

**INDEPENDENT REVIEW COMMITTEE
2020 ANNUAL REPORT TO UNITHOLDERS**

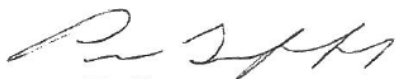
March 4, 2021

Dear Unitholder:

As Chair of the Independent Review Committee (the “IRC”) for the exchange traded funds managed by FT Portfolios Canada Co. (the “Funds”) established pursuant to *National Instrument 81-107 - Independent Review Committee for Investment Funds* (“NI 81-107”), I am pleased to provide you with this annual report to unitholders of the Funds for the fiscal year ended December 31, 2020 as required under NI 81-107.

The IRC is comprised of three independent members with expertise in a variety of fields, including financial institutions, other investment businesses, prudential regulation and governance.

Securities regulators have given the IRC a mandate to review mutual fund conflict of interest matters referred to the IRC by the Manager of the Funds and to give its approval or recommendation, depending on the conflict of interest matter. The IRC has conducted its business on behalf of the Funds with a view to ensuring compliance with NI 81-107. The Manager of the Funds has provided the IRC with compliance certificates with respect to the standing instructions it has issued. We are satisfied that the Manager of each Fund has acted in accordance with all related regulations, policies and standing instructions governing the management of conflicts of interest in the management of the Funds.



Paul Duffy
Chair of the Independent Review Committee

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Members of the IRC

The members of the IRC are:

Peter Copestake (Chair January 1, 2020-March 31, 2020)
Paul Duffy (Chair April 1, 2020- Present)
Anne Bell
Peter Lynch

The IRC acted as an independent review committee during the period from January 1, 2020 to December 31, 2020 (the “Period”) in respect of the funds (the “Funds”) listed on Schedule 1.

None of the members of the IRC acts on an IRC for any other investment funds except Paul Duffy who resigned his position on the Barometer Capital Management Inc. IRC effective December 31, 2020.

Paul Duffy was appointed as Chair of the IRC on April 1, 2020 replacing Peter Copestake who resigned effective March 31, 2020. Peter Lynch was appointed April 1, 2017 and Anne Bell was appointed February 8, 2018.

During the Period, none of the members of the IRC had any relationships with FT Portfolios Canada Co. (the “Manager”), the manager of the Funds, that would cause a reasonable person to question an IRC member’s independence.

Holdings of Securities

- (a) Funds: As at December 31, 2020, no member of the IRC beneficially owned any units of the Funds.
- (b) Manager: As at December 31, 2020, no member of the IRC beneficially owned directly or indirectly any class or series of voting or equity securities of the Manager.
- (c) Service Providers: As at December 31, 2020, the members of the IRC, individually and in the aggregate beneficially owned an inconsequential number being less than 0.01% of any class or series of voting or equity securities of a person or company that provides services to the Funds or to the Manager.

IRC Compensation and Indemnities

The fees and expenses of the IRC of the Funds are allocated in proportion to the average net assets of each Fund managed by the Manager during the period in which the fees or expenses arose. This totalled \$64,899 in 2020. The IRC expenses were waived by the Manager therefore the Funds did not absorb IRC expenses.

The aggregate compensation paid by the Funds to the IRC during the Period was \$58,000.

In 2020 each member of the IRC was paid an annual retainer of \$16,000 and \$1,000 (\$1,500 for the Chair) for each IRC meeting the member attends. No indemnities were paid to the IRC by the Funds or the Manager during the Period.

At least annually, or on such less frequent basis as the IRC deems appropriate, the IRC will review its compensation, giving consideration to the following:

1. the best interests of the Funds;
2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the Funds for which the IRC acts;
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member; and
5. the IRC's most recent self-assessment and any recommendation of the manager of the Funds in respect of IRC compensation and expenses.

The committee last met to discuss its compensation on March 4, 2020. It reviewed the above criteria on a best efforts basis including comparative data from other fund groups (to the extent available). Based on their review of the above factors, it was recommended that no changes be made to the current compensation. The Manager agreed with this recommendation. The fees paid for each meeting attended remains unchanged at \$1,000 (\$1,500 for the Chair).

The IRC also reviews the expense reimbursement policy applicable to the IRC on an annual basis.

No changes are recommended.

Conflict of Interest Matters

The IRC is not aware of any instance in which the Manager of a Fund acted in a conflict of interest matter referred to the IRC during the Period for which the IRC did not give a positive recommendation or for which the Manager did not meet a condition imposed by the IRC in its recommendation or approval.

Policies and Standing Instructions

The Manager has policies and procedures in place to address each of the actions listed below in this report. For each of these actions, the IRC has issued standing instructions to the Manager that permit the Manager to proceed with the proposed action on an ongoing basis rather than seeking the IRC's approval or recommendation in each instance. The standing instructions require the Manager to comply with their related policy and procedures and to report periodically to the IRC.

Approvals

In accordance with the requirements of National Instrument 81-102 and National Instrument 81-107, the IRC has provided approval by way of standing instruction for each Fund in respect of the following policies:

1. Related Party Transactions addresses potential conflicts of interest that arise when the Manager or advisor could favour securities which assist such parties or affiliates when making investment decisions for a Fund.
2. Inter-Fund Trades addresses the potential conflicts of interest that arise when one Fund purchases securities from, or sell securities to, another investment fund managed by the Manager or an affiliate of the Manager. These could be beneficial to one party to the transaction to the detriment of the other.

The Manager provided a written report to the IRC describing its reliance (if any) on the standing instructions during the period. There were no other approvals requested by the Manager during the period.

Recommendations

In addition, the IRC provided a positive recommendation and standing instruction in respect of the following conflict of interest policies:

1. Allocation of Investment Opportunities Policy addresses the potential conflict of interest that an advisor could allocate investments in a manner that favours itself rather than its clients or favour one or more clients to the detriment of others.
2. Best Execution and Soft Dollar Arrangements Policy addresses the potential conflicts of interest that may arise when determining which entity should execute trades for a Fund or using client brokerage commissions as payment for order execution services or research services (also known as 'soft dollar' arrangements).
3. Allocating Costs to Funds Policy addresses the potential conflicts of interest that may arise when the Manager allocates expenses to the Funds. The Manager may be motivated to favour one Fund over another or allocate expenses to Funds that the Manager should bear itself.
4. Correcting Portfolio NAV Errors Policy addresses the potential conflicts of interest that may arise when the Manager detects an error in the calculation of portfolio net asset value of a Fund that results from a breach of the standard of care and when making related adjustments to the Fund and investor accounts;
5. Proxy Voting Policy addresses the potential conflicts of interest that may arise when the Manager is required to vote proxies of securities held by the Funds in instances where the Manager or related entities may have an interest.

6. Trade Error Correction Policy addresses the potential conflicts of interest that may arise when there is an error by the Manager or the advisor in the execution of a trade of a security held by a Fund.
7. Personal Trading Policy addresses the potential conflicts of interest that may arise when employees, officers and directors of the Manager wish to invest in or divest of securities which are within the investment mandate of a Fund.
8. Promotional Items and Business Promotion Activities Policy addresses the potential conflicts of interest that may arise when employees, officers or directors of the Manager offer promotional items or participate in business promotion activities in connection with the sale of Fund products.
9. Senior Loan Valuation Policy addresses the potential conflicts of interest that may arise if reliable public market quotations or independent pricing from a third party pricing service are not readily available in respect of a senior loan held by a Fund. In such circumstances the Manager or the Fund's portfolio advisor shall determine the fair value of the senior loan.

The Manager provided a written report to the IRC describing its reliance (if any) on the standing instructions during the period.

Also, during the year, the Manager referred to the IRC for its review and approval;

a proposal to change the investment objectives and re-name the following 7 existing ETFs as follows;

<u>Current Fund Name and Sector Exposure</u>	<u>New Fund Name and Sector Exposure</u>	<u>Proposed Investment Objective</u>
First Trust AlphaDEX™ U.S. Utilities Sector Index ETF Seeks to replicate the performance of the StrataQuant® Utilities Index	First Trust Cloud Computing ETF Cloud Computing Sector	The Fund will seek to replicate, to the extent possible, the performance of an index of U.S. companies involved in the cloud computing industry, initially the ISE CTA Cloud Computing Index.
First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF Seeks to replicate the performance of the StrataQuant® Consumer Staples Index	First Trust Dow Jones Internet ETF Internet Sector	The Fund will seek to replicate, to the extent possible, the performance of an index of U.S. companies involved in the internet industry, initially the Dow Jones Internet Composite Index.
First Trust AlphaDEX™ U.S. Consumer Discretionary Sector Index ETF	First Trust Nasdaq Cybersecurity ETF	The Fund will seek to replicate, to the extent possible, the performance of an index of U.S. companies in the

Seeks to replicate the performance of StrataQuant® Consumer Discretionary Index	Cybersecurity Sector	cybersecurity industry, initially the Nasdaq CTA Cybersecurity Index.
First Trust AlphaDEX™ U.S. Materials Sector Index ETF Seeks to replicate the performance of StrataQuant® Materials Index	First Trust NYSE Arca Biotechnology ETF Biotechnology Sector	The Fund will seek to replicate, to the extent possible, the performance of U.S. companies in the biotechnology industry, initially the NYSE Arca Biotechnology Index.
First Trust AlphaDEX™ U.S. Energy Sector Index ETF Seeks to replicate the performance of StrataQuant® Energy Index	First Trust Indxx NextG ETF Wireless Networking Sector	The Fund will seek to replicate, to the extent possible, the performance of U.S. companies that have devoted or have committed to devote, material resources to the research, development and application of fifth generation and next generation digital cellular technologies as they emerge, initially the Indxx 5G & NextG Thematic Index.
First Trust AlphaDEX™ U.S. Financial Sector Index ETF Seeks to replicate the performance of StrataQuant® Financials Index	First Trust Nasdaq Clean Edge Green Energy ETF Clean Energy Sector	The Fund will seek to replicate, to the extent possible, the performance of an index of U.S. listed companies designed to track the performance of clean energy companies engaged in manufacturing, development, distribution and installation of emerging clean-energy technologies including, but not limited to, solar photovoltaics, biofuels and advanced batteries, initially the NASDAQ® Clean Edge® Green Energy Index.
First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged) Seeks to replicate the performance of Dorsey Wright® U.S. Sector Focus Five Index	First Trust Morningstar Dividend Leaders ETF (CAD-Hedged)	The Fund will seek to replicate, to the extent possible, the performance of U.S. companies that have shown dividend consistency and dividend sustainability, initially the Morningstar Dividend Leaders Index.

After making reasonable enquiry the IRC resolved that the Manager's proposals, if approved by the unitholders and completed, would achieve a fair and reasonable result for each of the funds. The proposal will be executed in early 2021.

SCHEDULE 1

Fund	Inception Date
First Trust Canadian Capital Strength ETF (formerly First Trust Canadian Capital Strength Portfolio)	November 2001
First Trust Short Duration High Yield Bond ETF (CAD – Hedged) June 2014 (merged with First Trust Senior Loan ETF CAD Hedged effective Nov 4 2019)	
First Trust Value Line tm Dividend Index ETF (CAD – Hedged)	May 2013
First Trust AlphaDEX tm Emerging Markets ETF (CAD – Hedged)	May 2013
First Trust Senior Loan ETF (CAD – Hedged)	August 2013
First Trust AlphaDEX European Dividend Index ETF (CAD Hedged)	February 2014
First Trust Global Risk Managed Income Index ETF	July 2014
First Trust AlphaDEX tm U.S. Energy Sector Index ETF	October 2014
First Trust AlphaDEX tm U.S. Health Care Sector Index ETF (Hedged class launched Dec 2017)	October 2014
First Trust AlphaDEX tm U.S. Industrials Sector Index ETF (Hedged class launched Dec 2017)	October 2014
First Trust AlphaDEX tm U.S. Consumer Staples Sector Index ETF (Hedged class launched Dec 2017)	October 2014
First Trust AlphaDEX tm U.S. Financials Sector Index ETF	October 2014
First Trust AlphaDEX tm U.S. Materials Sector Index ETF	October 2014
First Trust AlphaDEX tm U.S. Consumer Discretionary Sector Index ETF	October 2014
First Trust AlphaDEX tm U.S. Utilities Sector Index ETF	October 2014
First Trust AlphaDEX tm U.S. Technology Sector Index ETF (Hedged class launched Dec 2017)	October 2014
First Trust Tactical Bond Index ETF	June 2015
First Trust Dorsey Wright U.S. Sector Rotation Index ETF (CAD-Hedged)	September 2016
First Trust Indxx Innovative Transaction and Process ETF	March 2018
First Trust International Capital Strength ETF	May 2018
First Trust Cboe Vest US Equity Buffer ETF-August	August 30 2019

First Trust Cboe Vest US Equity Buffer ETF-November	February 2020
First Trust Cboe Vest US Equity Buffer ETF-February	February 2020
First Trust Cboe Vest US Equity Buffer ETF-May	May 2020