



First Trust AlphaDEX™ Emerging Market Dividend ETF
(CAD-Hedged)

Annual Management Report of Fund Performance
December 31, 2016

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2016

First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged) **(the “First Trust ETF”)**

This annual management report of fund performance contains financial highlights, but does not contain the complete 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 3001, Scotia Plaza, Box 312, Toronto, Ontario M5H 3Y2 or by visiting our web site 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 AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged)** (the “First Trust ETF”) is to provide Unitholders with exposure to the performance of a portfolio of dividend paying equity securities domiciled in the emerging markets and selected from countries represented in the S&P Emerging Markets BMI Index as well as providing Unitholders with monthly distributions.

To achieve its investment objectives, the First Trust ETF will primarily invest in common shares, GDRs, ADRs or other depository receipts listed on a major U.S. or Canadian stock exchange, of dividend paying companies in emerging countries as defined by the S&P Emerging Markets BMI Index. Securities will also be subject to an initial screening process to ensure sufficient liquidity (minimum three month average daily trading volume of \$2.5 million), market capitalization (minimum of \$1 billion) and price per security (minimum of \$2). Eligible companies will then be assigned a score and ranked based on the AlphaDEX™ selection methodology which is a rules based methodology that analyzes companies based on five growth factors consisting of three, six and twelve month price appreciation, one year sales growth and sales-price ratio and three value factors consisting of book value-to-price ratio, cash flow-to-price ratio and return on assets. The bottom scoring 25% of dividend paying stocks in the universe are left out of the selection. 75% of the highest ranking stocks, based on selection score, are eligible for inclusion in the portfolio. The resulting stocks are not weighted based on market capitalization, but on the basis of potential investment merit. The selected stocks are then divided equally into quintiles based on their AlphaDEX™ methodology scores; the higher scoring quintiles are given a greater weight than lower scoring quintiles. The top ranked quintile receives a top weight of 5/15 (33.3%) of the portfolio with successive quintiles receiving 4/15 (26.7%), 3/15 (20.0%), 2/15 (13.3%) and 1/15 (6.7%). The First Trust ETF will generally seek to hedge substantially all of its U.S. dollar currency exposure back to the Canadian dollar. The First Trust ETF will rebalance and reconstitute the portfolio of constituent securities semi-annually. Between rebalancing dates, the allocation between each of the constituent securities will change due to market movement and the portfolio advisor will typically not reallocate, include or exclude issuers from the First Trust ETF portfolio until its next rebalance date.

There are two classes of units offered by the First Trust ETF:

- Common Class (TSX symbol: FDE)
- Advisor Class (TSX symbol: FDE.A)

The inception date of the First Trust ETF was May 15, 2013.

Risk

The portfolio held 44 equity securities at the end of the reporting period. The top ten equity holdings accounted for 40.51% of the portfolio. Information Technology, Materials, and Industrials were the top three sector weightings at the beginning of the reporting period. At the end of the period Materials, Information Technology, and Utilities were the top three sector weightings. The sector weighting changes were a result of applying the AlphaDEX™ stock selection process at the semi-annual rebalance. The AlphaDEX™ stock selection process is a rules-based process and can result in sector weightings that differ from that of the benchmark. The ability of a company to pay a dividend in the future is dependent on factors that are not controlled by fund management. A company held in the First Trust ETF may, at any time, decide to cut or eliminate its dividend payment. The First Trust ETF added 8 stocks and removed 12 stocks at the portfolio's semi-annual rebalance at the beginning of June. At the portfolio's semi-annual rebalance at the beginning of December the First Trust ETF added 15 stocks and removed 14 stocks. The changes were made by applying the AlphaDEX™ selection methodology to a universe of emerging market dividend paying stocks. At the end of the period Materials, Utilities, and Telecommunication Services holdings were the most overweight positions relative to the benchmark. Financials, Consumer Discretionary, and Information Technology were the most underweight sectors relative to the benchmark at the end of the period. At the beginning of the period, the top three overweight sectors were Materials, Information Technology, and Utilities. The most underweight sectors at the beginning of the period were Financials, Consumer Discretionary, and Consumer Staples. Given the First Trust ETF employs a currency hedging strategy to minimize the impact of changes in the USD-CAD exchange rate, and considering that the portfolio remains consistent in its application of the AlphaDEX™ stock selection methodology to pick stocks for the portfolio, we conclude there was no material change to the risk profile of the First Trust ETF.

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Results of Operations

The First Trust ETF's total net asset value as of December 31, 2016 was \$8,627,850 or \$14.38 per Common Class unit and \$14.37 per Advisor Class unit. The First Trust ETF's total net asset value as of December 31, 2015 was \$2,381,554 or \$11.91 per Common Class unit and \$11.90 per Advisor Class unit.

The First Trust ETF paid cash distributions per unit as follows:

	2016 Payment Dates											
	Jan 8 th	Feb 5 th	Mar 7 th	Apr 7 th	May 6 th	Jun 7 th	Jul 8 th	Aug 8 th	Sep 8 th	Oct 7 th	Nov 7 th	Dec 7 th
FDE	-	0.0300	0.0300	0.0308	0.0308	0.0308	0.0308	0.0330	0.0375	0.0375	0.0375	0.0400
FDE.A	-	0.0199	0.0189	0.0180	0.0177	0.0183	0.0180	0.0186	0.0227	0.0233	0.0230	0.0267

Investment Performance

The First Trust ETF's Common Class units returned 24.11% and the Advisor Class returned 22.74%, net of fees and expenses, for the year ended December 31, 2016. This compares with the benchmark, MSCI Emerging Market Index, total return of 11.60%. The First Trust ETF outperformed the benchmark. BRIC (Brazil, Russia, India, and China) countries made up about 47% of the holdings during the period. Stock selection in South Africa and China boosted relative performance relative to the benchmark. An overweight position in Brazil also led to outperformance on a relative basis.

Stock selection caused Utilities stocks to lead the portfolio during the period. Materials, Telecommunication Services, Consumer Discretionary stocks also boosted relative outperformance versus the benchmark. An overweight position and stock selection in industrials were a drag on relative performance during 2016.

The top five stocks by contribution to return were Sibanye Gold Ltd. Sponsored ADR, Cosan Limited Class A, Companhia Energetica de Minas Gerais SA Sponsored ADR Pfd, China Lodging Group Ltd. Sponsored ADR, and CPFL Energia S.A. Sponsored ADR. The bottom five stocks by contribution to return were Qiwi Plc Sponsored ADR Class B, Fang Holdings Ltd. Sponsored ADR Class A, Gerdau S.A. Sponsored ADR Pfd, Seaspan Corporation, and Embraer S.A. Sponsored ADR.

During the period, appreciation in the US dollar versus the Canadian dollar was advantageous for the First Trust ETF given the currency hedge.

Recent Developments

In December 2016, the First Trust ETF added 15 positions and removed 14 during its semi-annual rebalance. The changes were made by applying the quantitative AlphaDEX™ selection methodology to a universe of emerging market dividend paying stocks.

Over the reporting period, emerging market equities outpaced their developed market peers. China continues to battle slowing growth, though it remains well above the developed markets. Slower growth forecasted in developed markets has investors searching for higher yields in emerging economies. South American equities were some of the best performing stocks in the benchmark as Brazilian companies benefitted from a falling yield on sovereign bonds and increased commodity prices. Emerging Europe continues to lag due to monetary policy concerns.

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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 three years. The date of inception of the First Trust ETF was May 15, 2013. The information are derived from the First Trust ETF's annual financial statements for the years ending December 31 and for the period from since inception to December 31, 2013.

Net Asset Value per Unit – FDE

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013 ^(a)
Net asset value, beginning of period/year⁽¹⁾	\$11.91	\$16.36	\$19.93	\$20.00^(b)
Increase (Decrease) from operations:				
Total revenue	0.35	0.66	0.66	(0.76)
Total expenses	(0.19)	(0.20)	(0.24)	(0.17)
Realized gains (losses) for the period/year	(0.68)	(4.39)	(1.18)	0.27
Unrealized gains (losses) for the period/year	1.05	0.18	(1.47)	1.10
Total increase (decrease) from operations⁽²⁾	\$0.53	\$(3.75)	\$(2.23)	\$0.44
Distributions:				
From income (excluding dividends)	(0.30)	(0.30)	(0.45)	(0.33)
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital	(0.08)	(0.07)	(0.04)	(0.06)
Total annual distributions⁽³⁾	\$(0.38)	\$(0.37)	\$(0.49)	\$(0.39)
Net asset value, end of period/year⁽⁴⁾	\$14.38	\$11.91	\$16.36	\$19.93

(a) December 31, 2013 does not relate to the full year as the date of inception of the First Trust ETF was May 15, 2013.

(b) Initial offering price

(1) This information is provided as at December 31 of the years/period 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 either paid in cash or reinvested in additional units of the First Trust ETF.

(4) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

Ratios and Supplemental Data – FDE

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Net asset value (000's)	\$7,918	\$1,787	\$4,091	\$4,982
Number of units outstanding	550,599	150,000	250,000	250,000
Management expense ratio ⁽¹⁾	0.72%	0.73%	0.72%	0.70%
Management expense ratio before waivers or absorption	0.74%	0.75%	0.75%	0.70%
Trading expense ratio ⁽²⁾	0.26%	0.16%	0.20%	0.21%
Portfolio turnover rate ⁽³⁾	136.38%	114.10%	116.57%	84.13%
Net asset value per unit	\$14.38	\$11.91	\$16.36	\$19.93

(1) Management expense ratio is based on total expenses for the stated period 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.

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Net Asset Value per Unit – FDE.A

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013 ^(a)
Net asset value, beginning of period/year⁽¹⁾	\$11.90	\$16.36	\$19.92	\$20.00^(b)
Increase (Decrease) from operations:				
Total revenue	1.35	(0.13)	0.27	(0.72)
Total expenses	(0.35)	(0.36)	(0.44)	(0.30)
Realized gains (losses) for the period/year	(0.54)	(4.88)	(1.18)	0.12
Unrealized gains (losses) for the period/year	2.24	1.13	(1.92)	1.09
Total increase (decrease) from operations⁽²⁾	\$2.70	\$(4.24)	\$(3.27)	\$0.19
Distributions:				
From income (excluding dividends)	(0.18)	(0.17)	(0.25)	(0.23)
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital	(0.05)	(0.04)	(0.02)	(0.04)
Total annual distributions⁽³⁾	\$(0.23)	\$(0.21)	\$(0.27)	\$(0.27)
Net asset value, end of period/year⁽⁴⁾	\$14.37	\$11.90	\$16.36	\$19.92

(a) December 31, 2013 does not relate to the full year as the date of inception of the First Trust ETF was May 15, 2013.

(b) Initial offering price

(1) This information is provided as at December 31 of the years/period 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 either paid in cash or reinvested in additional units of the First Trust ETF.

(4) This table is not intended to be a reconciliation of beginning to ending net asset value per unit.

Ratios and Supplemental Data – FDE.A

	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Net asset value (000's)	\$710	\$595	\$818	\$996
Number of units outstanding	49,400	50,000	50,000	50,000
Management expense ratio ⁽¹⁾	1.83%	1.83%	1.84%	1.81%
Management expense ratio before waivers or absorption	1.85%	1.85%	1.87%	1.81%
Trading expense ratio ⁽²⁾	0.26%	0.16%	0.20%	0.21%
Portfolio turnover rate ⁽³⁾	136.38%	114.10%	116.57%	84.13%
Net asset value per unit	\$14.37	\$11.90	\$16.36	\$19.92

(1) Management expense ratio is based on total expenses for the stated period 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.

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Management Fees

The First Trust ETF will pay the Manager a management fee equal to 0.65% and, in respect of the FDE.A, an additional amount for a service fee (see “FDE.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.

FDE.A Service Fee

The Manager pays registered dealers a service fee equal to 1.00% per annum of the NAV of the 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.

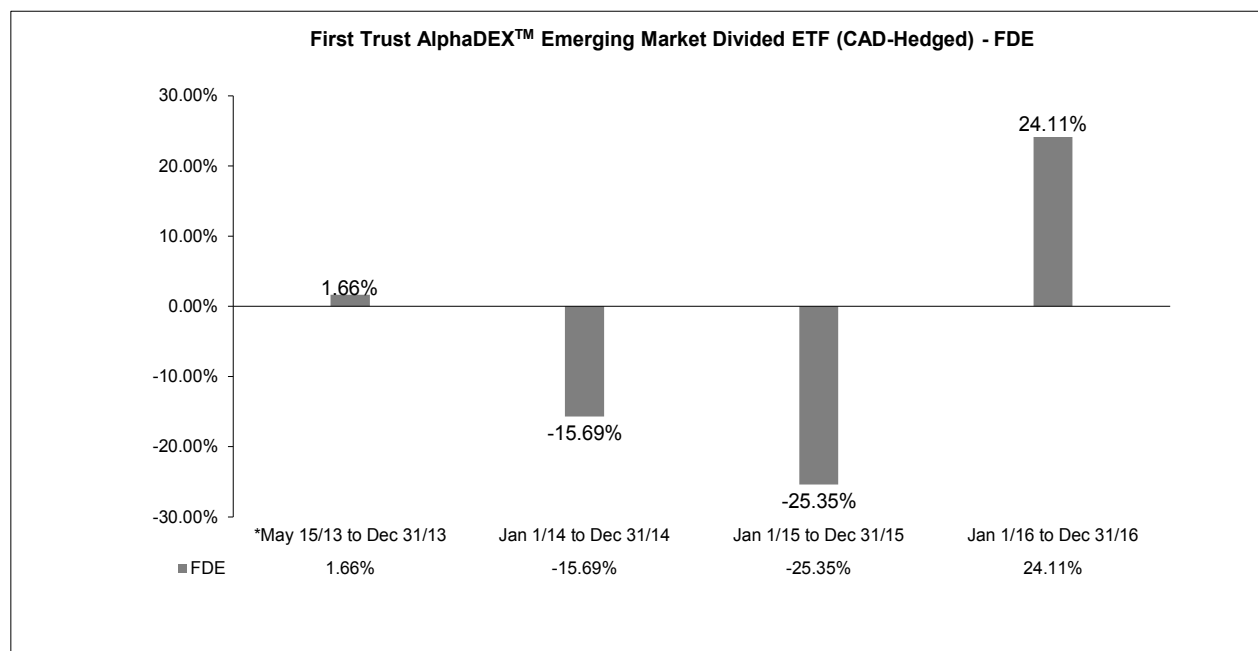
Past Performance

General

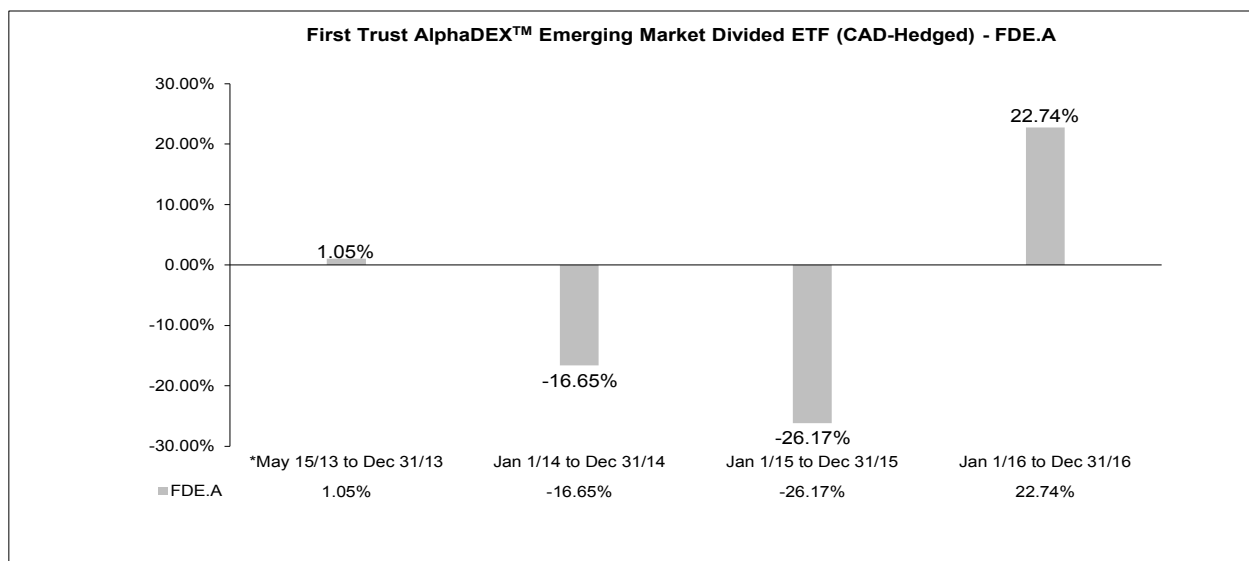
The past performance information shown assumes that all distributions made by the First Trust ETF in the periods shown were reinvested in additional securities of the First Trust ETF. The performance information does not take into account sales, redemption, distribution or other optional charges that 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 charts below show the First Trust ETF’s performance, per class, for the years ended December 31 and for the period from May 15, 2013 to December 31, 2013 and illustrate how the investment fund’s performance has changed from year to year. The charts also show, 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.



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*Date of Inception

Annual Compound Returns

The First Trust ETF outperformed the benchmark over the period due stock selection in Utilities, Materials, and Consumer Discretionary.

	1-year	3-year	Since Inception
First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged) - FDE	24.11%	-7.91%	-6.07%
First Trust AlphaDEX™ Emerging Market Dividend ETF (CAD-Hedged) - FDE.A	22.74%	-8.93%	-7.12%
MSCI Emerging Market Index (USD)	11.60%	-2.19%	-2.45%

MSCI Emerging Markets Index- is a free float-adjusted market capitalization weighted index provided by MSCI that is designed to measure the equity market performance of emerging markets.

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Summary of Investment Portfolio

The table sets out the percentage (based on total net asset value) of the First Trust ETF's top 25 holdings as at December 31, 2016. 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.

Top 25 Holdings	% of ETF Total Net Asset Value
Braskem SA, ADR	4.96%
Companhia Brasileira de Distribuicao Grupo Pao deAçucar, ADR	4.60%
Companhia Energetica de Minas Gerais-CEMIG SA, ADR	4.36%
Cosan Ltd., Class 'A'	4.23%
Companhia Paranaense de Energia-Copel, ADR	4.21%
Fibria Celulose SA, ADR	4.21%
Harmony Gold Mining Co. Ltd., ADR	3.82%
Gerdau SA, ADR	3.43%
CPFL Energia SA, ADR	3.11%
Bancolombia SA, ADR	3.01%
Itau Unibanco Holding SA, ADR	2.96%
AU Optronics Corp., ADR	2.87%
Ternium SA, ADR	2.82%
NetEase Inc., ADR	2.76%
Hollysys Automation Technologies Ltd.	2.68%
Sesa Sterlite Ltd.	2.68%
Vale SA ADR, ADR	2.62%
Mobile TeleSystems PJSC, ADR	2.37%
Sasol Ltd., ADR	2.37%
Telefonica Brasil SA	2.34%
Ultrapar Participações SA, ADR	2.23%
Tim Participacoes SA, ADR	2.21%
GasLog Ltd.	2.18%
Fomento Economico Mexicano SAB de CV, Class 'B', ADR	2.12%
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	2.12%

Portfolio Breakdown

The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio, by sector, as at December 31, 2016.

Sector Weightings	% of ETF Total Net Asset Value
Materials	30.01%
Information Technology	14.60%
Consumer Staples	12.42%
Utilities	11.67%
Telecommunication Services	11.27%
Financials	8.13%
Energy	6.78%
Industrials	3.69%
Cash & Cash Equivalents	0.34%

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The table sets out the percentage (based on total net asset value) of the First Trust ETF's portfolio excluding cash, by country, as at December 31, 2016.

Country Weightings	% of ETF Total Net Asset Value
Brazil	46.94%
Taiwan	9.02%
South Africa	8.15%
China	5.44%
India	4.92%
Chile	4.33%
Colombia	3.01%
Luxembourg	2.82%
Russia	2.37%
Monaco	2.18%
Mexico	2.12%
Netherlands	1.60%
Cyprus	1.42%
Peru	1.41%
United States	1.37%
Philippines	0.75%
Marshall Islands	0.73%

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40 King Street West, Suite 3001
Scotia Plaza, Box 312
Toronto, Ontario M5H 3Y2

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