



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

Annual Management Report of Fund Performance
December 31, 2017

(Page intentionally left blank)

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2017

First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF (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 5102, 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.

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

Management Report of Fund Performance

For the year ended December 31, 2017

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 replicate or substantially replicable the applicable Index.

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

- Units (TSX symbol: FHC)
- Hedged Units (TSX symbol: FHC.F)

The inception dates of the First Trust ETF were October 30, 2014 for FHC and December 8, 2017 for FHC.F.

Risk

Given the underlying index the fund 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 both a non-U.S. currency hedged and currency hedged manner.

Results of Operations

The First Trust ETF's total net asset value as of December 31, 2017 was \$3,422,636 or \$24.21 per Units and \$20.03 per Hedged Units. The First Trust ETF's total net asset value as of December 31, 2016 was \$2,462,005 or \$24.62 per Units.

For the year ended December 31, 2017, the First Trust ETF paid total cash distributions per unit of \$0.1760 for FHC and \$nil for FHC.F.

For the year ended December 31, 2017, the First Trust ETF declared cash distributions per unit of \$0.3862 for FHC and \$nil for FHC.F with payment date of January 8, 2018.

Investment Performance

The First Trust ETF's Units returned 0.13% for the year ended December 31, 2017. This compares with the Russell 1000® Consumer Staples Index (the "benchmark") total return of 2.60%. Unlike the benchmark, the First Trust ETF's return is net of fees and expenses. As of December 31, 2017, the consumer staples sector accounted for 6.67% of the weight of the Russell 1000® Index. The benchmark underperformed the Russell 1000® Index which returned 13.69%. The Hedged Units returned -0.31% from inception of December 8, 2017 to December 31, 2017.

The portfolio held 37 equity securities as of December 31, 2017. The top ten equity holdings accounted for 45.74% 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.

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

Management Report of Fund Performance

For the year ended December 31, 2017

The First Trust ETF's Units underperformed during the period due to industry allocation. An underweight position in the soft drinks industry and an overweight position in the fruit & grain processing industry relative to the benchmark mostly contributed to the underperformance. Stock selection within the foods industry mitigated the underperformance. The AlphaDEX™ stock selection process tends to underweight larger-capitalization companies because it weights based on merit and not size. This contributed to the underperformance as small-capitalization was one of the worst-performing factors in 2017.

The First Trust ETF's Hedged Units benefited from the reduced exposure to the U.S. dollar as the U.S. dollar depreciated 2.16% against the Canadian dollar from December 8, 2017, to December 31, 2017. For the entire period, the U.S. dollar depreciated 6.47% against the Canadian dollar, which contributed negatively to the Units' performance during the period because they are exposed to movements in the U.S. dollar.

The top five stocks by contribution to return were Pilgrim's Pride Corporation, Whole Foods Market, Inc., Tyson Foods, Inc. Class A, Nu Skin Enterprises, Inc. Class A, and Kroger Co. The bottom five stocks by contribution to return were Rite Aid Corporation, Molson Coors Brewing Company Class B, Edgewell Personal Care Co., Sprouts Farmers Markets, Inc., and FBunge Limited.

Recent Developments

Growth stocks outperformed value stocks in 2017 as the Russell 1000® Growth Index returned 21.28% and the Russell 1000® Value Index returned 5.86%. Earnings growth was a tailwind for U.S. stocks during the period. For example, after-tax corporate profits as a percentage of U.S. GDP were 9.53% in the third quarter of 2017, the latest available, compared to 9.04% in the third quarter of 2016. Historically low interest rates were also a boon to U.S. stocks during the period, despite shorter-term rates increasing in 2017. The Federal Reserve, the central bank of the United States, raised the upper bound of the federal funds rate from 0.75% to 1.50% in 2017 citing solid economic growth and a strengthening U.S. labor market. Meanwhile, volatility was also historically low in 2017 as the CBOE Volatility Index set multiple new all-time lows during the period. In December, President Donald Trump signed the Tax Cuts and Jobs Act into law, which will reduce the U.S. corporate tax rate to 21% from 35%. The Russell 1000® Index finished December trading at a P/E multiple of 23 with a dividend yield of 1.85%.

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 year ended December 31, 2017

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. The dates of inception of the First Trust ETF was October 30, 2014 for FHC and December 8, 2017 for FHC.F. The information for FHC are derived from the First Trust ETF's audited annual financial statements for the years ending December 31 and for the period from since inception to December 31, 2014. The information for FHC.F are derived from the First Trust ETF's audited annual financial statements for the period from since inception to December 31, 2017.

Net Asset Value per Unit - FHC

| | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 | Dec. 31, 2014 ^(a) |
|--|------------------|------------------|------------------|---------------------------------|
| Net asset value, beginning of period/year ⁽¹⁾ | \$24.62 | \$24.73 | \$21.63 | \$20.00 ^(b) |
| Increase (Decrease) from operations: | | | | |
| Total revenue | 0.38 | 0.62 | 0.65 | 0.08 |
| Total expenses | (0.28) | (0.28) | (0.26) | (0.04) |
| Realized gains (losses) for the period/year | (0.57) | 0.57 | 1.04 | (0.63) |
| Unrealized gains (losses) for the period/year | 0.76 | (1.25) | 0.37 | 2.23 |
| Total increase (decrease) from operations ⁽²⁾ | \$0.29 | \$(0.34) | \$1.80 | \$1.64 |
| Distributions: | | | | |
| From income (excluding dividends) | (0.44) | (0.15) | (0.41) | (0.01) |
| From dividends | - | - | - | - |
| From capital gains | - | (1.27) | - | - |
| Return of capital | - | - | (0.08) | (0.01) |
| Total annual distributions ⁽³⁾ | \$(0.44) | \$(1.42) | \$(0.49) | \$(0.02) |
| Net asset value, end of period/year ⁽⁴⁾ | \$24.21 | \$24.62 | \$24.73 | \$21.63 |

(a) December 31, 2014 does not relate to the full year as the date of inception of the First Trust ETF was October 30, 2014.

(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 - FHC

| | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 | Dec. 31, 2014 |
|---|------------------|------------------|------------------|------------------|
| Net asset value (000's) | \$2,421 | \$2,462 | \$3,710 | \$2,163 |
| Number of units outstanding | 100,000 | 100,000 | 150,000 | 100,000 |
| Management expense ratio ⁽¹⁾ | 0.82% | 0.77% | 0.79% | 0.79% |
| Management expense ratio before waivers or absorption | 0.84% | 0.79% | 0.80% | 0.82% |
| Trading expense ratio ⁽²⁾ | 0.11% | 0.06% | 0.04% | 0.00% |
| Portfolio turnover rate ⁽³⁾ | 498.88% | 289.16% | 273.49% | 3.31% |
| Net asset value per unit | \$24.21 | \$24.62 | \$24.73 | \$21.63 |

(1) Management expense ratio is based on total expenses 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.

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

Management Report of Fund Performance

For the year ended December 31, 2017

Net Asset Value per Unit – FHC.F

| | Dec. 31, 2017 ^(a) |
|--|---------------------------------|
| Net asset value, beginning of period ⁽¹⁾ | \$20.00 ^(b) |
| Increase (Decrease) from operations: | |
| Total revenue | 0.16 |
| Total expenses | (0.03) |
| Realized gains (losses) for the period | (0.05) |
| Unrealized gains (losses) for the period | (0.05) |
| Total increase (decrease) from operations ⁽²⁾ | \$0.03 |
| Distributions: | |
| From income (excluding dividends) | - |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions ⁽³⁾ | \$ - |
| Net asset value, end of period ⁽⁴⁾ | \$20.03 |

(a) December 31, 2017 does not relate to the full year as the date of inception of the First Trust ETF was December 8, 2017.

(b) Initial offering price

(1) This information is provided as at December 31 of the 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 – FHC.F

| | Dec. 31, 2017 |
|---|------------------|
| Net asset value (000's) | \$1,001 |
| Number of units outstanding | 50,000 |
| Management expense ratio ⁽¹⁾ | 0.74% |
| Management expense ratio before waivers or absorption | 0.97% |
| Trading expense ratio ⁽²⁾ | 0.11% |
| Portfolio turnover rate ⁽³⁾ | 498.88% |
| Net asset value per unit | \$20.03 |

(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.

(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.

(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. The higher a First Trust ETF's portfolio turnover rate in a period, the greater the trading cost payable by the First Trust ETF in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between high turnover rate and the performance of a First Trust ETF.

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

Management Report of Fund Performance

For the year ended December 31, 2017

Management Fees

The First Trust ETF will pay the Manager a management fee up to 0.70%, for both FHC and FHC.F, 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.

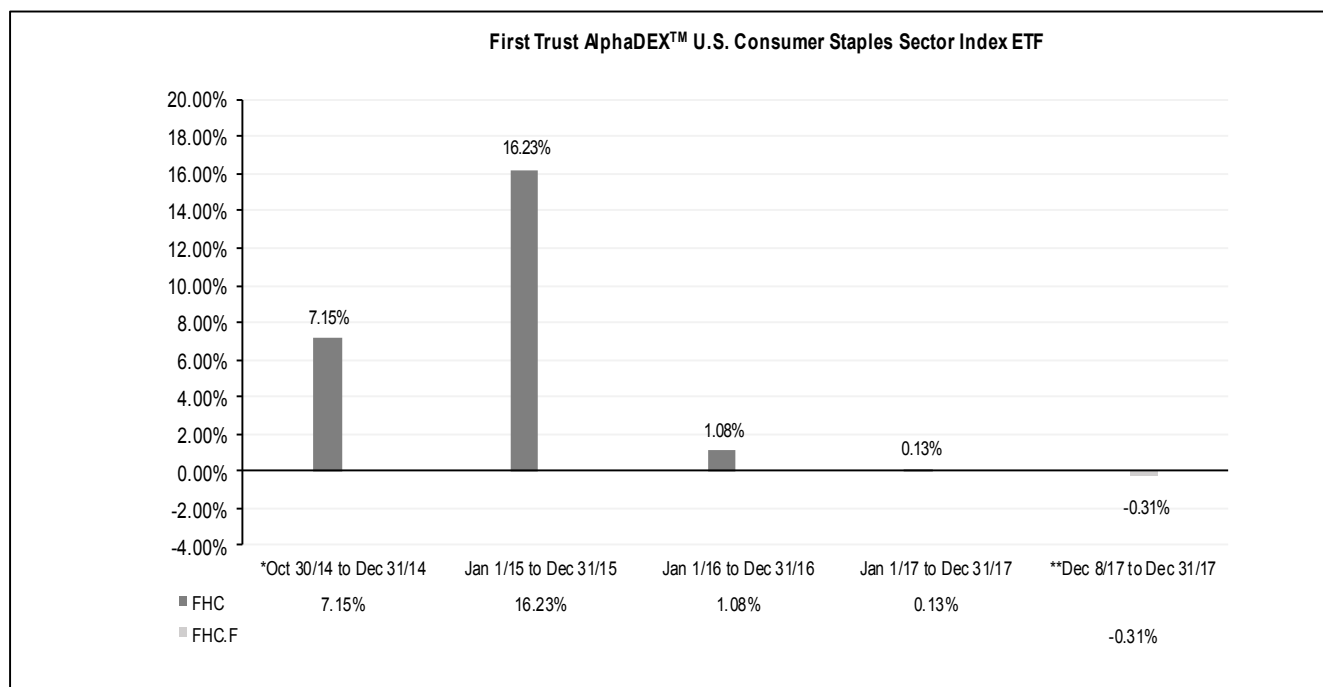
Past Performance

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 for the years ended December 31 and for the period from since inception to December 31, 2014 for FHC and for the period from since inception to December 31, 2017 for FHC.F and illustrate 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 - Date of Inception

**FHC.F – Date of Inception

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

Management Report of Fund Performance

For the year ended December 31, 2017

Annual Compound Returns

The First Trust ETF's Units underperformed during the period due to industry allocation. An underweight position in the soft drinks industry and an overweight position in the fruit & grain processing industry relative to the benchmark mostly contributed to the underperformance.

| | 1-year | 3-year | Since Inception |
|--|--------|--------|-----------------|
| First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF – FHC | 0.13% | 5.56% | 7.57% |
| Russell 1000® Consumer Staples Index | 2.60% | 10.70% | 12.91% |
| Russell 1000® Index | 13.69% | 14.18% | 15.89% |
| S&P 500 Consumer Staples Index | 6.03% | 11.31% | 13.64% |
| StrataQuant® Consumer Staples Index* | 1.29% | 9.59% | 12.49% |
| First Trust AlphaDEX™ U.S. Consumer Staples Sector Index ETF – FHC.F | N/A | N/A | -0.31% |
| Russell 1000® Consumer Staples Index USD | N/A | N/A | 1.16% |
| Russell 1000® Index USD | N/A | N/A | 0.95% |
| S&P 500 Consumer Staples Index USD | N/A | N/A | 1.27% |
| StrataQuant® Consumer Staples Index USD* | N/A | N/A | -0.97% |

The Russell 1000® Consumer Staples Index - is an unmanaged index which includes the stocks in the consumer staples sector of the Russell 1000® Index.

The Russell 1000® Index – consists of the largest 1000 companies in the Russell 3000 Index. It represents the universe of large capitalization stocks from which most active money managers typically select.

The S&P 500 Consumer Staples Index - is an unmanaged index which includes the stocks in the consumer staples sector of the S&P 500 Index.

**Reference Index: StrataQuant® Consumer Staples Index - is an "enhanced" index developed, maintained and sponsored by ICE Data Indices, LLC or its affiliates ("IDI") which employs the AlphaDEX® stock selection methodology to select stocks from the Russell 1000® Index.*

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

Management Report of Fund Performance

For the year ended December 31, 2017

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, 2017. 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 |
|--------------------------------------|--------------------------------|
| Kroger Co. (The) | 6.09% |
| Tyson Foods Inc., Class 'A' | 5.12% |
| Pilgrim's Pride Corp. | 4.86% |
| Molson Coors Brewing Co., Class 'B' | 4.47% |
| Bunge Ltd. | 4.30% |
| US Foods Holding Corp. | 4.25% |
| J.M. Smucker Co. (The) | 4.21% |
| Archer-Daniels-Midland Co. | 4.19% |
| Blue Buffalo Pet Products Inc. | 4.12% |
| Ingredion Inc. | 4.12% |
| Hormel Foods Corp. | 4.03% |
| Sysco Corp. | 4.01% |
| CVS Health Corp. | 3.96% |
| Monster Beverage Corp. | 3.06% |
| Constellation Brands Inc., Class 'A' | 3.05% |
| Nu Skin Enterprises Inc., Class 'A' | 2.96% |
| Edgewell Personal Care Co. | 2.90% |
| Campbell Soup Co. | 2.74% |
| Flowers Foods Inc. | 2.74% |
| Casey's General Stores Inc. | 2.73% |
| Walgreens Boots Alliance Inc. | 2.51% |
| General Mills Inc. | 2.04% |
| Conagra Brands Inc. | 1.99% |
| Kimberly-Clark Corp. | 1.83% |
| Procter & Gamble Co. (The) | 1.80% |
| Total | 88.08% |

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 December 31, 2017.

| Industry Weightings | % of ETF Total Net Asset Value |
|--------------------------------|--------------------------------|
| Food Products | 49.18% |
| Food & Staples Retailing | 25.35% |
| Beverages | 11.43% |
| Personal Products | 7.65% |
| Household Products | 5.32% |
| Tobacco | 0.74% |
| Cash | 1.37% |
| Other assets, less liabilities | (1.04)% |
| Total | 100.00% |

(Page intentionally left blank)

FVÁÚ[!ç[|ã • Áöæ ææCo.

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

www.firsttrust.ca

