



---

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

---

Interim Management Report of Fund Performance  
June 30, 2019

(Page intentionally left blank)

## **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

### **June 30, 2019**

#### **First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF (the “First Trust ETF”)**

This interim management report of fund performance contains financial highlights but does not contain the complete unaudited interim financial report 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](http://www.firsttrust.ca) or SEDAR at [www.sedar.com](http://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.

---

# First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2019

---

#### **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 June 30, 2019 was \$5,838,921 or \$23.71 per Unit ("FHC") and \$18.61 per Hedged Unit ("FHC.F"). The First Trust ETF's total net asset value as of December 31, 2018 was \$6,607,395 or \$22.80 per FHC and \$17.31 per FHC.F.

For the six-month period ended June 30, 2019, the First Trust ETF paid total cash distributions per unit of \$0.2745 for FHC and \$0.0996 for FHC.F. In addition, the First Trust ETF declared cash distributions per unit of \$0.07 for FHC and \$0.0525 for FHC.F for record date of June 28, 2019 with payment date of July 8, 2019.

##### **Investment Performance**

For the six-month period ended June 30, 2019, FHC returned 4.56% compared to Russell 1000® Consumer Staples Index (CAD) (the "benchmark") total return of 7.19% while FHC.F returned 8.04% compared to Russell 1000® Consumer Staples Index (USD) (the "hedged benchmark") total return of 12.03%. Unlike the benchmark and the hedged benchmark, the First Trust ETF's returns are net of fees and expenses.

As of June 30, 2019, the consumer staples sector accounted for 5.89% of the weight of the Russell 1000® Index. The benchmark underperformed the Russell 1000® Index (CAD) which returned 13.70%. The hedged benchmark underperformed the Russell 1000® Index (USD) which returned 18.84%.

The portfolio held 34 equity securities as of June 30, 2019. The top ten equity holdings accounted for 47.74% 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.

The First Trust ETF underperformed during the period due to stock selection, mostly within the Personal Care, Drug & Grocery Stores industry. Poor stock selection within the Food, Beverage, & Tobacco industry also contributed to the

---

## First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF

### Management Report of Fund Performance

#### For the six-month period ended June 30, 2019

---

underperformance. Specifically, within the Personal Care sub-industry, a significant underweight position in Procter & Gamble Company contributed to the underperformance as this stock performed well during the period. Strong industry allocation mitigated the underperformance, mostly due to an overweight position in the Foods sub-industry.

FHC suffered from its exposure to the U.S. dollar during the period as the U.S. dollar depreciated 4.0% against the Canadian dollar from December 31, 2018, to June 30, 2019. The depreciation of the U.S. dollar relative to the Canadian dollar contributed positively to the performance of FHC.F during the period because it is not exposed to movements in the U.S. dollar.

The top five stocks by contribution to return were Tyson Foods, Inc. Class A, Pilgrim's Pride Corporation, Conagra Brands, Inc., J.M. Smucker Company, and Post Holdings, Inc. The bottom five stocks by contribution to return were Kraft Heinz Company, Kroger Co., Herbalife Nutrition Ltd., Walgreens Boots Alliance Inc, and Sprouts Farmers Markets, Inc.

#### **Recent Developments**

During the first half of 2019, the Russell 1000® Index rebounded from steep losses in the fourth quarter of 2018 to post a 17.68% price return. The U.S. dollar depreciated relative to the Canadian dollar during the period, meaning the index gained 13.09% over the same period measured in Canadian dollars. U.S. government bonds rallied during the period, with the yield on the benchmark U.S. 10-year Treasury note falling from 2.68% at the end of 2018 to 2.01% on June 28, 2019. Yields fell on fears of an economic slowdown and subsequent indications from the Federal Reserve, the central bank of the United States, that it would cut interest rates if necessary to sustain the economic expansion. The Federal Reserve cited trade developments and slowing global growth as reasons for more accommodative monetary policy. The expectation of a rate cut in July helped fuel the rally in U.S. equity markets during the first half of the year. Moreover, despite expectations of an economic slowdown, the U.S. economy was resilient in the first half of the year. Real GDP grew at a robust 3.1% annual rate in the first quarter of 2019 and the U.S. economy continued its streak of job creation, extending it to 105 months during the first half of the year. Earnings growth slowed in the first half of the year, but earnings growth was robust in 2018 following the passage of the Tax Cuts and Jobs Act in 2017. Following the market gain in the first half of the year, the Russell 1000® Index finished June trading at a P/E multiple of 20.0 with a dividend yield of 1.93%.

#### **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.

# First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2019

#### 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 current unaudited interim financial statements and audited annual financial statements.

#### Net Asset Value per Unit

FHC	Jun. 30, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014 <sup>(a)</sup>
Net asset value, beginning of period/year <sup>(1)</sup>	\$22.80	\$24.21	\$24.62	\$24.73	\$21.63	\$20.00 <sup>(b)</sup>
Increase (Decrease) from operations:						
Total revenue	0.27	0.66	0.40	0.62	0.65	0.08
Total expenses	(0.14)	(0.36)	(0.28)	(0.28)	(0.26)	(0.04)
Realized gains (losses) for the period/year	0.02	0.91	(0.59)	0.57	1.04	(0.63)
Unrealized gains (losses) for the period/year	1.72	(2.30)	0.76	(1.25)	0.37	2.23
Total increase (decrease) from operations <sup>(2)</sup>	\$1.87	\$(1.10)	\$0.29	\$(0.34)	\$1.80	\$1.64
Distributions:						
From income (excluding dividends)	(0.12)	(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 <sup>(3)</sup>	\$(0.12)	\$(0.58)	\$(0.44)	\$(1.42)	\$(0.49)	\$(0.02)
Net asset value, end of period/year <sup>(4)</sup>	\$23.71	\$22.80	\$24.21	\$24.62	\$24.73	\$21.63

FHC.F	Jun. 30, 2019	Dec. 31, 2018	Dec. 31, 2017 <sup>(a)</sup>
Net asset value, beginning of period/year <sup>(1)</sup>	\$17.31	\$20.03	\$20.00 <sup>(b)</sup>
Increase (Decrease) from operations:			
Total revenue	0.21	0.49	0.10
Total expenses	(0.11)	(0.27)	(0.03)
Realized gains (losses) for the period/year	0.22	(0.67)	0.01
Unrealized gains (losses) for the period/year	1.07	(3.00)	(0.05)
Total increase (decrease) from operations <sup>(2)</sup>	\$1.39	\$(3.45)	\$0.03
Distributions:			
From income (excluding dividends)	(0.09)	(0.13)	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
Total annual distributions <sup>(3)</sup>	\$(0.09)	\$(0.13)	\$ -
Net asset value, end of period/year <sup>(4)</sup>	\$18.61	\$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 June 30, 2019 and 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.

# First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2019

#### Ratios and Supplemental Data

FHC	Jun. 30, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Net asset value (000's)	\$1,186	\$2,280	\$2,421	\$2,462	\$3,710	\$2,163
Number of units outstanding	50,000	100,000	100,000	100,000	150,000	100,000
Management expense ratio <sup>(1)</sup>	0.77%	0.77%	0.82%	0.77%	0.79%	0.79%
Management expense ratio before waivers or absorption	0.79%	0.79%	0.84%	0.79%	0.80%	0.82%
Trading expense ratio <sup>(2)</sup>	0.05%	0.05%	0.11%	0.06%	0.04%	0.00%
Portfolio turnover rate <sup>(3)</sup>	52.25%	116.28%	498.88%	289.16%	273.49%	3.31%
Net asset value per unit	\$23.71	\$22.80	\$24.21	\$24.62	\$24.73	\$21.63

FHC.F	Jun. 30, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$4,653	\$4,328	\$1,001
Number of units outstanding	250,000	250,000	50,000
Management expense ratio <sup>(1)</sup>	0.79%	0.79%	0.74%
Management expense ratio before waivers or absorption	0.81%	0.80%	0.97%
Trading expense ratio <sup>(2)</sup>	0.05%	0.05%	0.11%
Portfolio turnover rate <sup>(3)</sup>	52.25%	116.28%	498.88%
Net asset value per unit	\$18.61	\$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.

# First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2019

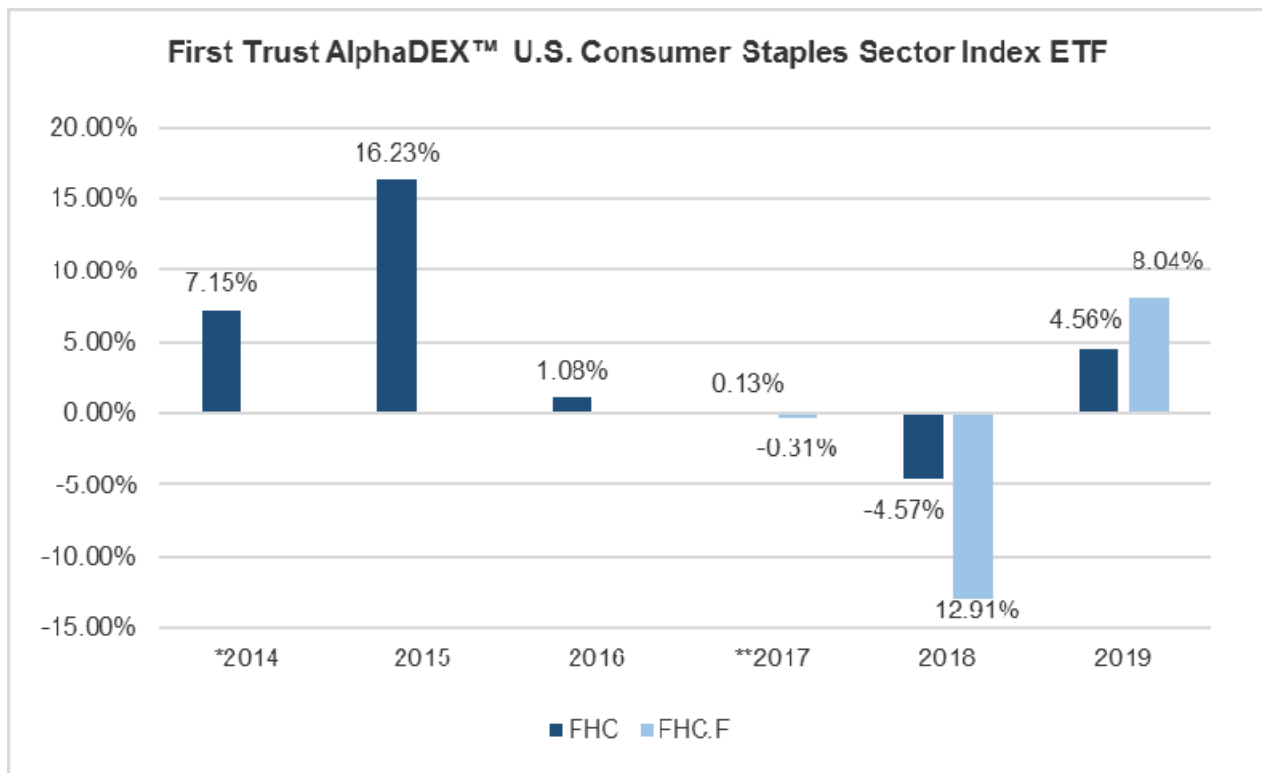
#### Past Performance

##### 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 six-month period ended June 30, 2019, for the years ended December 31, for the period from commencement of operations to December 31, 2017 for FHC.F, and for the period from commencement of operations to December 31, 2014 for FHC 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



**First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF**  
**Management Report of Fund Performance**  
**For the six-month period ended June 30, 2019**

**Summary of Investment Portfolio**

The table sets June 30, 2019. 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](http://www.firsttrust.ca).

Top 25 Holdings	% of ETF Total Net Asset Value
General Mills Inc.	5.63%
Kraft Heinz Co. (The)	5.27%
Post Holdings Inc.	5.27%
Archer-Daniels-Midland Co.	5.25%
Molson Coors Brewing Co., Class 'B'	5.21%
Kroger Co. (The)	4.89%
Tyson Foods Inc., Class 'A'	4.42%
Campbell Soup Co.	4.00%
Church & Dwight Co. Inc.	3.90%
US Foods Holding Corp.	3.90%
Conagra Brands Inc.	3.64%
Casey's General Stores Inc.	3.46%
Ingredion Inc.	3.31%
Walgreens Boots Alliance Inc.	3.29%
PepsiCo Inc.	3.05%
Bunge Ltd.	2.99%
Nu Skin Enterprises Inc., Class 'A'	2.94%
McCormick & Co. Inc.	2.93%
J.M. Smucker Co. (The)	2.82%
Spectrum Brands Holdings Inc.	2.80%
Hershey Co. (The)	2.22%
Pilgrim's Pride Corp.	2.17%
Flowers Foods Inc.	2.08%
Mondelez International Inc., Class 'A'	2.05%
Sysco Corp.	2.01%
<b>Total</b>	<b>89.50%</b>

**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 June 30, 2019.

Industry Weightings	% of ETF Total Net Asset Value
Food Products	58.36%
Food & Staples Retailing	17.55%
Household Products	10.62%
Beverages	8.26%
Personal Products	3.71%
Tobacco	0.85%
Cash and Cash Equivalents	0.53%
Other Assets, Less Liabilities	0.12%
<b>Total</b>	<b>100.00%</b>

FT Portfolios Canada Co.

40 King Street West, Suite 5102  
Scotia Plaza, Box 312  
Toronto, Ontario M5H 3Y2

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