

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

FIRST TRUST ENHANCED EQUITY INCOME FUND

Form N-Q

May 30, 2008

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act file number 811-21586

First Trust Enhanced Equity Income Fund

(Exact name of registrant as specified in charter)

1001 Warrenville Road, Suite 300
LISLE, IL 60532

(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.
First Trust Portfolios L.P.
1001 Warrenville Road, Suite 300
LISLE, IL 60532

(Name and address of agent for service)

Registrant's telephone number, including area code: (630) 241-4141

Date of fiscal year end: DECEMBER 31

Date of reporting period: MARCH 31, 2008

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q 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 the 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. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a)
 MARCH 31, 2008 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
COMMON STOCKS (b) - 101.0%		
AEROSPACE & DEFENSE - 2.9%		
42,900	Rockwell Collins, Inc.	\$ 2,451,735
104,200	United Technologies Corp.	7,171,044

		9,622,779

AIR FREIGHT & LOGISTICS - 0.6%		
22,200	FedEx Corp.	2,057,274

BEVERAGES - 4.9%		
184,000	Coca-Cola (The), Company	11,200,080
66,025	PepsiCo, Inc.	4,767,005

		15,967,085

CAPITAL MARKETS - 3.9%		
120,000	AllianceBernstein Holding, LP (e)	7,605,600
100,000	Lehman Brothers Holdings, Inc.	3,764,000
72,800	Och-Ziff Capital Management Group, Class A	1,528,800

		12,898,400

CHEMICALS - 2.7%		
100,000	Dow Chemical (The) Company	3,685,000
83,740	PPG Industries, Inc.	5,067,107

		8,752,107

COMMERCIAL BANKS - 4.8%		
100,000	PNC Financial Services Group, Inc.	6,557,000
10,000	U.S. Bancorp	323,600
100,000	Wachovia Corp.	2,700,000
210,000	Wells Fargo & Company	6,111,000

		15,691,600

COMMERCIAL SERVICES & SUPPLIES - 1.5%		
100,000	Pitney Bowes, Inc.	3,502,000
40,000	Waste Management, Inc.	1,342,400

		4,844,400

COMMUNICATIONS EQUIPMENT - 3.9%		
295,200	Cisco Systems, Inc. (c)	7,111,368

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136,500	QUALCOMM, Inc.	5,596,500

		12,707,868

	CONTAINERS & PACKAGING - 0.8%	
110,000	Packaging Corp. of America	2,456,300

	DIVERSIFIED FINANCIAL SERVICES - 6.4%	
192,500	Bank of America Corp.	7,297,675
320,000	JPMorgan Chase & Company	13,744,000

		21,041,675

	DIVERSIFIED TELECOMMUNICATION SERVICES - 10.2%	
300,000	Alaska Communications Systems Group, Inc.	3,672,000
364,400	AT&T, Inc.	13,956,520

See Notes to Quarterly Portfolio of Investments

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)
 MARCH 31, 2008 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
-----	-----	-----
COMMON STOCKS (b) - (CONTINUED)		
DIVERSIFIED TELECOMMUNICATION SERVICES - (CONTINUED)		
200,000	Citizens Communications Co.	\$ 2,098,000
249,600	Consolidated Communications Holdings, Inc.	3,776,448
200,000	FairPoint Communications, Inc.	1,804,000
221,620	Verizon Communications, Inc.	8,078,049

		33,385,017

	ELECTRIC UTILITIES - 1.2%	
110,000	Southern Company	3,917,100

	ELECTRICAL EQUIPMENT - 2.5%	
156,100	Emerson Electric Company	8,032,906

	ENERGY EQUIPMENT & SERVICES - 0.9%	
32,000	Schlumberger Ltd.	2,784,000

	FOOD & STAPLES RETAILING - 1.3%	
108,800	Walgreen Company	4,144,192

	FOOD PRODUCTS - 0.9%	
100,000	Kraft Foods, Inc., Class A	3,101,000

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	HEALTHCARE PROVIDERS & SERVICES - 0.7%	
100,000	Brookdale Senior Living, Inc.	2,390,000

	HOTELS, RESTAURANTS & LEISURE - 3.2%	
100,000	Carnival Corp.	4,048,000
115,000	McDonald's Corp.	6,413,550

		10,461,550

	HOUSEHOLD PRODUCTS - 0.5%	
30,000	Clorox (The) Company	1,699,200

	INDUSTRIAL CONGLOMERATES - 2.1%	
190,000	General Electric Company	7,031,900

	INSURANCE - 3.1%	
110,000	American International Group, Inc.	4,757,500
40,000	Arthur J. Gallagher & Company	944,800
60,000	Hartford Financial Services Group, Inc.	4,546,200

		10,248,500

	INTERNET SOFTWARE & SERVICES - 1.3%	
145,700	eBay, Inc. (c)	4,347,688

	IT SERVICES - 0.4%	
40,000	Paychex, Inc.	1,370,400

	MACHINERY - 1.6%	
67,600	Caterpillar, Inc.	5,292,404

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)
 MARCH 31, 2008 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
-----	-----	-----
COMMON STOCKS (b) - (CONTINUED)		
	MARINE - 1.4%	
100,375	Eagle Bulk Shipping, Inc.	\$ 2,585,660
323,051	FreeSeas, Inc.	1,922,154

		4,507,814

	MEDIA - 3.9%	
407,500	Entercom Communications Corp., Class A	4,046,475

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300,000	GateHouse Media, Inc.	1,752,000
100,000	Pearson PLC, SP ADR	1,358,000
135,600	Regal Entertainment Group, Class A	2,615,724
91,500	Walt Disney (The), Company	2,871,270

		12,643,469

	MULTILINE RETAIL - 1.6%	
101,000	Target Corp.	5,118,680

	OIL, GAS & CONSUMABLE FUELS - 11.5%	
50,000	BP PLC, SP ADR	3,032,500
97,800	Chevron Corp.	8,348,208
50,000	ConocoPhillips	3,810,500
307,900	El Paso Corp.	5,123,456
100,000	Exxon Mobil Corp.	8,458,000
85,000	Occidental Petroleum Corp.	6,219,450
54,800	Valero Energy Corp.	2,691,228

		37,683,342

	PAPER & FOREST PRODUCTS - 0.6%	
30,000	Weyerhaeuser Company	1,951,200

	PHARMACEUTICALS - 6.4%	
100,000	Abbott Laboratories	5,515,000
110,000	Bristol-Myers Squibb Company	2,343,000
100,000	Eli Lilly & Co.	5,159,000
373,100	Pfizer, Inc.	7,808,983

		20,825,983

	REAL ESTATE INVESTMENT TRUSTS (REITS) - 3.1%	
230,000	Annaly Capital Management, Inc.	3,523,600
352,500	CapitalSource, Inc.	3,408,675
121,410	iStar Financial, Inc.	1,703,382
260,000	MFA Mortgage Investments, Inc.	1,638,000

		10,273,657

	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 3.8%	
284,800	Intel Corp.	6,032,064
120,000	Microchip Technology, Inc.	3,927,600
84,400	Texas Instruments, Inc.	2,385,988

		12,345,652

	SPECIALTY RETAIL - 1.1%	
90,500	Best Buy Company, Inc.	3,752,130

See Notes to Quarterly Portfolio of Investments

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)
 MARCH 31, 2008 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
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COMMON STOCKS (b) - (CONTINUED)

	TOBACCO - 4.1%	
113,435	Altria Group, Inc.	\$ 2,518,257
113,435	Philip Morris International, Inc. (f)	5,737,542
90,000	Reynolds American, Inc.	5,312,700

		13,568,499

	TRADING COMPANIES & DISTRIBUTORS - 0.8%	
230,000	Aircastle Ltd.	2,587,500

	TRANSPORTATION INFRASTRUCTURE - 0.4%	
50,000	Macquarie Infrastructure Company, LLC	1,456,500

	TOTAL COMMON STOCKS (b)	330,959,771
	(Cost \$380,745,519)	-----
	TOTAL INVESTMENTS - 101.0%	330,959,771
	(Cost \$380,745,519) (d)	
	CALL OPTIONS WRITTEN - (1.6%)	(5,320,913)
	(Premiums received \$5,765,760)	
	NET OTHER ASSETS AND LIABILITIES - 0.6%	2,152,331

	NET ASSETS - 100.0%	\$ 327,791,189
		=====

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- (a) All percentages shown in the Portfolio of Investments are based on net assets.
 - (b) Call options were written on either entire or partial Common Stock positions; all Common Stocks are pledged as collateral. Call options on securities indices were written on a portion of the Common Stock positions that were not covered by call options on individual equity securities held in the Fund's Portfolio.
 - (c) Non-income producing security.
 - (d) Aggregate cost for federal income tax and financial reporting purposes.
 - (e) Master Limited Partnership ("MLP").
 - (f) This security spun-off from Altria Group, Inc. on March 28, 2008. As of March 31, 2008, this security had not paid a distribution to the Fund.

SP ADR Sponsored American Depositary Receipt.

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)
 MARCH 31, 2008 (UNAUDITED)

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NUMBER OF CONTRACTS	DESCRIPTION	VALUE
CALL OPTIONS WRITTEN - (1.6%)		
1,000	Abbott Laboratories Call @ 57.5 due Apr 08	\$ (45,000)
1,200	AllianceBernstein Holding, LP Call @ 75 due Jul 08	(120,000)
1,134	Altria Group, Inc. Call @ 75 due Apr 08	(56,700)
500	American International Group, Inc. Calls @ 45 due Apr 08	(60,000)
474	@ 50 due Apr 08	(7,584)
126	@ 55 due Apr 08	(252)
		(67,836)
889	Annaly Capital Management, Inc. Calls @ 17.5 due Apr 08	(17,780)
522	@ 20 due Apr 08	(1,044)
889	@ 20 due May 08	(8,890)
		(27,714)
400	Arthur J. Gallagher & Company Call @ 25 due Apr 08	(6,000)
1,500	AT&T, Inc. Calls @ 40 due Apr 08	(39,000)
897	@ 37.5 due Apr 08	(132,756)
		(171,756)
1,925	Bank of America Corp. Call @ 40 due Apr 08	(134,750)
905	Best Buy Company, Inc. Call @ 40 due Apr 08	(259,735)
500	Bristol-Myers Squibb Company Calls @ 22.5 due Apr 08	(6,000)
200	@ 22.5 due May 08	(10,200)
400	@ 25 due June 08	(9,600)
		(25,800)
1,000	Brookdale Senior Living, Inc. Call @ 25 due Apr 08	(47,500)
	CapitalSource, Inc. Calls	

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1,025	@ 12.5 due Apr 08	(15,375)
525	@ 15 due May 08	(5,250)
1,000	@ 15 due Apr 08	(10,000)

		(30,625)

	Carnival Corp. Call	
1,000	@ 42.5 due Apr 08	(70,000)

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)
 MARCH 31, 2008 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
-----	-----	-----
CALL OPTIONS WRITTEN - (CONTINUED)		
	Caterpillar, Inc. Calls	
300	@ 80 due Apr 08	\$ (47,700)
376	@ 75 due Apr 08	(169,200)

		(216,900)

	Chevron Corp. Calls	
500	@ 85 due Apr 08	(120,000)
478	@ 90 due Apr 08	(21,510)

		(141,510)

	Cisco Systems, Inc. Call	
2,952	@ 27.5 due Apr 08	(11,808)

	Clorox (The) Company Call	
300	@ 60 due Apr 08	(1,500)

	Coca-Cola (The), Company Call	
1,840	@ 62.5 due Apr 08	(101,200)

	ConocoPhillips Call	
500	@ 75 due Apr 08	(150,000)

	Consolidated Communications Holdings, Inc. Call	
2,400	@ 17.5 due Jul 08	(96,000)

	Dow Chemical (The) Company Call	
1,000	@ 40 due June 08	(95,000)

	Eagle Bulk Shipping, Inc. Call	

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1,003	@ 30 due June 08	(75,225)

	eBay, Inc. Call	
1,457	@ 30 due Apr 08	(192,324)

	El Paso Corp. Call	
3,079	@ 17 due Apr 08	(92,370)

	Exxon Mobil Corp. Call	
1,000	@ 90 due Apr 08	(50,000)

	FedEx Corp. Call	
222	@ 95 due Apr 08	(31,080)

	Hartford Financial Services Group, Inc. Call	
600	@ 75 due Apr 08	(165,000)

	Intel Corp. Call	
2,848	@ 22.5 due Apr 08	(99,680)

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)
 MARCH 31, 2008 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
-----	-----	-----
CALL OPTIONS WRITTEN - (CONTINUED)		
	JPMorgan Chase & Company Calls	
2,700	@ 42.5 due Apr 08	\$ (540,000)
500	@ 47.5 due Apr 08	(15,000)

		(555,000)

	Kraft Foods, Inc., Class A Call	
1,000	@ 32.5 due Apr 08	(18,000)

	Lehman Brothers Holdings, Inc. Call	
1,000	@ 50 due Apr 08	(40,000)

	McDonald's Corp. Calls	
650	@ 55 due Apr 08	(122,200)
500	@ 57.5 due Apr 08	(27,500)

		(149,700)

	MFA Mortgage Investments, Inc. Call	
600	@ 10 due Jul 08	(6,000)

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	Microchip Technology, Inc. Calls	
300	@ 35 due Apr 08	(10,500)
900	@ 35 due Jul 08	(130,500)
		(141,000)
	Occidental Petroleum Corp. Calls	
600	@ 80 due Apr 08	(45,000)
250	@ 80 due May 08	(50,000)
		(95,000)
	Och-Ziff Capital Management Group, Class A Call	
728	@ 25 due June 08	(74,620)
	Paychex, Inc. Call	
400	@ 35 due Apr 08	(22,000)
	PepsiCo, Inc. Calls	
200	@ 70 due Apr 08	(56,000)
400	@ 75 due Apr 08	(10,000)
		(66,000)
	PNC Financial Services Group, Inc. Calls	
500	@ 65 due Apr 08	(150,000)
500	@ 70 due Apr 08	(42,500)
		(192,500)
	QUALCOMM, Inc. Calls	
865	@ 45 due May 08	(61,415)
500	@ 42.5 due Apr 08	(29,500)
		(90,915)
	Regal Entertainment Group, Class A Call	
1,356	@ 20 due Apr 08	(33,900)

See Notes to Quarterly Portfolio of Investments

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)
 MARCH 31, 2008 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
-----	-----	-----
CALL OPTIONS WRITTEN - (CONTINUED)		
	S&P 500 Index Calls	
200	@ 1,360 due Apr 08	\$ (220,000)
100	@ 1,395 due Apr 08	(37,000)
		(257,000)

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	Schlumberger Ltd. Call	
320	@ 85 due Apr 08	(144,960)

	Southern Company Calls	
1,000	@ 40 due Aug 08	(35,000)
100	@ 40 due May 08	(750)

		(35,750)

	Target Corp. Calls	
395	@ 52.5 due Apr 08	(47,400)
615	@ 55 due May 08	(86,715)

		(134,115)

	Texas Instruments, Inc. Call	
844	@ 30 due Apr 08	(21,100)

	U.S. Bancorp Call	
100	@ 35 due June 08	(10,500)

	Valero Energy Corp. Call	
548	@ 60 due Apr 08	(5,480)

	Verizon Communications, Inc. Calls	
1,000	@ 37.5 due Apr 08	(45,000)
1,216	@ 40 due May 08	(42,560)

		(87,560)

	Wachovia Corp. Calls	
500	@ 27.5 due Apr 08	(80,000)
500	@ 30 due Apr 08	(33,500)

		(113,500)

	Walgreen Company Call	
1,088	@ 37.5 due Apr 08	(136,000)

	Walt Disney (The) Company Call	
915	@ 32.5 due Apr 08	(36,600)

	Waste Management, Inc. Call	
400	@ 35 due Apr 08	(10,000)

	Wells Fargo & Company Calls	
1,500	@ 30 due Apr 08	(169,500)
600	@ 32.5 due May 08	(49,800)

		(219,300)

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FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)
 MARCH 31, 2008 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
CALL OPTIONS WRITTEN - (CONTINUED)		
	Weyerhaeuser Company Calls	
150	@ 65 due Apr 08	\$ (33,000)
150	@ 70 due Apr 08	(8,400)
		----- (41,400) -----
	TOTAL CALL OPTIONS WRITTEN	\$ (5,320,913)
	(Premiums received \$5,765,760)	=====

See Notes to Quarterly Portfolio of Investments

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 NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS

FIRST TRUST ENHANCED EQUITY INCOME FUND
 MARCH 31, 2008 (UNAUDITED)

1. VALUATION AND INVESTMENT PRACTICES

A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of First Trust Enhanced Equity Income Fund (the "Fund") is determined daily, as of the close of regular trading on the New York Stock Exchange ("NYSE"), normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. The NAV per Common Share is calculated by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including accrued expenses, the value of call options written (sold) and dividends declared but unpaid), by the total number of Common Shares outstanding.

The Fund's investments are valued at market value or, in the absence of market value with respect to any portfolio securities, at fair value according to procedures adopted by the Fund's Board of Trustees. Portfolio securities listed on any exchange other than the NASDAQ National Market ("NASDAQ") are valued at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked prices on such day. Securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price as determined by NASDAQ. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities. Portfolio securities traded in the over-the-counter market, but excluding securities trading on the NASDAQ, are valued at the closing bid prices. Fixed-income securities with a remaining maturity of 60 days or more

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will be valued by the Fund using a pricing service. Short-term investments that mature in less than 60 days are valued at amortized cost.

The Fund values exchange-traded options and other derivative contracts at the closing price on the exchange on which they are principally traded, or if not traded, or no closing price is available, at the mean between the last bid and asked price.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 Fair Value Measurements ("FAS 157") effective for fiscal years beginning after November 15, 2007. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The Fund has adopted FAS 157 as of January 1, 2008, the beginning of its current fiscal year. The three levels of the fair value hierarchy under FAS 157 are described below:

- o Level 1 - quoted prices in active markets for identical securities
- o Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- o Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Fund's net assets as of March 31, 2008 is as follows:

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FINANCIAL
Level 1 - Quoted Prices - Investments	\$ 330,959,771	\$
Level 2 - Other Significant Observable Inputs	--	
Level 3 - Significant Unobservable Input	--	
 TOTAL	 \$ 330,959,771 =====	 \$ =====

(a) Other financial instruments are call option contracts, which are valued at the closing price on the exchange on which they are principally traded.

B. OPTION CONTRACTS:

COVERED OPTIONS. The Fund may write (sell) covered call or put options ("options") on all or a portion of the equity securities held in the Fund's portfolio and on securities indices as determined to be appropriate by Chartwell Investment Partners, L.P (the "Sub-Advisor" or "Chartwell"), consistent with the Fund's investment objective. The number of options the Fund can write (sell) is limited by the amount of equity securities the Fund holds in its portfolio. Options on securities indices are designed to reflect price fluctuations in a group of securities or segment of the securities market rather than price fluctuations in a single security and are similar to options on single securities, except that the exercise of securities index options requires cash settlement payments and does not involve the actual purchase

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS - (CONTINUED)

FIRST TRUST ENHANCED EQUITY INCOME FUND
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or sale of securities. The Fund will not write (sell) "naked" or uncovered options. If certain equity securities held in the Fund's portfolio are not covered by a related call option on the individual equity security, securities index options may be written on all or a portion of such uncovered securities. By writing (selling) options, the Fund seeks to generate additional income, in the form of premiums received for writing (selling) the options, and to provide a partial hedge against a market decline in the underlying equity security. Options are marked-to-market daily and their value will be affected by changes in the value and dividend rates of the underlying equity securities, changes in interest rates, changes in the actual or perceived volatility of the securities markets and the underlying equity securities and the remaining time to the options' expiration. The value of options may also be adversely affected if the market for the options becomes less liquid or smaller.

Options the Fund writes (sells) will either be exercised, expire or be cancelled pursuant to a closing transaction. If the price of the underlying equity security exceeds the option's strike price, it is likely that the option holder will exercise the option. If an option written (sold) by the Fund is exercised, the Fund would be obligated to deliver the underlying equity security to the option holder upon payment of the strike price. In this case, the option premium received by the Fund will be added to the amount realized on the sale of the underlying equity security for purposes of determining gain or loss. If the price of the underlying equity security is less than the option's strike price, the option will likely expire without being exercised. The option premium received by the Fund will, in this case, be treated as short-term capital gain on the expiration date of the option. The Fund may also elect to close out its position in an option prior to its expiration by purchasing an option of the same series as the option written (sold) by the Fund.

The options that the Fund writes (sells) give the option holder the right, but not the obligation, to purchase a security from the Fund at the strike price on or prior to the option's expiration date. The ability to successfully implement the Fund's covered call investment strategy depends on the ability of Chartwell to predict pertinent market movements, which cannot be assured. Thus, the use of options may require the Fund to sell portfolio securities at inopportune times or for prices other than current market value, which may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. As the writer (seller) of a covered option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the option above the sum of the premium and the strike price of the option, but has retained the risk of loss should the price of the underlying security decline. The writer (seller) of an option has no control over the time when it may be required to fulfill its obligation as a writer (seller) of the option. Once an option writer (seller) has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security to the option holder at the strike price.

C. SECURITIES TRANSACTIONS:

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Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis.

2. UNREALIZED APPRECIATION (DEPRECIATION)

As of March 31, 2008, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$3,229,479 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$53,015,227.

3. OPTION ACTIVITY

Option activity for the quarter ended March 31, 2008 was as follows:

	NUMBER OF CONTRACTS	PREMIUMS
	-----	-----
WRITTEN OPTIONS		
Options outstanding at December 31, 2007	68,218	\$ 5,622,371
Options written	243,067	22,173,492
Options expired	(77,490)	(5,472,927)
Options exercised	(6,070)	(556,645)
Options closed	(162,169)	(16,000,531)
	-----	-----
Options outstanding at March 31, 2008	65,556	\$ 5,765,760
	=====	=====

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ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) FIRST TRUST ENHANCED EQUITY INCOME FUND

By (Signature and Title)* /S/ JAMES A. BOWEN

James A. Bowen, Chairman of the Board,
President and Chief Executive Officer
(principal executive officer)

Date MAY 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /S/ JAMES A. BOWEN

James A. Bowen, Chairman of the Board,
President and Chief Executive Officer
(principal executive officer)

Date MAY 27, 2008

By (Signature and Title)* /S/ MARK R. BRADLEY

Mark R. Bradley, Treasurer, Controller,
Chief Financial Officer and Chief Accounting Officer
(principal financial officer)

Date MAY 27, 2008

* Print the name and title of each signing officer under his or her signature.