



First Trust Indxx Innovative Transaction and Process ETF • BLCK

Annual Management Report of Fund Performance
December 31, 2020

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2020

First Trust Indxx Innovative Transaction and Process 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.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 Indxx Innovative Transaction and Process ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of an innovative transaction and process index. Currently, the First Trust ETF seeks to replicate, to the extent possible, the performance of the Indxx Blockchain Index (the “Index”), provided by Indxx, LLC, net of expenses.

The investment strategy of the First Trust ETF is to obtain exposure to the Index by holding shares of a U.S.-listed index ETF, the First Trust Indxx Innovative Transaction & Process ETF (“LEGR”), which replicates or substantially replicates the performance of the Index by directly holding the Constituent Securities of the Index. The First Trust ETF may also hold cash and cash equivalents or other money market instruments to fund current liabilities. The Index seeks to track the performance of exchange-listed common shares (or corresponding ADRs or GDRs) of companies in various industries with their primary listing in developed or emerging market countries that are actively using, investing in, developing or have products that are poised to benefit from blockchain technology and/or the potential for increased efficiency that it provides to various business processes. The Index seeks to include only companies that have devoted material resources to the use of blockchain technologies. However, the Index may contain securities of issuers whose primary business operations are not blockchain related or do not include blockchain related activities.

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 year that affected the overall level of risk associated with the First Trust ETF.

Results of Operations

General

The First Trust ETF’s net asset value as of December 31, 2020 was \$2,054,184 or \$24.17 per unit. The First Trust ETF’s net asset value as of December 31, 2019 was \$2,090,768 or \$20.91 per unit.

For the year ended December 31, 2020, the First Trust ETF paid total cash distributions of \$0.3500.

Investment Performance

For the year ended December 31, 2020, the First Trust ETF returned 15.92% compared to the S&P 500 Index (the “benchmark”) total return of 16.32%. Unlike the benchmark, the First Trust ETF’s return is net of fees and expenses.

The First Trust ETF’s only holding, LEGR, held 100 equity securities as of December 31, 2020. The top ten equity holdings for LEGR accounted for 17.02% of the portfolio within LEGR.

LEGR outperformed the benchmark during the period due to sector allocation. An overweight allocation to Information Technology and an underweight allocation to Energy improved relative performance as they were the top and bottom performing sectors in the benchmark during the period respectively. Positive selection came from Consumer Discretionary where JD.com, Inc. aided relative performance. Stock selection overall detracted from relative performance as selection in Information Technology particularly underperformed due to overweight positions in Wirecard AG and Hewlett Packard Enterprise. An overweight allocation to Financials also hurt relative performance as the sector underperformed the benchmark during the period.

LEGR’s top five stocks by contribution to return were JD.com, Inc., NVIDIA Corporation, PayPal Holdings, Inc., Advanced Micro Devices, Inc., and Amazon.com, Inc. The bottom five stocks by contribution to return were Wirecard AG, Atos SE, Hewlett Packard Enterprise Co., Aspen Technology, Inc., and NATIXIS.

Recent Developments

Since, early 2018, the First Trust ETF has given investors exposure to companies involved in the blockchain ecosystem, primarily in the Financials and Information Technology sectors. Despite the economic slowdown due to

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the COVID-19 pandemic, blockchain technology continued to expand as businesses further integrated the much-lauded technology into their day-to-day processes. Recent survey data shows that the proportion of companies that have already adopted blockchain processes increased 70% from 2019 to 2020. Use cases will likely trend toward more near-term and profitable projects as budgets have been cut and companies do not have the luxury of investing in ventures with delayed payouts. Another observable change that came from the COVID-19 pandemic is acceleration in the digitization of logistical processes as companies must now be prepared to operate fully remotely; this trend will only serve to benefit blockchain technology adoption in the coming year. Digital assets, cryptocurrencies, and financial technology have emerged as the most widespread mediums for blockchain technology although strong adoption should also be expected in supply chain/logistics, global identity, and data storage/access.

As of December 31, 2020, Bitcoin is experiencing the strongest upswing the cryptocurrency market has ever seen, closing the year up over 300% near the \$29,000 mark. Investors have favored cryptocurrencies and gold as safe havens from the depreciating US dollar and traditional stocks/bonds. Banks have received government approval to release their own “stablecoins” to enjoy the efficiency and transparency of cryptocurrencies without the volatility of Bitcoin, a signal that digital currencies will become increasingly mainstream in the coming year. China, the global leader in blockchain adoption, has positioned itself to be the first country to issue a widely accepted purely digital version of its own currency, the Crypto yuan, which is expected to have high uptake in 2021. Survey data shows that 83% of global senior executives believe that digital currencies will assist or replace their current fiat currency in the next 5-10 years. In China, the proportion was 94% indicating strong expectations for digital assets in Asia.

Although 2020 did not bring an explosion of progress in the blockchain ecosystem, various industries began tangibly applying the technology to their processes with promising results, especially in the financial technology world where digital assets are flourishing. “Blockchain tourism” has tapered off as CEOs are keenly aware of how blockchain would fit in their business models, they only need to begin implementing it. Companies will need to apply the lessons learned through the COVID-19 pandemic to wisely invest in the technologies that will help them survive in a world that is constantly becoming more data driven. 2021 looks to be a strong year as blockchain transitions from an experimental tool to a core competency in areas such as financial services, industrial technology, health care, and civil law/property rights.

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

Net Asset Value per Unit

BLCK	December 31, 2020	December 31, 2019	December 31, 2018 ^(a)
Net asset value, beginning of period/year ⁽¹⁾	\$20.91	\$17.70	\$20.00 ^(b)
Increase (Decrease) from operations:			
Total revenue	0.24	0.38	0.26
Total expenses	(0.07)	(0.09)	(0.06)
Realized gains (losses) for the period/year	0.24	0.22	-
Unrealized gains (losses) for the period/year	2.53	3.41	(3.07)
Total increase (decrease) from operations ⁽²⁾	\$2.94	\$3.92	\$(2.87)
Distributions:			
From income (excluding dividends)	(0.01)	(0.52)	(0.15)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	(0.05)	-	-
Total annual distributions ⁽³⁾	\$(0.06)	\$(0.52)	\$(0.15)
Net asset value, end of period/year ⁽⁴⁾	\$24.17	\$20.91	\$17.70

(a) December 31, 2018 does not relate to the full year as the First Trust ETF commenced operations on March 23, 2018.

(b) Seed capital

(1) This information is provided as at 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.

Ratios and Supplemental Data

BLCK	December 31, 2020	December 31, 2019	December 31, 2018
Net asset value (000's)	\$2,054	\$2,091	\$4,425
Number of units outstanding	85,000	100,000	250,000
Management expense ratio ⁽¹⁾	0.81%	0.81%	0.81%
Management expense ratio before waivers or absorption	0.84%	0.83%	0.83%
Trading expense ratio ⁽²⁾	0.00%	0.00%	0.00%
Portfolio turnover rate ⁽³⁾	0.62%	0.42%	0.25%
Net asset value per unit	\$24.17	\$20.91	\$17.70

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

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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 will bear the Underlying Fund's, a US-listed index ETF (the "First Trust Indxx Innovative Transaction & Process ETF [Ticker: LEGR]"), management fee of 0.65% per annum on average daily net assets on the First Trust ETF's portfolio assets invested in the Underlying Fund. Accordingly, the management fee cost to unitholders of their investment will be 0.80% per annum of NAV of the Units plus applicable taxes.

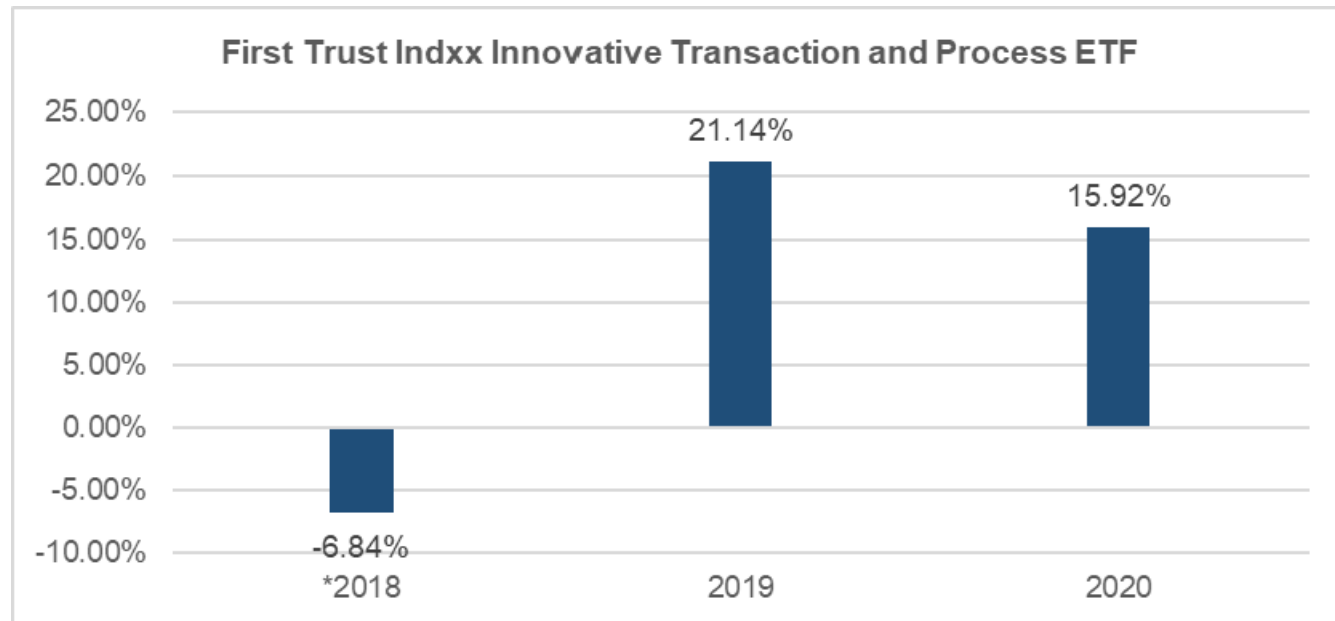
Past Performance

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 years ended December 31, 2020 and 2019 and for the period from commencement of operations to December 31, 2018 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: March 23, 2018

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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, 2020. 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 period performance of the First Trust ETF relative to the benchmark.

	1-year	Since Inception
First Trust Indxx Innovative Transaction and Process ETF	15.92%	10.16%
S&P 500® Index*	16.32%	15.05%

**The S&P 500® or Standard & Poor's 500 Index is widely regarded as the best gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.*

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, 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.

Holdings	% of ETF Total Net Asset Value
First Trust Indxx Innovative Transaction & Process ETF ("LEGR")	99.73%
Cash and Cash Equivalents	0.28%
Other Assets, Less Liabilities	-0.01%
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, 2020.

Sector Weightings	% of ETF Total Net Asset Value
Exchange-Traded Fund	99.73%
Cash and Cash Equivalents	0.28%
Other Assets, Less Liabilities	-0.01%
Total	100.00%

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