



First Trust Canadian Capital Strength ETF • FST

Annual Management Report of Fund Performance
December 31, 2023

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2023

First Trust Canadian Capital Strength 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 website 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 Canadian Capital Strength ETF** (the "First Trust ETF") is to provide unitholders with long term capital appreciation by investing primarily in securities traded on a Canadian exchange or market.

To achieve its investment objectives, the First Trust ETF will primarily invest in securities of issuers that are based in Canada or have significant business operations in the Canadian market. Securities invested in by the First Trust ETF include common shares of public companies that are traded on a Canadian exchange or market.

The First Trust ETF uses a multi-step, bottom-up quantitative selection process to identify its investible universe of securities, and fundamental analysis to make final portfolio selections. The selection process, described below, is designed to identify issuers that have certain objectives and easily determinable attributes that, in the portfolio advisor's opinion, makes them capital strength issuers.

The first step in the portfolio advisor's selection process is to identify the universe of securities from which the portfolio advisor will select the portfolio. The portfolio advisor begins by selecting securities of issuers that, primarily, are traded on a Canadian exchange or market.

Next, the portfolio advisor evaluates issuers based on multiple quantitative metrics, including, but not limited to, cash on hand, return on equity and long-term debt to market value of equity. These factors are designed to identify those issuers which exhibit strong fundamental characteristics at the time of purchase and to eliminate those that do not meet the investment criteria.

After establishing the investment universe, the portfolio advisor examines other factors, including valuation and future growth prospects, to determine securities it may purchase for the First Trust ETF. The portfolio advisor then uses fundamental analysis to select securities that meet the First Trust ETF's investment objectives, trade at attractive valuations and in the opinion of the portfolio advisor, are likely to exceed market expectations of future cash flows.

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 reporting year 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, 2023 was \$66,262,389 or \$44.80 per unit. The First Trust ETF's total net asset value as of December 31, 2022 was \$57,933,134 or \$40.54 per unit.

For the year ended December 31, 2023, the First Trust ETF paid total cash distributions of \$0.8100 per unit. In addition, the First Trust ETF declared cash distributions of \$0.1200 per unit for record date of December 29, 2023 with payment date of January 8, 2024.

Investment Performance

For the year ended December 31, 2023, the First Trust ETF returned 12.40% compared to S&P/TSX Composite® Index (the "benchmark") return of 11.75%. Unlike the benchmark, the First Trust ETF's returns are net of fees and expenses.

The First Trust ETF outperformed the benchmark over the first half of the year. Allocation effect was a positive contributor to relative performance for the year while selection effect negatively contributed to relative performance. Positive contributors to relative performance can be attributed to selections within the Industrials sector, an underweight allocation to the Communication Services and Utilities sectors, and an overweight allocation to the

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Information Technology sector. Selections within the Information Technology, Materials, and Consumer Discretionary sectors were the largest drags on performance for the year.

The top-performing stocks for the reporting year, based on total return, were Constellation Software Inc., ATS Corporation, and TFI International Inc. These stocks returned +58.92%, +35.69%, and 34.46%, respectively, in CAD, including dividends. The bottom-performing stocks, based on total return, were Aritzia Inc., Nutrien Ltd., and Franco-Nevada Corporation. These stocks returned -23.61%, -19.65%, and -19.65%, respectively, in CAD, including dividends.

The First Trust ETF held 25 equity positions for the year ended December 31, 2023 and made no net change to the number of positions from the beginning of the year. Portfolio changes were made in March 2023 (one position added, two positions eliminated), June 2023 (two positions added, two positions eliminated), and October (two positions added, two positions removed). The top ten equity holdings of the First Trust ETF on December 31, 2023 accounted for 43.79% of total NAV and the top ten equity holdings of the First Trust ETF on December 31, 2022 accounted for 40.25% of total NAV. Financials, Industrials, and Energy (in order) were the top three sector weightings at the end of December 2023. Financials, Industrials, and Materials (in order) were the top three sector weightings at the beginning of the year. Relative to its benchmark over the reporting year, the First Trust ETF on average was overweight the Consumer Discretionary, Consumer Staples, Industrials, Information Technology, and Materials sectors while underweight the Communication Services, Energy, Financials, Health Care, Real Estate, and Utilities sectors. The sector weighting of the First Trust ETF changed somewhat over the reporting year, primarily as the result of our bottom-up, multi-step quantitative and fundamental stock selection strategy. Portfolio changes were made in March, June, and October though there was no net change to the total number of portfolio positions over the year. In March, two positions, Stelco Holdings Inc and Lumine Group Inc, a spinoff from Constellation Software Inc., were removed at the portfolio manager's discretion. A position in CCL Industries Inc was established to replace them. In June, two positions, Nutrien Ltd and Aritzia Inc, were removed at the portfolio manager's discretion. Two positions, Stantec Inc, and Finning International Inc, were established to replace them. In October, one position, Gildan Activewear Inc, was eliminated for failing to meet the initial screening criteria, while one position, Bank of Montreal, was removed at the manager's discretion. Two positions, Imperial Oil Ltd and Restaurant Brands International Inc, were established to replace them.

Recent Developments

The Bank of Canada ("the BoC") made considerable progress in returning inflation back to their 2% target in 2023. After peaking at 8.1% in June of 2022, inflation has fallen to 3.1% in November. While interest rate increases have had their effect on the economy, slowing demand and reducing pricing pressures, elevated core inflation is still a persistent issue. Expectations continue to be above the BoC's target and uncertainty about the pace of which inflation eases remains. The Bank of Canada extended their tightening cycle in 2023, albeit at a slower pace than in 2022. In January, a 0.25% rate hike brought the policy interest rate up to 4.50%. Following a brief pause in March and April, the BoC elected for two more 0.25% rate hikes in June and July, bringing the policy interest rate to 5.00% where it would remain for the rest of the year. The rise in rates has cooled demand for housing and consumption per capita has stalled, specifically in goods and services that are sensitive to higher rates. As demand continues to slow along with rising supply, the economy is approaching balance. Looking ahead, the Bank of Canada is projecting inflation to remain persistently high, around 3.5%, until the middle of 2024. Inflation is then projected to fall to around 2.5% in the second half of 2024 before returning to their 2% target in 2025.

The benchmark finished the year up 11.75%, rebounding after falling -5.84% on a total return basis in 2022. Eight of the eleven sectors posted positive returns, as Communication Services, Health Care, and Materials were the only sectors to post negative returns. Information Technology was by far the top performing sector, returning 68.41%. Shopify and Constellation Software drove the sector higher and were the two largest contributors to the index as a whole for the year. The Financials sector, which makes up almost a third of the index, outperformed the overall market as it returned 13.96% for the year. Health Care was worst performing sector, returning -31.03%, though it only accounts for 0.40% of the index.

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We believe there are plenty of long-term attractive opportunities in Canada, especially as inflation comes under control. We expect the Canadian equity market will provide ample returns for investors with longer time horizons and continue to find attractive long-term candidates from within our selection universe of “capital strength” companies.

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

Net Asset Value per Unit

FST	2023	2022 ^(a)	2021	2020	2019
Net asset value, beginning of year ⁽¹⁾	\$40.54	\$41.02	\$34.44	\$34.59	\$30.18
Increase (Decrease) from operations:					
Total revenue	1.05	1.33	0.99	0.78	0.84
Total expenses	(0.29)	(0.27)	(0.27)	(0.22)	(0.23)
Realized gains (losses) for the year	0.01	3.96	4.28	(1.13)	2.33
Unrealized gains (losses) for the year	4.23	(3.41)	2.53	(1.82)	2.73
Total increase (decrease) from operations ⁽²⁾	\$5.00	\$1.61	\$7.53	\$(2.39)	\$5.67
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	(0.67)	(0.75)	(0.56)	(0.49)	(0.48)
From capital gains	(0.06)	(0.08)	(0.20)	-	-
Return of capital	-	-	-	(0.15)	-
Total annual distributions ⁽³⁾	\$(0.73)	\$(0.83)	\$(0.76)	\$(0.64)	\$(0.66)
Net asset value, end of year ⁽⁴⁾	\$44.80	\$40.54	\$41.02	\$34.44	\$34.59

(a) As of February 28, 2022, the First Trust ETF no longer offered FST.A and the Manager successfully redesignated FST.A to FST of the First Trust ETF.

(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.

Ratios and Supplemental Data

FST	2023	2022 ^(a)	2021	2020	2019
Net asset value (000's)	\$66,262	\$57,933	\$20,223	\$18,703	\$32,614
Number of units outstanding	1,479,209	1,429,209	492,993	542,993	942,993
Management expense ratio ⁽¹⁾	0.66%	0.67%	0.66%	0.66%	0.65%
Management expense ratio before waivers or absorption	0.67%	0.69%	0.68%	0.69%	0.67%
Trading expense ratio ⁽²⁾	0.01%	0.01%	0.03%	0.03%	0.02%
Portfolio turnover rate ⁽³⁾	32.45%	70.32%	56.13%	60.13%	45.10%

(a) As of February 28, 2022, the First Trust ETF no longer offered FST.A and the Manager successfully redesignated FST.A to FST of the First Trust ETF.

(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.

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Management Fees

The First Trust ETF will pay the Manager a management fee of 0.60% 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.

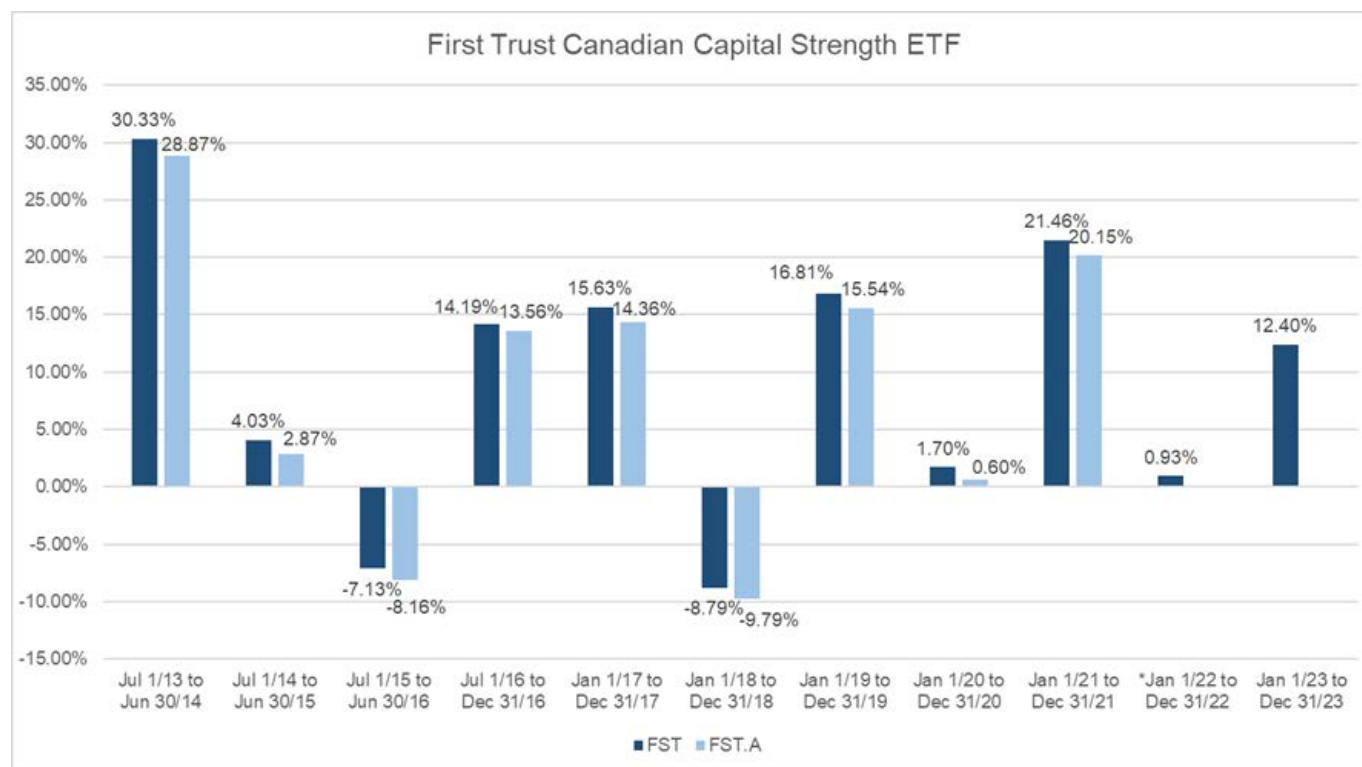
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the 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 for the years ended December 31, for the six-month period ended December 31, 2016, and for the fiscal years ended June 30 and illustrate 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.



*As of February 28, 2022, the First Trust ETF no longer offered FST.A and the Manager successfully redesignated FST.A to FST of the First Trust ETF.

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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 year ended December 31, 2023. 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.

Returns	1-Year	3-Year	5-Year	10-Year	Since Inception
First Trust Canadian Capital Strength ETF	12.40%	11.28%	10.36%	7.83%	7.17%
S&P/TSX Composite® Index	11.75%	9.59%	11.30%	7.62%	7.73%

S&P/TSX Composite® Index is the premier indicator of market activity for Canadian equity markets going back to its original incarnation in 1977. With approximately 95% coverage of the Canadian equities market, it is the primary gauge for Canadian-based, TSX-listed companies. It addresses the needs of investment managers who require a portfolio benchmark characterized by sufficient size and liquidity. The size of the S&P/TSX Composite and its broad economic sector coverage has made the S&P/TSX Composite Index the primary benchmark for Canadian pension funds and mutual market funds.

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, 2023. 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.

Top 25 Holdings	% of ETF Total Net Asset Value
Stantec Inc.	4.68%
Royal Bank of Canada	4.51%
Manulife Financial Corp.	4.50%
Constellation Software Inc.	4.47%
TFI International Inc.	4.38%
ATS Corp.	4.37%
National Bank of Canada	4.33%
Loblaw Cos. Ltd.	4.22%
iA Financial Corp. Inc.	4.20%
Restaurant Brands International Inc.	4.13%
Toronto-Dominion Bank (The)	4.10%
Teck Resources Ltd., Class 'B'	4.05%
Sun Life Financial Inc.	4.04%
CCL Industries Inc., Class 'B'	4.02%
CGI Inc.	4.01%
Canadian Pacific Kansas City Ltd.	3.99%
Alimentation Couche-Tard Inc.	3.90%
WSP Global Inc.	3.88%
Finning International Inc.	3.75%
Dollarama Inc.	3.70%
Canadian Natural Resources Ltd.	3.62%
Suncor Energy Inc.	3.45%
Imperial Oil Ltd.	3.43%
Cenovus Energy Inc.	3.04%
Franco-Nevada Corp.	2.87%
Total	99.64%

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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, 2023.

Sector Weightings	% of ETF Net Asset Value
Financials	25.68%
Industrials	25.05%
Energy	13.54%
Materials	10.94%
Information Technology	8.48%
Consumer Staples	8.12%
Consumer Discretionary	7.83%
Cash and Cash Equivalents	0.45%
Other Assets, Less Liabilities	-0.09%
Total	100.00%

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