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First Trust AlphaDEX™ U.S. Health Care Sector Index  
ETF • FHH, FHH.F

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Interim Management Report of Fund Performance  
June 30, 2021

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## **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

### **June 30, 2021**

#### **First Trust AlphaDEX™ U.S. Health Care Sector Index ETF (the “First Trust ETF”)**

This interim management report of fund performance contains financial highlights, but does not contain the complete unaudited interim 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](http://www.firsttrust.ca) or SEDAR at [www.sedar.com](http://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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# First Trust AlphaDEX™ U.S. Health Care Sector Index ETF

## Management Report of Fund Performance

### For the six-month period ended June 30, 2021

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#### **Investment Objective and Strategy**

The fundamental investment objective of **First Trust AlphaDEX™ U.S. Health Care Sector Index ETF** (the “First Trust ETF”) is to replicate, to the extent possible, the performance of the StrataQuant® Health Care 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 Health Care 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 Health Care AlphaDEX® Fund (NYSE Arca ticker: FXH), of an affiliate of the Manager, which replicates or substantially replicates the applicable Index.

#### **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 reporting period that affected the overall level of risk associated with the First Trust ETF. The First Trust ETF provides exposure to the Health Care sector of the U.S. equity market in either a non-U.S. currency hedged and U.S. currency hedged manner.

#### **Results of Operations**

##### **General**

The First Trust ETF’s total net asset value as of June 30, 2021 was \$25,281,825 or \$39.43 per Unit (“FHH”) and \$32.52 per Hedged Unit (“FHH.F”). The First Trust ETF’s total net asset value as of December 31, 2020 was \$16,421,544 or \$37.30 per FHH and \$30.02 per FHH.F.

There were no cash distributions paid nor declared for the six-month period ended June 30, 2021.

##### **Investment Performance**

For the six-month period ended June 30, 2021, FHH returned 5.70% compared to the Russell 1000® Health Care Index (CAD) (the “benchmark”) total return of 8.46% while FHH.F returned 8.33% compared to the Russell 1000® Health Care Index (USD) (the “hedged benchmark”) total return of 11.36%. Unlike the benchmark and the hedged benchmark, the First Trust ETF’s returns are net of fees and expenses.

As of June 30, 2021, the Health Care sector accounted for 12.54% of the weight of the Russell 1000® Index. The benchmark underperformed the Russell 1000® Index (CAD) which returned 11.73%. The hedged benchmark underperformed the Russell 1000® Index (USD) which returned 14.95%.

The portfolio held 89 equity securities as of June 30, 2021. The top ten equity holdings accounted for 20.58% 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 and the hedged benchmark.

FHH underperformed the benchmark due to stock selection, particularly within the Medical Equipment and Services and Health Care Providers industries. Industry allocation mitigated the underperformance, mostly due to an overweight position in the Health Care Providers industry.

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# First Trust AlphaDEX™ U.S. Health Care Sector Index ETF

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FHH underperformed FHH.F during the period because of its exposure to the U.S. dollar, which depreciated 2.82% against the Canadian dollar from December 31, 2020, to June 30, 2021. FHH.F is hedged against movements in the U.S. dollar.

The top five stocks by contribution to return were Moderna, Inc., Biogen Inc., Charles River Laboratories International, Inc., HCA Healthcare Inc., and Avantor, Inc.. The bottom five stocks by contribution to return were SAGE Therapeutics, Inc., ACADIA Pharmaceuticals Inc., Viatris, Inc., Sarepta Therapeutics, Inc., and Royalty Pharma Plc.

### Recent Developments

The Russell 1000® Index gained 14.95% in the first half of 2021, including dividends, closing the period at a record high as the U.S. economy continued to recover from the COVID-19 pandemic. However, the U.S. dollar depreciated relative to the Canadian dollar, meaning the index gained 11.71% over the same period measured in Canadian dollars. During the period, the COVID-19 vaccine became widely available in the U.S., which led to relaxed business restrictions and increased economic activity. Notably, the unemployment rate improved to 5.9% in June from 6.7% in December 2020 and 14.8% at the height of the pandemic, while consumer spending exceeded pre-pandemic levels during the period. However, increased demand for goods and services combined with labor and materials shortages produced a surge in inflation during the period. In June, the Consumer Price Index increased 5.4% compared to the prior year, which was the highest yearly increase since August 2008. The economic reopening benefitted cyclical stocks like energy and financial companies, which were the two best performing sectors during the period. Conversely, defensive stocks like utilities and consumer staples were the two worst performing sectors during the period. The Russell 1000® Index finished the period trading at a 31.8 P/E multiple with a 1.29% dividend yield, compared to 32.1 and 1.50%, respectively, at the end of 2020.

### 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 for FHH and past four years for FHH.F. This information is derived from the First Trust ETF's current unaudited interim and audited annual financial statements.

**Net Asset Value per Unit**

FHH	June 30, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net asset value, beginning of period/year <sup>(1)</sup>	\$37.30	\$29.83	\$25.80	\$24.12	\$21.22	\$23.18
Increase (Decrease) from operations:						
Total revenue	0.14	0.23	0.16	0.14	0.13	0.21
Total expenses	(0.16)	(0.30)	(0.24)	(0.23)	(0.21)	(0.19)
Realized gains (losses) for the period/year	1.62	4.50	0.87	1.60	1.38	(1.12)
Unrealized gains (losses) for the period/year	0.37	3.23	3.64	(1.88)	1.03	(2.38)
Total increase (decrease) from operations <sup>(2)</sup>	\$1.97	\$7.66	\$4.43	\$(0.37)	\$2.33	\$(3.48)
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	(2.07)	-	(0.41)	-	-
Return of capital	-	-	(0.10)	-	-	(0.05)
Total annual distributions <sup>(3)</sup>	\$ -	\$(2.07)	\$(0.10)	\$(0.41)	\$ -	\$(0.05)
Net asset value, end of period/year <sup>(4)</sup>	\$39.43	\$37.30	\$29.83	\$25.80	\$24.12	\$21.22

FHH.F	June 30, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017 <sup>(a)</sup>
Net asset value, beginning of period/year <sup>(1)</sup>	\$30.02	\$23.95	\$19.94	\$20.44	\$20.00 <sup>(b)</sup>
Increase (Decrease) from operations:					
Total revenue	0.11	0.15	0.07	0.13	-
Total expenses	(0.13)	(0.23)	(0.20)	(0.20)	(0.02)
Realized gains (losses) for the period/year	2.51	4.83	0.79	(0.20)	0.13
Unrealized gains (losses) for the period/year	0.36	0.40	3.43	(1.61)	0.34
Total increase (decrease) from operations <sup>(2)</sup>	\$2.85	\$5.15	\$4.09	\$(1.88)	\$0.45
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	(1.67)	-	-	-
Return of capital	-	-	(0.08)	-	-
Total annual distributions <sup>(3)</sup>	\$ -	\$(1.67)	\$(0.08)	\$ -	\$ -
Net asset value, end of period/year <sup>(4)</sup>	\$32.52	\$30.02	\$23.95	\$19.94	\$20.44

(a) FHH.F: December 31, 2017 does not relate to the full year as FHH.F commenced operations on December 8, 2017.

(b) Seed capital

(1) This information is provided as at June 30, 2021 and 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.

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**Ratios and Supplemental Data**

FHH	June 30, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net asset value (000's)	\$23,656	\$14,921	\$8,949	\$12,898	\$4,824	\$4,243
Number of units outstanding	600,000	400,000	300,000	500,000	200,000	200,000
Management expense ratio <sup>(1)</sup>	0.76%	0.77%	0.78%	0.77%	0.78%	0.77%
Management expense ratio before waivers or absorption	0.78%	0.80%	0.80%	0.79%	0.79%	0.79%
Trading expense ratio <sup>(2)</sup>	0.02%	0.03%	0.03%	0.03%	0.04%	0.06%
Portfolio turnover rate <sup>(3)</sup>	43.40%	175.24%	150.04%	122.52%	140.95%	152.46%
Net asset value per unit	\$39.43	\$37.30	\$29.83	\$25.80	\$24.12	\$21.22

FHH.F	June 30, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Net asset value (000's)	\$1,626	\$1,501	\$1,198	\$997	\$1,022
Number of units outstanding	50,000	50,000	50,000	50,000	50,000
Management expense ratio <sup>(1)</sup>	0.77%	0.79%	0.79%	0.79%	0.73%
Management expense ratio before waivers or absorption	0.79%	0.81%	0.81%	0.81%	0.96%
Trading expense ratio <sup>(2)</sup>	0.02%	0.03%	0.03%	0.03%	0.04%
Portfolio turnover rate <sup>(3)</sup>	43.40%	175.24%	150.04%	122.52%	140.95%
Net asset value per unit	\$32.52	\$30.02	\$23.95	\$19.94	\$20.44

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) 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.

**Management Fees**

The First Trust ETF will pay the Manager a management fee of 0.70% 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.

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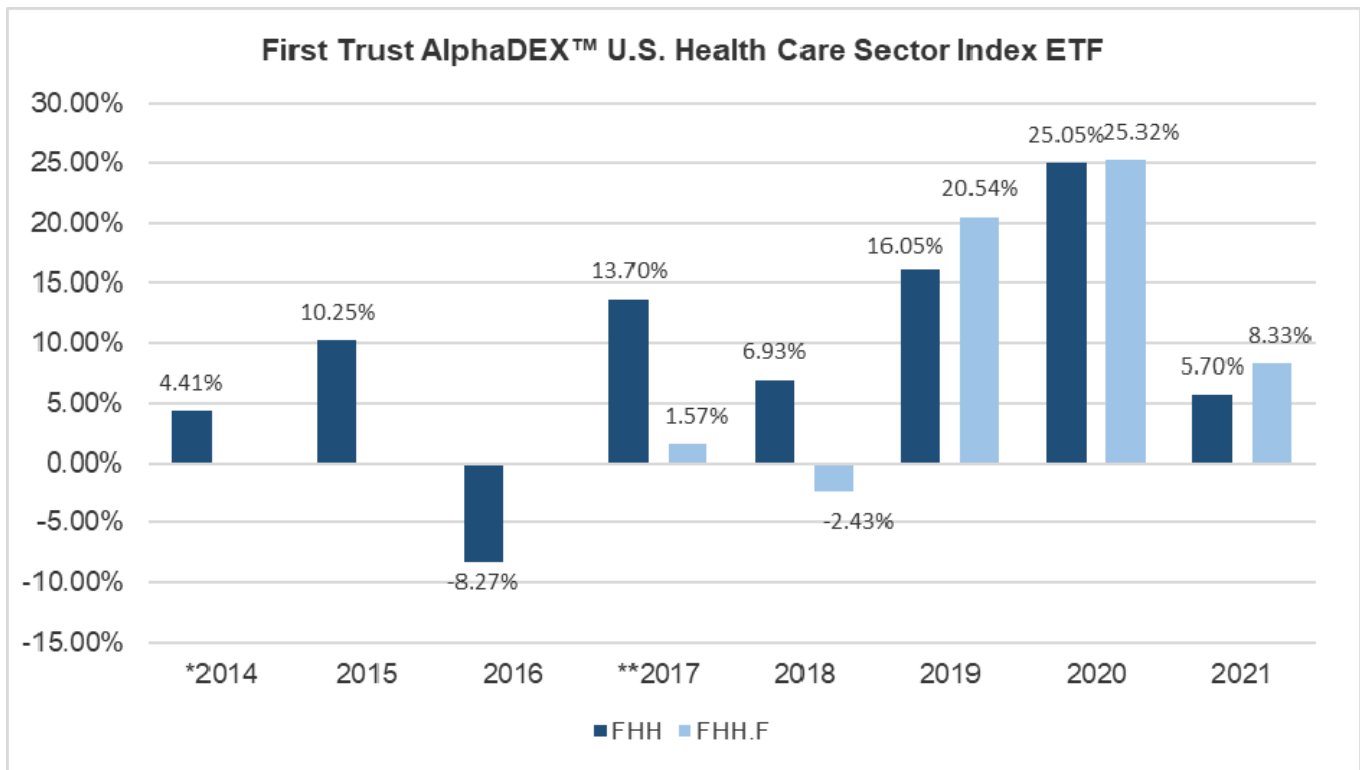
**Past Performance**

**General**

The past performance information shown assumes that all distributions made by the First Trust ETF in the periods/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 six-month period ended June 30, 2021, for the years ended December 31, for the period from commencement of operations to December 31, 2017 for FHH.F, and for the period from commencement of operations to December 31, 2014 for FHH 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.



\*FHH Commencement: October 30, 2014

\*\*FHH.F Commencement: December 8, 2017



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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 as at June 30, 2021. 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](http://www.firsttrust.ca).

Top 25 Holdings	% of ETF Total Net Asset Value
Moderna Inc.	3.09%
Biogen Inc.	2.13%
PerkinElmer Inc.	2.07%
Centene Corp.	1.96%
Bio-Rad Laboratories Inc., Class 'A'	1.94%
BioMarin Pharmaceutical Inc.	1.90%
HCA Healthcare Inc.	1.89%
Universal Health Services Inc., Class 'B'	1.89%
Laboratory Corp. of America Holdings	1.86%
United Therapeutics Corp.	1.85%
Anthem Inc.	1.83%
Humana Inc.	1.82%
Cooper Cos. Inc. (The)	1.78%
Quest Diagnostics Inc.	1.77%
Premier Inc., Class 'A'	1.77%
Charles River Laboratories International Inc.	1.76%
Avantor Inc.	1.69%
Cigna Corp.	1.69%
Bruker Corp.	1.63%
Syneos Health Inc.	1.62%
Bio-Techne Corp.	1.62%
Hologic Inc.	1.54%
DaVita Inc.	1.54%
Thermo Fisher Scientific Inc.	1.52%
Molina Healthcare Inc.	1.49%
<b>Total</b>	<b>45.65%</b>

**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 June 30, 2021.

Industry Weightings	% of ETF Total Net Asset Value
Medical Equipment and Services	41.71%
Pharmaceuticals and Biotechnology	36.82%
Health Care Providers	21.44%
Cash & Cash Equivalents	0.09%
Other Assets, Less Liabilities	-0.06%
<b>Total</b>	<b>100.00%</b>

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