



First Trust Senior Loan ETF (CAD-Hedged) • FSL, FSL.A

Annual Management Report of Fund Performance
December 31, 2020

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2020

First Trust Senior Loan ETF (CAD-Hedged) (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.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 Senior Loan ETF (CAD-Hedged)** (the “First Trust ETF”) is to provide unitholders with a high level of current income by investing primarily in a diversified portfolio of senior floating rate loans and debt securities, with capital appreciation as a secondary objective. The First Trust ETF invests primarily in a portfolio of senior floating rate loans which are generally rated at or below BB+ by Standard & Poor’s, or Ba1 or less by Moody’s Investor Services, Inc., or a similar rating by a designated rating organization (as defined in NI 81-102).

To achieve its investment objectives, the First Trust ETF will primarily invest in a portfolio of senior floating rate loans which are generally rated at or below BB+ by Standard & Poor’s, or Ba1 or less by Moody’s Investor Services, Inc., or a similar rating by a designated credit rating organization (as defined in NI 81-102) and debt securities. Under normal market conditions, the First Trust ETF will invest at least 80% of its net assets in senior loans, which may include loans that are not secured by any specific collateral of the borrower, loans that have a lower than first lien priority on collateral of the borrower, loans to foreign borrowers, loans in foreign currencies and other loans with characteristics that the portfolio advisor believes qualify as senior loans. The senior loans included in portfolio often maintain an interest rate duration of less than 90 days; however, the inclusion of LIBOR floors on certain senior loans or other factors may cause interest rate duration to exceed 90 days.

The First Trust ETF will pursue its objectives by seeking senior loans that portfolio advisor believes exhibit the best combination of attractive fundamental credit characteristics and relative value within the senior loan market. The portfolio advisor seeks to assemble a well-diversified portfolio that includes loans of issuers with strong credit metrics, including strong cash flows and effective management teams. The First Trust ETF may invest in floating rate loans of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings.

The First Trust ETF may invest up to 20% of its net assets in other floating rate debt instruments (including floating rate bonds, floating rate notes, money market instruments, floating rate debentures and tranches of floating rate asset-backed securities, structured notes, made to, or issued by, U.S. and non-U.S. corporations or other business entities), other fixed-rate income producing securities (including, without limitations, U.S. government debt securities, investment grade and below-investment grade corporate debt securities), securities of other investment funds, warrants and equity securities and derivatives. The First Trust ETF will generally seek to hedge substantially all of its U.S. dollar currency exposure back to the Canadian dollar.

Risk

The overall risk for the First Trust ETF during the year remains as discussed in the most recent prospectus for the First Trust ETF.

The ability of a company/issuer to pay interest and repay principal are not factors controlled by the First Trust ETF’s management. A company may default on their obligation to repay interest and principal which could impact the value of the holdings in the First Trust ETF or the ability to pay a dividend at or above the current level. Companies may also refinance their existing debt (the First Trust ETF’s holdings) which would also impact the level of income available to pay to shareholders.

The First Trust ETF is suitable for investors seeking a high level of current income and potential for capital gains through exposure to a diversified portfolio of below investment grade debt securities.

Results of Operations

General

The First Trust ETF’s total net asset value as of December 31, 2020 was \$44,861,239 or \$17.96 per Common Class unit (“FSL”) and \$17.95 per Advisor Class unit (“FSL.A”). The First Trust ETF’s total net asset value as of December 31, 2019 was \$63,275,332 or \$18.62 per FSL and \$18.65 per FSL.A.

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For the year ended December 31, 2020, the First Trust ETF paid total cash distributions per unit of \$0.7725 for FSL and \$0.7125 for FSL.A. In addition, the First Trust ETF declared cash distributions per unit of \$0.0550 for FSL and \$0.0500 for FSL.A for record date of December 31, 2020 with payment date of January 8, 2021.

The First Trust ETF held 93 individual positions (1.08% average position size) diversified across 23 industries at the end of the reporting period. The top 10 holdings by issuer accounted for 36.54% of the portfolio. Health Care Providers & Services (16.21%), Software (11.23%), and Pharmaceuticals (9.51%) were the top three industries by market value. By comparison, the First Trust ETF held 131 individual positions (0.76% average position size) across 30 industries with the top 10 holdings by issuer comprising 21.61% of the portfolio at December 31, 2020.

Investment Performance

At the end of the year, the First Trust ETF began to temporarily deploy cash into a passive index ETF to keep the Fund invested during the transition period. Once fully implemented, we believe the new investment strategy described above will result in significantly lower cash positions and greater liquidity.

For the year ended December 31, 2020, FSL returned 0.66% and FSL.A returned 0.10% compared to S&P/LSTA Leveraged Loan 100 Index (CAD-Hedged) ("Index") return of 1.86%. Unlike the Index, the First Trust ETF's returns are net of fees and expenses.

The First Trust ETF benefitted from security selection within the electronics/electrical (technology) industry. Within the sector, the First Trust ETF's holdings in a software and hardware provider for monitoring network performance and a security software developer outperformed the broader electronics/electrical (technology) industry. In addition, the First Trust ETF benefitted from an overweight allocation to the drugs industry, which outperformed the broader index during the first half 2020. The drugs industry made up approximately 2.29% of the index compared to 8.95% of the fund. Lastly, the First Trust ETF benefitted from its de minimis exposure to the oil & gas industry. The oil & gas industry was one of the worst performing industries in the Index during the year and comprised 2.67% of the index.

The First Trust ETF's performance was negatively impacted by its security selection within the building & development industry. Within the building & development industry, the primary drivers of returns during the year were the Fund's overweight positions in a real estate broker and a home builder and the Fund's underweight position to a building products manufacturer. Another headwind was the Fund's average cash position of 10.04% as risk asset prices generated positive returns during the year.

The Leveraged Finance Investment Team's investment process combines a balance of rigorous bottom-up fundamental credit analysis and disciplined portfolio construction to select securities for the First Trust ETF. This process led to the First Trust ETF having experienced two defaults during the last twelve-month (LTM) period. This compares to 50 issuers within the S&P/LSTA Leveraged Loan Index that defaulted during the same period. Since inception, the First Trust ETF has experienced eight defaults, which compares favorably to the 137 defaults within the S&P/LSTA Leveraged Loan Index.

Recent Developments

Retail demand for the senior loan asset class remained weak with approximately \$26.9 billion of outflows over the last twelve-month ("LTM") period. The outflows in 2020 were largely due to the significant decline in short term interest rates as the Federal funds target rate was cut to 0%-0.25% from 2.5% to combat the current economic conditions due to the COVID-19 pandemic. However, in December, after 26 consecutive monthly outflows, the senior loan asset class posted a monthly inflow. We believe this is a result of Investors beginning to anticipate a recovery in interest rates as the US economy normalizes and the potential for significant fiscal stimulus is contemplated.

The discounted spread to a 3-year life for the senior loan market began the period at L+461 and rose to as high as L+1331 during the selloff in March 2020 before ending the period at L+475. The LTM default rate within the senior loan index ended the period at 3.83%, which compares to the long-term average default rate of 2.91% dating back

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to March 1999. In the near term, we anticipate that the senior loan market's default rate will be relatively stable, however, as the economy recovers, the default rate should begin to fall.

We believe individual credits that came into this recession with too much leverage and sectors most impacted by COVID-19 will face a higher likelihood of defaults, including, but not limited to Energy, Travel, Leisure and Retail, in no particular order. As we evaluate existing and new investment opportunities in this environment, our decisions will continue to be rooted in our rigorous bottom-up credit analysis process and our focus will remain on identifying the opportunities that we believe offer the best risk and reward balance.

Effective January 21, 2021, the First Trust ETF changed its investment strategies to obtain exposure to senior floating rate loans and debt securities by holding securities of First Trust Senior Loan Fund (the "Underlying Fund"), a U.S. listed exchange-traded fund. First Trust Advisors, L.P., the portfolio advisor to the First Trust ETF is the portfolio advisor to the Underlying Fund. The First Trust ETF's investments will transition from direct holdings of senior floating rate loans and debt securities to an investment in the Underlying Fund. The First Trust ETF will generally seek to hedge substantially all of its U.S. dollar currency exposure back to the Canadian dollar.

The primary investment objective of the Underlying Fund is the same as the First Trust ETF, to provide high current income and its secondary investment objective is preservation of capital. The Underlying Fund seeks to achieve its investment objectives by investing in a portfolio of senior floating rate loans which are generally rated at or below BB+ by Standard & Poor's, or Ba1 or less by Moody's Investor Services, Inc., or a similar rating by a designated rating organization (as defined in NI 81-102) and debt securities.

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

Net Asset Value per Unit

FSL	Dec. 31, 2020	Dec. 31, 2019 ^a	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net asset value, beginning of year ⁽¹⁾	\$18.62	\$18.14	\$19.29	\$19.60	\$19.02
Increase (Decrease) from operations:					
Total revenue	0.74	1.03	1.04	0.91	0.96
Total expenses	(0.17)	(0.17)	(0.18)	(0.19)	(0.18)
Realized gains (losses) for the year	(0.34)	(0.04)	(1.34)	1.10	0.60
Unrealized gains (losses) for the year	(0.66)	0.64	0.36	(1.38)	0.09
Total increase (decrease) from operations ⁽²⁾	\$(0.43)	\$1.46	\$(0.12)	\$0.44	\$1.47
Distributions:					
From income (excluding dividends)	(0.61)	(0.88)	(0.91)	(0.73)	(0.75)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	(0.14)	-	-	(0.05)	(0.12)
Total annual distributions ⁽³⁾	\$(0.75)	\$(0.88)	\$(0.91)	\$(0.78)	\$(0.87)
Net asset value, end of year ⁽⁴⁾	\$17.96	\$18.62	\$18.14	\$19.29	\$19.60

FSL.A	Dec. 31, 2020	Dec. 31, 2019 ^a	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net asset value, beginning of year ⁽¹⁾	\$18.65	\$18.21	\$19.32	\$19.59	\$19.01
Increase (Decrease) from operations:					
Total revenue	0.91	0.38	1.06	0.89	1.42
Total expenses	(0.26)	(0.27)	(0.29)	(0.31)	(0.29)
Realized gains (losses) for the year	(0.32)	0.09	(1.34)	1.10	0.57
Unrealized gains (losses) for the year	0.11	1.96	0.21	(1.35)	(0.27)
Total increase (decrease) from operations ⁽²⁾	\$0.44	\$2.16	\$(0.36)	\$0.33	\$1.43
Distributions:					
From income (excluding dividends)	(0.50)	(0.81)	(0.75)	(0.61)	(0.65)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	(0.19)	(0.01)	-	-	(0.11)
Total annual distributions ⁽³⁾	\$(0.69)	\$(0.82)	\$(0.75)	\$(0.61)	\$(0.76)
Net asset value, end of year ⁽⁴⁾	\$17.95	\$18.65	\$18.21	\$19.32	\$19.59

(a) Effective November 4, 2019, First Trust Short Duration High Yield Bond ETF (CAD-Hedged) ("FSD") was merged with the First Trust ETF upon receiving management, regulatory and unitholder approval. Pursuant to the Merger, each holder of common units of FSD automatically received 1.108414 FSL for each common unit of FSD held and each holder of advisor class units of FSD automatically received 1.001905 FSL.A for each advisor class unit of FSD held on the effective date of the Merger.

(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.

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Ratios and Supplemental Data

FSL	Dec. 31, 2020	Dec. 31, 2019 ^a	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net asset value (000's)	\$37,431	\$54,625	\$85,087	\$138,694	\$149,762
Number of units outstanding	2,084,316	2,934,316	4,690,010	7,190,010	7,640,000
Management expense ratio ⁽¹⁾	0.93%	0.93%	0.94%	0.95%	0.95%
Management expense ratio before waivers or absorption	0.95%	0.95%	0.96%	0.97%	0.97%
Trading expense ratio ⁽²⁾	0.01%	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽³⁾	134.83%	86.53%	166.27%	310.12%	184.19%
Net asset value per unit	\$17.96	\$18.62	\$18.14	\$19.29	\$19.60

FSL.A	Dec. 31, 2020	Dec. 31, 2019 ^a	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net asset value (000's)	\$7,430	\$8,651	\$1,093	\$1,159	\$1,175
Number of units outstanding	413,948	463,948	59,990	59,990	60,000
Management expense ratio ⁽¹⁾	1.49%	1.49%	1.51%	1.58%	1.52%
Management expense ratio before waivers or absorption	1.51%	1.51%	1.52%	1.60%	1.54%
Trading expense ratio ⁽²⁾	0.01%	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽³⁾	134.83%	86.53%	166.27%	310.12%	184.19%
Net asset value per unit	\$17.95	\$18.65	\$18.21	\$19.32	\$19.59

(a) Effective November 4, 2019, First Trust Short Duration High Yield Bond ETF (CAD-Hedged) ("FSD") was merged with the First Trust ETF upon receiving management, regulatory and unitholder approval. Pursuant to the Merger, each holder of common units of FSD automatically received 1.108414 FSL for each common unit of FSD held and each holder of advisor class units of FSD automatically received 1.001905 FSL.A for each advisor class unit of FSD held on the effective date of the Merger.

(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 period/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.

Management Fees

The First Trust ETF will pay the Manager a management fee of 0.85% and, in respect of the FSL.A, an additional amount for a service fee (see "FSL.A Service Fee" below) 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.

FSL.A Service Fee

The Manager pays registered dealers a service fee equal to 0.50% per annum of the NAV of the Advisor Class Units held by clients of the registered dealer, plus any applicable taxes. The service fee will be calculated and accrued daily and paid quarterly at the end of each calendar quarter.

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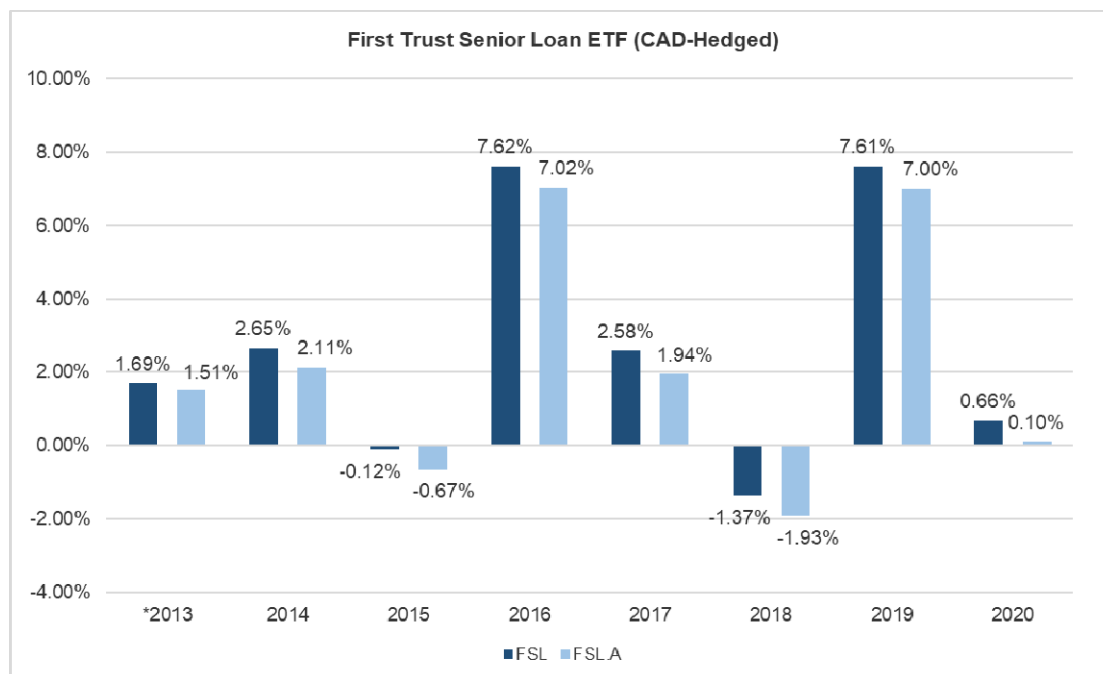
Past Performance

General

The past performance information shown assumes that all distributions made by the First Trust ETF in the period/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, per class, for the years ended December 31, and for the period from commencement of operations to December 31, 2013 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 ETF Commencement: August 28, 2013

Annual Compound Returns

The table below shows the First Trust ETF's annual compound total return since inception and for the years ended December 31, 2020. The annual compound return is compared to the returns of the relevant 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 index.

	1-year	3-year	5-year	Since Inception
First Trust Senior Loan ETF (CAD-Hedged) - FSL	0.66%	2.23%	3.36%	2.90%
First Trust Senior Loan ETF (CAD-Hedged) - FSL.A	0.10%	1.65%	2.76%	2.31%
S&P/LSTA Leveraged Loan 100 index (CAD-Hedged)	1.86%	3.23%	4.57%	3.31%

S&P/LSTA U.S. Leveraged Loan 100 index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. It is designed to reflect the largest facilities in the leveraged loan market. It mirrors the market-weighted performance of the largest institutional leveraged loans based upon market weightings, spreads, and interest payments.

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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, by issuer, as at December 31, 2020. 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 Issuers	% of ETF Total Net Asset Value
Invesco Senior Loan ETF (BKLN)	13.91%
Amwins Group, Inc.	2.88%
Change Healthcare Holdings, LLC	2.78%
HUB International Limited	2.75%
Cablevision (aka CSC Holdings, LLC)	2.68%
Bausch Health Companies Inc. (Valeant)	2.67%
Endo LLC	2.67%
Air Methods Corp. (a/k/a ASP AMC Intermediate Holdings, Inc)	2.13%
Envision Healthcare Corporation	2.11%
Verscend Technologies, Inc	1.95%
Multiplan Inc (MPH)	1.86%
SolarWinds Holdings, Inc.	1.74%
Packers Holdings, LLC	1.64%
CHG Healthcare Services, Inc	1.58%
iHeartCommunications, Inc.	1.54%
Alliant Holdings I, LLC	1.50%
Hyland Software, Inc.	1.46%
McAfee, LLC	1.44%
athenahealth, Inc (VVC Holding Corp.)	1.43%
Zayo Group Holdings Inc.	1.43%
Dell International LLC	1.40%
CityCenter Holdings, LLC	1.38%
Peabody Energy, Corp.	1.38%
Akorn, Inc.	1.37%
Cineworld Group PLC (Crown)	1.37%
Total	59.04%

Portfolio Breakdown

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by sector, as at December 31, 2020.

Sector Weightings	% of ETF Total Net Asset Value
Health Care	28.50%
Financials	22.57%
Consumer Discretionary	16.74%
Information Technology	11.61%
Communication Services	6.71%
Industrials	3.29%
Energy	1.80%
Materials	0.95%
Consumer Staples	0.16%
Cash and Cash Equivalents	5.74%
Other Assets, Less Liabilities	1.93%
Total	100.00%

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The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio by country, as at December 31, 2020.

Country Weightings	% of ETF Total Net Asset Value
United States	85.08%
Canada	3.30%
Ireland	1.09%
France	1.01%
United Kingdom	0.84%
Luxembourg	0.60%
Germany	0.41%
Total	92.33%

The table below sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio by credit rating, as at December 31, 2020.

S&P Rating	% of ETF Total Net Asset Value
BBB+	0.00%
BBB	0.00%
BBB-	1.95%
BB+	0.07%
BB	6.24%
BB-	7.90%
B+	19.33%
B	24.38%
B-	8.62%
CCC+	0.64%
CCC	5.79%
CCC-	1.38%
CC	0.31%
C	0.00%
D	1.09%
NR	14.63%
Total	92.33%

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