

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

FIRST TRUST ENHANCED EQUITY INCOME FUND

Form N-CSRS

September 03, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT
COMPANIES

Investment Company Act file number 811-21586

First Trust Enhanced Equity Income Fund

(Exact name of registrant as specified in charter)

120 East Liberty Drive, Suite 400
Wheaton, IL 60187

(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.

First Trust Portfolios L.P.
120 East Liberty Drive, Suite 400
Wheaton, IL 60187

(Name and address of agent for service)

registrant's telephone number, including area code: (630) 765-8000

Date of fiscal year end: December 31

Date of reporting period: June 30, 2014

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

The Report to Shareholders is attached herewith.

SEMI-ANNUAL REPORT
FOR THE SIX MONTHS ENDED
JUNE 30, 2014

First Trust
Enhanced Equity
Income Fund (FFA)

FIRST TRUST

CHARTWELL INVESTMENT PARTNERS
Institutional and Private Asset Management

TABLE OF CONTENTS

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
SEMI-ANNUAL REPORT
JUNE 30, 2014

Shareholder Letter.....	1
At a Glance.....	2
Portfolio Commentary.....	3
Portfolio of Investments.....	5
Statement of Assets and Liabilities.....	12
Statement of Operations.....	13
Statements of Changes in Net Assets.....	14
Financial Highlights.....	15
Notes to Financial Statements.....	16
Additional Information.....	22

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding the goals, beliefs, plans or current expectations of First Trust Advisors L.P. ("First Trust" or the "Advisor") and/or Chartwell Investment Partners, Inc. ("Chartwell" or the "Sub-Advisor") and their respective representatives, taking into account the information currently available to them. Forward-looking statements include all statements that do not relate solely to current or historical fact. For example, forward-looking statements include the use of words such as "anticipate," "estimate," "intend," "expect," "believe," "plan," "may," "should," "would" or other words that convey uncertainty of future events or outcomes.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of First Trust Enhanced Equity Income Fund (the "Fund") to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. When evaluating the information included in this

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of the Advisor and/or Sub-Advisor and their respective representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

PERFORMANCE AND RISK DISCLOSURE

There is no assurance that the Fund will achieve its investment objective. The Fund is subject to market risk, which is the possibility that the market values of securities owned by the Fund will decline and that the value of the Fund shares may therefore be less than what you paid for them. Accordingly, you can lose money by investing in the Fund. See "Risk Considerations" in the Additional Information section of this report for a discussion of certain other risks of investing in the Fund.

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month-end performance figures, please visit <http://www.ftportfolios.com> or speak with your financial advisor. Investment returns, net asset value and common share price will fluctuate and Fund shares, when sold, may be worth more or less than their original cost.

HOW TO READ THIS REPORT

This report contains information that may help you evaluate your investment. It includes details about the Fund and presents data and analysis that provide insight into the Fund's performance and investment approach.

By reading the portfolio commentary by the portfolio management team of the Fund, you may obtain an understanding of how the market environment affected the Fund's performance. The statistical information that follows may help you understand the Fund's performance compared to that of relevant market benchmarks.

It is important to keep in mind that the opinions expressed by personnel of Chartwell are just that: informed opinions. They should not be considered to be promises or advice. The opinions, like the statistics, cover the period through the date on the cover of this report. The risks of investing in the Fund are spelled out in the prospectus, the statement of additional information, this report and other Fund regulatory filings.

SHAREHOLDER LETTER

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA) SEMI-ANNUAL
LETTER FROM THE CHAIRMAN AND CEO
JUNE 30, 2014

Dear Shareholders:

I am pleased to present you with the semi-annual report for your investment in First Trust Enhanced Equity Income Fund (the "Fund").

As a shareholder, twice a year you receive a detailed report about your investment, including portfolio commentary from the Fund's management team, a

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

performance analysis and a market and Fund outlook. Additionally, First Trust Advisors L.P. ("First Trust") compiles the Fund's financial statements for you to review. These reports are intended to keep you up-to-date on your investment, and I encourage you to read this document and discuss it with your financial advisor.

As you are probably aware, the six months covered by this report saw both challenging economic and political issues in the U.S. However, the period was still positive for the markets. In fact, the S&P 500(R) Index, as measured on a total return basis, rose 7.14% during the six months ended June 30, 2014. Of course, past performance can never be an indicator of future performance, but First Trust believes that staying invested in quality products through up and down markets and having a long-term horizon can help investors as they work toward their financial goals.

First Trust continues to offer a variety of products that we believe could fit the financial plans for many investors seeking long-term investment success. Your advisor can tell you about the other investments First Trust offers that might fit your financial goals. We encourage you to discuss those goals with your advisor regularly so that he or she can help keep you on track and help you choose investments that match your goals.

First Trust will continue to make available up-to-date information about your investments so you and your financial advisor are current on any First Trust investments you own. We value our relationship with you, and thank you for the opportunity to assist you in achieving your financial goals.

Sincerely,

/s/ James A. Bowen

James A. Bowen
Chairman of the Board of Trustees
Chief Executive Officer of First Trust Advisors L.P.

Page 1

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
"AT A GLANCE"
AS OF JUNE 30, 2014 (UNAUDITED)

FUND STATISTICS

Symbol on New York Stock Exchange	FFA
Common Share Price	\$14.46
Common Share Net Asset Value ("NAV")	\$15.90
Premium (Discount) to NAV	(9.06)%
Net Assets Applicable to Common Shares	\$317,662,921
Current Quarterly Distribution per Common Share (1)	\$0.230
Current Annualized Distribution per Common Share	\$0.920
Current Distribution Rate on Closing Common Share Price (2)	6.36%
Current Distribution Rate on NAV (2)	5.79%

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

COMMON SHARE PRICE & NAV (WEEKLY CLOSING PRICE)

	Common Share Price	NAV
6/13	\$12.61	\$13.98
	12.62	14.12
	12.86	14.39
	12.89	14.50
7/13	12.95	14.47
	13.00	14.64
	13.08	14.55
	12.77	14.31
	12.74	14.33
8/13	12.46	14.10
	12.58	14.25
	12.73	14.50
	12.65	14.45
9/13	12.57	14.32
	12.35	14.31
	12.55	14.38
	12.77	14.65
10/13	12.86	14.76
	13.10	14.77
	13.04	14.88
	13.16	15.07
	13.24	15.11
11/13	13.22	15.09
	13.21	15.07
	12.96	14.84
	13.13	14.94
12/13	13.38	15.17
	13.19	15.11
	13.39	15.14
	13.36	15.08
	13.03	14.68
1/14	12.90	14.60
	12.96	14.74
	13.19	15.02
	13.17	14.96
2/14	13.26	15.13
	13.31	15.31
	13.25	15.05
	13.19	15.07
3/14	13.24	15.14
	13.45	15.23
	13.25	14.85
	13.65	15.17
4/14	13.74	15.19
	13.86	15.32
	13.88	15.34
	13.95	15.39
	14.08	15.55
5/14	14.29	15.72
	14.47	15.90
	14.48	15.85
	14.58	15.87
	14.52	15.89
6/14	14.46	15.90

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

PERFORMANCE

	6 Months Ended 6/30/2014	1 Year Ended 6/30/2014	Average Annual 5 Years Ended 6/30/2014
FUND PERFORMANCE (3)			
NAV	7.86%	21.72%	16.60%
Market Value	12.16%	22.65%	18.83%
INDEX PERFORMANCE			
S&P 500(R) Index	7.14%	24.61%	18.83%
BXM Index	5.66%	14.12%	10.49%

	% OF TOTAL INVESTMENTS
TOP 10 HOLDINGS	
Apple, Inc.	4.5%
JPMorgan Chase & Co.	3.7
General Electric Co.	3.0
Pfizer, Inc.	2.6
Philip Morris International, Inc.	2.4
Schlumberger, Ltd.	2.1
Oracle Corp.	2.0
Occidental Petroleum Corp.	2.0
Johnson & Johnson	2.0
Cisco Systems, Inc.	2.0
Total	26.3% =====

	% OF TOTAL INVESTMENTS
SECTOR CLASSIFICATION	
Information Technology	19.8%
Financials	17.4
Energy	13.5
Consumer Discretionary	12.8
Health Care	10.9
Consumer Staples	9.8
Industrials	8.1
Materials	3.6
Utilities	2.6
Telecommunication Services	1.5
Total	100.0% =====

- (1) Most recent distribution paid or declared through 6/30/2014. Subject to change in the future.
- (2) Distribution rates are calculated by annualizing the most recent distribution paid or declared through the report date and then dividing by Common Share price or NAV, as applicable, as of 6/30/2014. Subject to change in the future.

- (3) Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per share for NAV returns and changes in Common Share price for market value returns. Total returns do not reflect sales load and are not annualized for periods less than one year. Past performance is not indicative of future results.

Page 2

PORTFOLIO COMMENTARY

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
SEMI-ANNUAL REPORT
JUNE 30, 2014

SUB-ADVISOR

The predecessor to Chartwell Investment Partners, Inc. ("Chartwell" or the "Sub-Advisor") was Chartwell Investment Partners, L.P., an employee-owned investment advisory firm founded on April 1, 1997 by nine investment professionals from Delaware Investment Advisers. On March 5, 2014, Chartwell Investment Partners, L.P. completed a transaction whereby substantially all of its assets were sold to Chartwell Investment Partners, Inc., a wholly owned subsidiary of TriState Capital Holdings, Inc. The new firm has the same focus as the old firm, as a research-based equity and fixed-income manager with a disciplined, team-oriented investment process.

PORTFOLIO MANAGEMENT TEAM

DOUGLAS W. KUGLER, CFA
PRINCIPAL, SENIOR PORTFOLIO MANAGER

PETER M. SCHOFIELD, CFA
PRINCIPAL, SENIOR PORTFOLIO MANAGER

COMMENTARY

FIRST TRUST ENHANCED EQUITY INCOME FUND

The investment objective of First Trust Enhanced Equity Income Fund (the "Fund") is to provide a high level of current income and gains and, to a lesser extent, capital appreciation. The Fund pursues its investment objective by investing in a diversified portfolio of equity securities. Under normal market conditions, the Fund pursues an integrated investment strategy in which the Fund invests substantially all of its managed assets in a diversified portfolio of common stocks of U.S. corporations and U.S. dollar-denominated equity securities of foreign issuers. These securities are traded on U.S. securities exchanges. In addition, on an ongoing and consistent basis, the Fund will write (sell) covered call options on a portion of the Fund's managed assets. There can be no assurance that the Fund's investment objective will be achieved.

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

MARKET RECAP

The S&P 500(R) Index returned 7.14% (inclusive of dividends) during the six-month period ended June 30, 2014. The market started this six-month period at a record high. However, as the winter weather continued to worsen, economic data came in weaker than expected and the market fell almost 6% from its mid-January highs to its period lows in early February. From those lows in early February, the S&P 500(R) Index rose over 12.5% by the end of June. A combination of better than expected corporate earnings and economic data, along with a positively received speech by Janet Yellen, the new Chair of the Federal Reserve, carried the markets higher despite the Russian/Crimean/Ukrainian turmoil and lingering questions about the health of the Chinese economy and other emerging markets. An interesting feature of the market during this time period was what some called an "internal rotation" away from high valuation/momentum stocks (such as biotechnology and social media stocks) toward more stable, lower valuation stocks. Generally a change in market leadership can signal the start of a market decline, but in this case, the market continued its march higher, with the S&P 500(R) Index closing at 1,960.23 on June 30, 2014 - just below its record high set earlier in June. Overall, it was a very interesting six-month period. Most market pundits were expecting interest rates to rise as they had done in the back half of 2013. However, the benchmark 10-year U.S. Treasury yield declined from 2.97% to 2.47% at the end of May before bouncing back and closing at 2.53%. In the stock market, there was quite an interesting mix of cyclical and non-cyclical groups among both the leaders and the laggards. The groups that led the market were Utilities, Energy, HealthCare and Semiconductors (all up over 10%). Market lagging groups were Retailing, Household and Personal Products, Consumer Durables & Apparel and Capital Goods.

PERFORMANCE ANALYSIS

The net asset value ("NAV") total return(1) of the Fund was 7.86% for the six-month period ended June 30, 2014 and the market value total return(1) of the Fund was 12.16%. Both of these returns are inclusive of dividends paid during the period. The S&P 500(R) Index returned 7.14% on a total return basis over the same period, also inclusive of dividends. In addition, while the premiums received from writing options were lower than normal due to the low volatility during the period, the Fund did benefit slightly during the period from the options overwriting program. We continue to believe the strategy of combining high dividend-paying stocks and an option overwrite program is an excellent long-term strategy. Within the portfolio, the allocation of assets among the sectors hurt relative returns slightly. An overweight in the Technology Hardware & Equipment group was helpful but not able to overcome the negative contributions from an overweight in MLPs and Consumer Durables & Apparel. Stock selection was generally a positive contributor to returns as measured against the S&P 500(R) Index - particularly in the Energy group. Several of the Fund's holdings performed extremely well during the period. Helmerich & Payne (+32.77%) and Schlumberger Ltd. (+31.98%) both saw increased demand for their products which are used in oil exploration and production, Covidien PLC (+28.55%) agreed

Page 3

PORTFOLIO COMMENTARY (CONTINUED)

to be taken over by Medtronic (stock was subsequently sold from the portfolio)

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

and Mid-America Apartment Communities (a real estate investment trust) (+23.02%) benefited from the decrease in market interest rates as well as the stronger jobs market which should increase demand for their apartments. In total, 18 stocks owned by the Fund were up over 15% in the period. Of course, not all stocks performed so strongly. State Street Corp. (-7.59%), General Electric Co. (-4.65%) and L Brands, Inc. (-2.22%) all suffered from some combination of weaker earnings or weaker than expected earnings and, therefore, saw their valuations decline.

MARKET OUTLOOK

The S&P 500(R) Index closed near a record high at the end of June. It is up well over 175% from its closing low of 676.53 on March 9, 2009. Four of the five full calendar years from 2009 to 2013 saw double-digit increases, with 2013 up 32.39%, the largest increase since 1997. The current year has seen a continuation of this uptrend with the S&P 500(R) Index setting new all-time highs in early July with only a slight pullback subsequently from that level. The question is: where to now? The market has seen extremely low measures of volatility recently and some believe that market participants are displaying a high level of complacency. Steady improvement in the employment situation, low and stable inflation, a Federal Reserve that has (for the most part) been very predictable in its actions, and a geo-political situation that, while being somewhat tumultuous, has lacked any significantly threatening situations may have all contributed to this belief. Over the last few years, the market has climbed the proverbial "wall of worry" as various controversies and risks were resolved. Currently however, at least when compared to recent history, the number of "worries" that the market has to overcome has been reduced. However, there still are a few. The debate over the impact of weather on the first quarter GDP decline of -2.1% is one uncertainty facing the market and investors. There continues to be questions about the sustainability of corporate profit margins and earnings. The economy in China and some emerging markets have been slowing and Europe is struggling to grow its economy at a reliable level. In our opinion, the major uncertainty facing the market toward the end of the year is the end of the Federal Reserve's open-market purchases of U.S. Treasuries and mortgage securities (now scheduled to end in October) and at what point will the Fed begin to raise the fed funds rate. As we have said in the past, these uncertainties can also provide positive impetus to stock prices if they are resolved in a market-friendly manner.

Our basic position is that, despite these uncertainties, the economy should continue to grow at a reasonable, but not strong rate (and that the first quarter 2014 GDP numbers were strongly influenced by the horrific winter weather), and corporate profits should continue to grow (but at a subdued pace) when compared to recent years. Companies have been cutting operating and administrative costs aggressively and a good number of them have taken advantage of low interest rates by refinancing higher cost debt with lower rates. These and other actions have dramatically increased corporate free cash flow, which has provided companies the wherewithal to increase share repurchases and dividends. This could provide a solid backdrop for the market going forward. However, with valuation of the stock market no longer at the lower end of historical norms, and with earnings growth flattening out, moves higher in the S&P 500(R) Index will likely be more muted going forward, with the increased likelihood of periods of price declines. No matter the outcome of these issues, we will manage the Fund with the objective of generating a high level of current income while seeking capital appreciation over the market cycle.

1 Total return is based on the combination of reinvested dividends, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per share for net asset value returns and changes in Common Share price for market value returns. Total returns do not reflect sales load and are not annualized for periods

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

less than one year. Past performance is not indicative of future results.

Page 4

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
 PORTFOLIO OF INVESTMENTS
 JUNE 30, 2014 (UNAUDITED)

SHARES	DESCRIPTION	VALUE

COMMON STOCKS - 95.9%		
AEROSPACE & DEFENSE - 1.5%		
50,000	Honeywell International, Inc.....	\$ 4,647,500

AIR FREIGHT & LOGISTICS - 1.3%		
28,000	FedEx Corp.....	4,238,640

AUTOMOBILES - 1.0%		
90,000	General Motors Co.....	3,267,000

BANKS - 9.0%		
120,000	BB&T Corp.....	4,731,600
205,400	JPMorgan Chase & Co.....	11,835,148
55,000	PNC Financial Services Group, Inc.....	4,897,750
54,000	U.S. Bancorp.....	2,339,280
89,000	Wells Fargo & Co.....	4,677,840

		28,481,618

BEVERAGES - 3.5%		
35,000	Anheuser-Busch InBev N.V., ADR.....	4,022,900
95,000	Coca-Cola (The) Co.....	4,024,200
35,000	PepsiCo, Inc.....	3,126,900

		11,174,000

BIOTECHNOLOGY - 1.6%		
60,000	Gilead Sciences, Inc. (a).....	4,974,600

CAPITAL MARKETS - 3.6%		
9,000	BlackRock, Inc.....	2,876,400
100,000	Invesco, Ltd.....	3,775,000
71,000	State Street Corp.....	4,775,460

		11,426,860

CHEMICALS - 2.4%		
70,000	E.I. du Pont de Nemours & Co.....	4,580,800
30,000	LyondellBasell Industries N.V., Class A.....	2,929,500

		7,510,300

COMMUNICATIONS EQUIPMENT - 3.7%		
250,000	Cisco Systems, Inc.....	6,212,500
70,000	QUALCOMM, Inc.....	5,544,000

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

		11,756,500

	DIVERSIFIED TELECOMMUNICATION SERVICES - 1.5%	
100,000	Verizon Communications, Inc.....	4,893,000

	ELECTRIC UTILITIES - 1.2%	
110,000	PPL Corp.....	3,908,300

	ELECTRICAL EQUIPMENT - 1.1%	
28,000	Rockwell Automation, Inc.....	3,504,480

	ENERGY EQUIPMENT & SERVICES - 3.6%	
60,000	National Oilwell Varco, Inc.....	4,941,000
55,000	Schlumberger, Ltd.....	6,487,250

		11,428,250

See Notes to Financial Statements

Page 5

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JUNE 30, 2014 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
-----	-----	-----
COMMON STOCKS (CONTINUED)		
	FOOD PRODUCTS - 2.8%	
100,000	Kraft Foods Group, Inc.....	\$ 5,995,000
75,000	Mondelez International, Inc., Class A.....	2,820,750

		8,815,750

	HEALTH CARE EQUIPMENT & SUPPLIES - 0.8%	
40,000	Medtronic, Inc.....	2,550,400

	HEALTH CARE PROVIDERS & SERVICES - 1.5%	
70,000	Cardinal Health, Inc.....	4,799,200

	HOTELS, RESTAURANTS & LEISURE - 2.6%	
55,000	Carnival Corp.....	2,070,750
75,000	Starwood Hotels & Resorts Worldwide, Inc.....	6,061,500

		8,132,250

	HOUSEHOLD DURABLES - 1.0%	
90,000	Toll Brothers, Inc. (a).....	3,321,000

	INDUSTRIAL CONGLOMERATES - 3.0%	
360,000	General Electric Co.....	9,460,800

	INSURANCE - 2.7%	
50,900	Arthur J. Gallagher & Co.....	2,371,940
65,000	MetLife, Inc.....	3,611,400
31,000	Prudential Financial, Inc.....	2,751,870

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

		----- 8,735,210 -----
	IT SERVICES - 1.3%	
52,000	Automatic Data Processing, Inc.....	4,122,560 -----
	LIFE SCIENCES TOOLS & SERVICES - 1.3%	
70,000	Agilent Technologies, Inc.....	4,020,800 -----
	MEDIA - 3.6%	
50,000	CBS Corp., Class B.....	3,107,000
55,000	Comcast Corp., Class A.....	2,952,400
32,000	Lamar Advertising Co., Class A.....	1,696,000
42,000	Walt Disney (The) Co.....	3,601,080 -----
		11,356,480 -----
	METALS & MINING - 1.3%	
110,000	Freeport-McMoRan Copper & Gold, Inc.....	4,015,000 -----
	MULTILINE RETAIL - 1.5%	
55,000	Kohl's Corp.....	2,897,400
35,000	Target Corp.....	2,028,250 -----
		4,925,650 -----

Page 6

See Notes to Financial Statements

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
PORTFOLIO OF INVESTMENTS (CONTINUED)
JUNE 30, 2014 (UNAUDITED)

SHARES/ UNITS	DESCRIPTION	VALUE

COMMON STOCKS (CONTINUED)		
	OIL, GAS & CONSUMABLE FUELS - 7.2%	
35,000	Chevron Corp.....	\$ 4,569,250
45,000	ConocoPhillips.....	3,857,850
90,000	Kinder Morgan, Inc.....	3,263,400
120,000	Marathon Oil Corp.....	4,790,400
62,000	Occidental Petroleum Corp.....	6,363,060 -----
		22,843,960 -----
	PHARMACEUTICALS - 7.0%	
40,000	Bristol-Myers Squibb Co.....	1,940,400
60,000	Johnson & Johnson.....	6,277,200
100,000	Merck & Co., Inc.....	5,785,000
276,886	Pfizer, Inc.....	8,217,976 -----
		22,220,576 -----
	REAL ESTATE INVESTMENT TRUSTS - 0.9%	

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

40,000	Mid-America Apartment Communities, Inc.....	2,922,000
	ROAD & RAIL - 1.2%	
120,000	CSX Corp.....	3,697,200
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 2.5%	
40,000	Analog Devices, Inc.....	2,162,800
82,500	Intel Corp.....	2,549,250
70,000	Microchip Technology, Inc.....	3,416,700
		8,128,750
	SOFTWARE - 4.7%	
65,000	Check Point Software Technologies, Ltd. (a).....	4,356,950
102,500	Microsoft Corp.....	4,274,250
160,000	Oracle Corp.....	6,484,800
		15,116,000
	SPECIALTY RETAIL - 1.6%	
85,000	L Brands, Inc.....	4,986,100
	TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS - 6.2%	
154,000	Apple, Inc.....	14,311,220
200,000	EMC Corp.....	5,268,000
		19,579,220
	TEXTILES, APPAREL & LUXURY GOODS - 1.4%	
70,000	VF Corp.....	4,410,000
	TOBACCO - 3.4%	
80,000	Altria Group, Inc.....	3,355,200
90,000	Philip Morris International, Inc.....	7,587,900
		10,943,100

See Notes to Financial Statements

Page 7

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JUNE 30, 2014 (UNAUDITED)

SHARES/ UNITS	DESCRIPTION	VALUE
COMMON STOCKS (CONTINUED)		
	WATER UTILITIES - 1.4%	
90,000	American Water Works Co., Inc.....	\$ 4,450,500
	TOTAL COMMON STOCKS.....	304,763,554
	(Cost \$241,646,036)	
	MASTER LIMITED PARTNERSHIPS - 2.6%	

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

	OIL, GAS & CONSUMABLE FUELS - 2.6%	
55,000	Energy Transfer Partners, L.P.....	3,188,350
65,000	Enterprise Products Partners, L.P.....	5,088,850
	TOTAL MASTER LIMITED PARTNERSHIPS.....	8,277,200
	(Cost \$3,721,131)	-----
COMMON STOCKS - BUSINESS DEVELOPMENT COMPANIES - 1.1%		
	CAPITAL MARKETS - 1.1%	
187,000	Ares Capital Corp.....	3,339,820
	TOTAL COMMON STOCKS - BUSINESS DEVELOPMENT COMPANIES.....	3,339,820
	(Cost \$3,148,066)	-----
	TOTAL INVESTMENTS - 99.6%.....	316,380,574
	(Cost \$248,515,233) (b)	-----
NUMBER OF CONTRACTS	DESCRIPTION	VALUE
-----	-----	-----
CALL OPTIONS	WRITTEN - (0.2%)	
	Apple, Inc. Call	
375	@ \$93.50 due July 2014.....	(52,500)
	Altria Group, Inc. Calls.....	
200	@ 42.00 due July 2014.....	(10,200)
300	@ 44.00 due July 2014.....	(2,100)

		(12,300)
	BlackRock, Inc. Call	
30	@ 330.00 due July 2014.....	(5,400)
	CBS Corp., Class B Call	
200	@ 65.00 due July 2014.....	(7,400)
	Carnival Corp. Call	
350	@ 41.00 due January 2014.....	(12,250)
	Check Point Software Technologies, Ltd. Call	
250	@ 70.00 due July 2014.....	(7,500)
	Chevron Corp. Call	
150	@ 135.00 due July 2014.....	(4,500)
	ConocoPhillips Call	
200	@ 82.50 due July 2014.....	(70,200)

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

PORTFOLIO OF INVESTMENTS (CONTINUED)
 JUNE 30, 2014 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
CALL OPTIONS WRITTEN (CONTINUED)		
500	CSX Corp. Call @ \$32.50 due August 2014.....	\$ (10,500)
1,000	General Electric Co. Call @ 28.00 due July 2014.....	(4,000)
250	Gilead Sciences, Inc. Call @ 82.50 due July 2014.....	(44,250)
200	Honeywell International, Inc. Call @ 97.50 due July 2014.....	(2,800)
250	Intel Corp. Call @ 31.00 due July 2014.....	(12,500)
300	Invesco, Ltd. Call @ 39.00 due July 2014.....	(5,250)
200	Medtronic, Inc. Call @ 65.00 due July 2014.....	(7,600)
400	Merck & Co., Inc. Call @ 60.00 due July 2014.....	(4,000)
300	MetLife, Inc. Call @ 57.50 due July 2014.....	(6,000)
400	Microchip Technology, Inc. Call @ 50.00 due July 2014.....	(8,000)
350	Microsoft Corp. Call @ 43.00 due July 2014.....	(4,550)
250	National Oilwell Varco, Inc. Call @ 82.50 due July 2014.....	(27,500)
150	Occidental Petroleum Corp. Call @ 105.00 due July 2014.....	(10,500)
200	Prudential Financial, Inc. Call @ 92.50 due July 2014.....	(5,800)
100	Rockwell Automation, Inc. Call @ 130.00 due July 2014.....	(3,600)
300	S&P 500 Index Calls (c) @ 1,980.00 due July 2014.....	(129,000)
300	@ 1,990.00 due July 2014.....	(78,000)
		(207,000)
150	Schlumberger, Ltd. Calls @ 110.00 due July 2014.....	(124,500)

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

150 @ 115.00 due July 2014.....	(62,700)

	(187,200)

U.S. Bancorp Call	
200 @ 44.00 due July 2014.....	(6,000)

See Notes to Financial Statements

Page 9

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JUNE 30, 2014 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
-----	-----	-----
CALL OPTIONS WRITTEN (CONTINUED)		
200 @ \$65.00 due July 2014.....	VF Corp. Call	\$ (8,000)

150 @ 85.00 due July 2014.....	Walt Disney (The) Co. Call	(22,500)

	TOTAL CALL OPTIONS WRITTEN.....	(757,250)
	(Premiums received \$789,790)	-----
	NET OTHER ASSETS AND LIABILITIES - 0.6%.....	2,039,597

	NET ASSETS - 100.0%.....	\$ 317,662,921
		=====

-
- (a) Non-income producing security.
 - (b) Aggregate cost for financial reporting purposes, which approximates the aggregate cost for federal income tax purposes. As of June 30, 2014, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$69,481,820 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$1,616,479.
 - (c) Call options on securities indices were written on a portion of the common stock positions that were not used to cover call options written on individual equity securities held in the Fund's portfolio.

ADR American Depositary Receipt

Page 10

See Notes to Financial Statements

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JUNE 30, 2014 (UNAUDITED)

VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of June 30, 2014 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

INVESTMENTS	ASSETS TABLE		
	TOTAL VALUE AT 6/30/2014	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS
Common Stocks*.....	\$304,763,554	\$304,763,554	\$
Master Limited Partnerships*.....	8,277,200	8,277,200	
Common Stocks - Business Development Companies*	3,339,820	3,339,820	
TOTAL INVESTMENTS.....	\$316,380,574	\$316,380,574	\$

	LIABILITIES TABLE		
	TOTAL VALUE AT 6/30/2014	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS
Call Options Written.....	\$ (757,250)	\$ (757,250)	\$

*See the Portfolio of Investments for industry breakdown.

All transfers in and out of the Levels during the period are assumed to be transferred on the last day of the period at their current value. There were no transfers between Levels at June 30, 2014.

See Notes to Financial Statements

Page 11

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
 STATEMENT OF ASSETS AND LIABILITIES
 JUNE 30, 2014 (UNAUDITED)

Edgar Filing: FIRST TRUST ENHANCED EQUITY INCOME FUND - Form N-CSRS

ASSETS:

Investments, at value
(Cost \$248,515,233).....
Cash.....
Receivables:
 Investment securities sold.....
 Dividends.....
 Dividend reclaims.....
 Interest.....
Prepaid expenses.....

 Total Assets.....

LIABILITIES:

Options written, at value (Premiums received \$789,790).....
Payables:
 Investment advisory fees.....
 Audit and tax fees.....
 Administrative fees.....
 Legal fees.....
 Custodian fees.....
 Printing fees.....
 Transfer agent fees.....
 Financial reporting fees.....
 Trustees' fees and expenses.....
Other liabilities.....

 Total Liabilities.....

NET ASSETS.....

NET ASSETS CONSIST OF:

Paid-in capital.....
Par value.....
Accumulated net investment income (loss).....
Accumulated net realized gain (loss) on investments and written options.....
Net unrealized appreciation (depreciation) on investments and written options.....

NET ASSETS.....

NET ASSET VALUE, per Common Share (par value \$0.01 per Common Share).....

Number of Common Shares outstanding (unlimited number of Common Shares has been authorized)....