trust ETF's return is net of fees and expenses.

The First Trust ETF's only holding, the Underlying Fund, had exposure to 399 equity securities as of December 31, 2025 – 218 long holdings and 181 short positions. The top ten long equity holdings for the Underlying Fund accounted for 34.64% of the portfolio within the Underlying Fund, while the top ten short equity holdings made up -5.07% of the portfolio.

The Underlying Fund underperformed the index for the period ended December 31, 2025, due to its defensive positioning, prioritizing downside mitigation amid observed market risks. These risks included heightened market concentration, record-high equity valuations, and emerging signs of stagflation. The short equity portfolio was the driver of the Underlying Fund's underperformance to the benchmark, along with the short futures positions. The long equity portfolio, with a return of 9.4% over the period, did outpace the index. On the long side, the Underlying Fund's allocation to the Information Technology sector was the biggest source of outperformance versus the index. Even though the Underlying Fund was slightly underweight this sector that produced double digit returns (+10.5%) over the period, the performance of the Information Technology stocks held by the Underlying Fund (+14.9%) were more than enough to overcome this. On the other side of the tally, the Underlying Fund's long book underperformed the index in

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the Consumer Discretionary sector. Not only was the fund overweight a sector that had a below-average return (+7.1%) during the period, but the Consumer Discretionary stocks that the fund held did poorly (-2.8%). The short portfolio, while detracting from absolute returns, helped risk-adjusted performance, as the stocks that comprised the short book had a return (+4.5%) less than half that of the benchmark index and of the long portfolio. Leading this charge was the Communication Services sector, which had a benchmark return of over 19%, whereas the stocks the Underlying Fund shorted were down double digits. Four other sectors in the Underlying Fund's short portfolio also had negative performance during the period: Energy, Materials, Consumer Staples, and Real Estate. (Remember that you want your short positions to decrease, so you can buy them back at a lower price.) On the flip side, the Financials sector had the worst performance in the short book. The Underlying Fund was underweight this sector that had gains less than the benchmark (+5.3%) and held stocks that outperformed the sector's return by more than 1%. Across the portfolio, notable individual stock contributors were Lam Research Corp., Caterpillar Inc., and Western Digital Corp. Bottom performance from individual stock exposure included Adobe Inc., Tesla Inc., and Meta Platforms Inc.

Recent Developments

In the latter half of 2025, the big story in the markets was the Federal Reserve easing short-term interest rates with three straight 25-basis-point cuts (in September, October, and December.) That lowered the Target Federal Funds Rate to a range of 3.5 to 3.75%, marking the first time since 2022 that the rate has been that low. These cuts came despite the Fed "flying blind" for a time, as the longest U.S. Federal Government shutdown in history delayed and/or canceled the reporting of several datapoints used by the FOMC to make their decisions. Unemployment reached its highest point (4.5%) since 2021 with the November report. In the face of tariffs, inflation did not spike as many had predicted. However, CPI remained above 2.5% throughout 2025's second half, stubbornly refusing to return to the Fed's target of 2%. Consumer confidence, as measured by the University of Michigan's consumer sentiment index, inched back up in December to 52.9, after hitting a three-year low in November (51.0). The equity markets generally shrugged off any concerns, with both the S&P 500 and Russell 2000 hitting all-time highs in December. And while the Nasdaq-100 retreated a bit in the last two months of the year from its all-time high in October, it still had a total return of 9.81% from July 21, 2025 through the end of the year.

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 ended December 31, 2025. This information is derived from the First Trust ETF's audited annual financial statements.

Net Asset Value per Unit

FTLS	2025 ^(a)
Net asset value, beginning of period ⁽¹⁾	\$20.00 ^(b)
Increase (Decrease) from operations:	
Total revenue	0.16
Total expenses	(0.04)
Realized gains (losses) for the period	(0.01)
Unrealized gains (losses) for the period	0.64
Total increase (decrease) from operations ⁽²⁾	\$ 0.75
Distributions:	
From income (excluding dividends)	(0.06)
From dividends	-
From capital gains	(0.01)
Return of capital	(0.01)
Total annual distributions ⁽³⁾	\$(0.08)
Net asset value, end of period ⁽⁴⁾	\$21.47

(a) December 31, 2025 does not relate to the full year as the First Trust ETF commenced operations on July 21, 2025.

(b) Seed capital

(1) This information is provided as at December 31 of the period shown and is prepared under IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

(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

FTLS	2025
Net asset value (000's)	\$3,221
Number of units outstanding	150,000
Management expense ratio ⁽¹⁾	1.54%
Management expense ratio before waivers or absorption	1.55%
Trading expense ratio ⁽²⁾	0.02%
Portfolio turnover rate ⁽³⁾	0.00%

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period, including the First Trust ETF's proportionate share of the MER of the Underlying Fund in which the First Trust ETF has invested, 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. This includes the First Trust ETF's proportionate share of the commissions of Underlying Fund in which the First Trust ETF has invested.

(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 0.15% 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's management fee will also bear the management fee of the Underlying Fund.

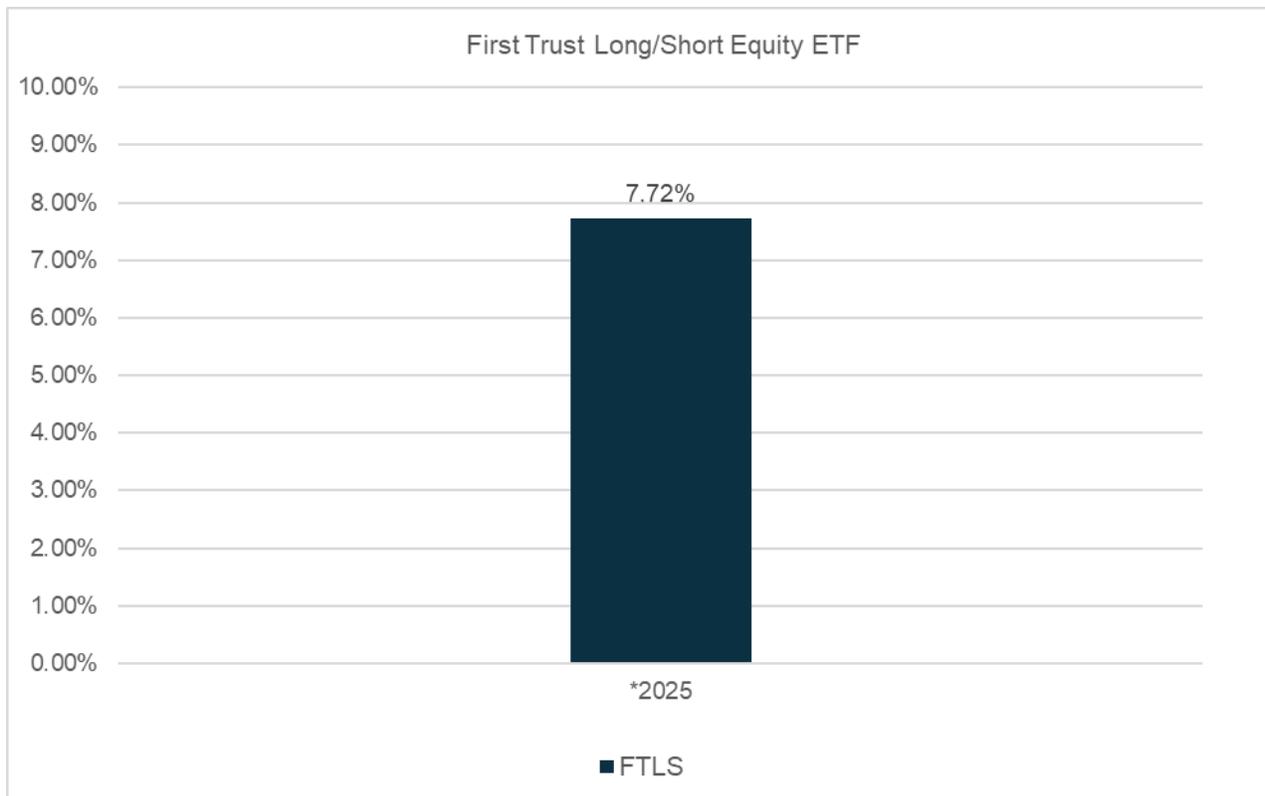
Past Performance

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, 2025 and illustrates how the investment fund's performance has changed for the period.



**First Trust ETF Commencement: July 21, 2025*

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Annual Compound Returns

The table below shows the First Trust ETF's annual compound total return since inception and for the period ended December 31, 2025. 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/index.

Returns	1-year	3-year	5-year	10-year	Since Inception
First Trust Long/Short Equity ETF	-	-	-	-	7.72%
S&P 500® Index	-	-	-	-	9.23%

S&P 500® Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance.

Summary of Investment Portfolio

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's holdings as at December 31, 2025. 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.

Holdings	% of ETF Total Net Asset Value
First Trust Long/Short Equity ETF	99.99%
Cash and Cash Equivalents	0.35%
Other Assets, Less Liabilities	-0.34%
Total	100.00%

Portfolio Breakdown

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio as at December 31, 2025.

Breakdown	% of ETF Total Net Asset Value
Exchange-Traded Fund	99.99%
Cash and Cash Equivalents	0.35%
Other Assets, Less Liabilities	-0.34%
Total	100.00%

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