

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

FIRST TRUST ENHANCED EQUITY INCOME FUND

Form N-Q

November 23, 2011

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)

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: September 30, 2011

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)
 SEPTEMBER 30, 2011 (UNAUDITED)

SHARES	DESCRIPTION	VALUE

COMMON STOCKS - 90.8%		
AEROSPACE & DEFENSE - 3.0%		
75,900	Honeywell International, Inc.	\$ 3,332,769
50,000	United Technologies Corp. (b).....	3,518,000

		6,850,769

AIR FREIGHT & LOGISTICS - 1.4%		
50,000	United Parcel Service, Inc., Class B	3,157,500

BEVERAGES - 3.8%		
80,000	Coca-Cola (The) Co. (b).....	5,404,800
50,000	PepsiCo, Inc.	3,095,000

		8,499,800

CAPITAL MARKETS - 2.4%		
40,000	Bank of New York Mellon (The) Corp.	743,600
24,000	BlackRock, Inc.	3,552,240
70,000	Horizon Technology Finance Corp.	1,026,200

		5,322,040

CHEMICALS - 3.0%		
30,000	Dow Chemical (The) Co. (c).....	673,800
80,000	E.I. Du Pont de Nemours & Co. (b).....	3,197,600
40,000	PPG Industries, Inc. (b).....	2,826,400

		6,697,800

COMMERCIAL BANKS - 0.8%		
35,000	PNC Financial Services Group, Inc.	1,686,650

COMMUNICATIONS EQUIPMENT - 3.0%		
170,000	Cisco Systems, Inc. (b).....	2,633,300
85,000	QUALCOMM, Inc.	4,133,550

		6,766,850

COMPUTERS & PERIPHERALS - 2.1%		
10,000	Apple, Inc. (c) (d).....	3,811,800
40,000	Hewlett-Packard Co. (b).....	898,000

		4,709,800

DIVERSIFIED FINANCIAL SERVICES - 2.0%		

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147,000	JPMorgan Chase & Co.	4,427,640

	DIVERSIFIED TELECOMMUNICATION SERVICES - 3.1%	
62,100	AT&T, Inc.	1,771,092
240,005	Frontier Communications Corp.	1,466,431
100,000	Verizon Communications, Inc.	3,680,000

		6,917,523

	ELECTRIC UTILITIES - 1.3%	
70,000	Southern Co. (c).....	2,965,900

	ELECTRICAL EQUIPMENT - 1.3%	
69,100	Emerson Electric Co.	2,854,521

See Notes to Quarterly Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (Continued)
 SEPTEMBER 30, 2011 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
-----	-----	-----
COMMON STOCKS - (Continued)		
	ELECTRONIC EQUIPMENT, INSTRUMENTS & COMPONENTS - 0.8%	
60,000	TE Connectivity, Ltd.	\$ 1,688,400

	ENERGY EQUIPMENT & SERVICES - 1.1%	
40,000	Schlumberger, Ltd.	2,389,200

	FOOD PRODUCTS - 2.4%	
40,000	Kellogg Co.	2,127,600
100,000	Kraft Foods, Inc., Class A (b).....	3,358,000

		5,485,600

	HOTELS, RESTAURANTS & LEISURE - 3.5%	
85,000	Carnival Corp.	2,575,500
35,000	McDonald's Corp. (c).....	3,073,700
60,000	Starwood Hotels & Resorts Worldwide, Inc. (b)	2,329,200

		7,978,400

	INDUSTRIAL CONGLOMERATES - 3.0%	
40,000	3M Co.	2,871,600
250,000	General Electric Co.	3,810,000

		6,681,600

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	INSURANCE - 4.0%	
155,000	Lincoln National Corp. (b).....	2,422,650
50,000	Marsh & McLennan Co., Inc.	1,327,000
116,795	MetLife, Inc.	3,271,428
42,000	Travelers (The) Cos., Inc.	2,046,660

		9,067,738

	IT SERVICES - 4.8%	
50,000	Accenture PLC (b).....	2,634,000
42,000	Automatic Data Processing, Inc.	1,980,300
35,000	International Business Machines Corp.	6,126,050

		10,740,350

	LEISURE EQUIPMENT & PRODUCTS - 1.3%	
110,000	Mattel, Inc. (c).....	2,847,900

	LIFE SCIENCES TOOLS & SERVICES - 1.2%	
90,000	Agilent Technologies, Inc. (d).....	2,812,500

	MACHINERY - 2.8%	
50,000	Caterpillar, Inc.	3,692,000
33,000	Cummins, Inc.	2,694,780

		6,386,780

	MARINE - 0.8%	
150,000	Seaspan Corp.	1,719,000

	MEDIA - 0.9%	
180,000	Regal Entertainment Group, Class A	2,113,200

	METALS & MINING - 0.9%	
65,000	Freeport-McMoRan Copper & Gold, Inc.	1,979,250

See Notes to Quarterly Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (Continued)
 SEPTEMBER 30, 2011 (UNAUDITED)

SHARES	DESCRIPTION	VALUE

COMMON STOCKS - (Continued)		
	MULTI-UTILITIES - 0.1%	
10,000	Xcel Energy, Inc.	\$ 246,900

	MULTILINE RETAIL - 1.3%	

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60,000	Target Corp. (b).....	2,942,400

	OIL, GAS & CONSUMABLE FUELS - 9.2%	
40,000	Chevron Corp.	3,700,800
45,000	ConocoPhillips	2,849,400
120,000	Exxon Mobil Corp.	8,715,600
76,000	Occidental Petroleum Corp. (b).....	5,434,000

		20,699,800

	PAPER & FOREST PRODUCTS - 0.8%	
80,000	International Paper Co. (b).....	1,860,000

	PERSONAL PRODUCTS - 1.0%	
120,000	Avon Products, Inc.	2,352,000

	PHARMACEUTICALS - 7.9%	
215,000	Bristol-Myers Squibb Co. (b).....	6,746,700
63,000	Merck & Co., Inc.	2,060,730
50,000	Novartis AG, ADR	2,788,500
350,000	Pfizer, Inc.	6,188,000

		17,783,930

	REAL ESTATE INVESTMENT TRUSTS (REITS) - 1.9%	
150,900	Annaly Capital Management, Inc. (b).....	2,509,467
250,000	MFA Mortgage Investments, Inc.	1,755,000

		4,264,467

	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 2.7%	
200,000	Intel Corp.	4,266,000
60,000	Microchip Technology, Inc.	1,866,600

		6,132,600

	SOFTWARE - 3.1%	
100,000	Microsoft Corp.	2,489,000
160,000	Oracle Corp. (b).....	4,598,400

		7,087,400

	SPECIALTY RETAIL - 2.7%	
70,000	Home Depot (The), Inc.	2,300,900
100,000	Limited Brands, Inc. (b).....	3,851,000

		6,151,900

	TOBACCO - 3.5%	
110,000	Altria Group, Inc.	2,949,100
80,000	Philip Morris International, Inc.	4,990,400

		7,939,500

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	WATER UTILITIES - 1.0%	
74,200	American Water Works Co., Inc.	2,239,356

See Notes to Quarterly Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (Continued)
 SEPTEMBER 30, 2011 (UNAUDITED)

SHARES/ UNITS	DESCRIPTION	VALUE

COMMON STOCKS - (Continued)		
	WIRELESS TELECOMMUNICATION SERVICES - 0.9%	
80,000	Vodafone Group PLC, ADR	\$ 2,052,000
	TOTAL COMMON STOCKS	204,498,964
	(Cost \$225,104,272)	-----
MASTER LIMITED PARTNERSHIPS - 5.0%		
	OIL, GAS & CONSUMABLE FUELS - 5.0%	
60,000	Copano Energy, LLC	1,788,600
77,000	Energy Transfer Partners, L.P.	3,157,770
40,000	Enterprise Products Partners, L.P.	1,606,000
60,000	Magellan Midstream Partners, L.P.	3,624,000
25,000	TC Pipelines, L.P.	1,096,000
	TOTAL MASTER LIMITED PARTNERSHIPS	11,272,370
	(Cost \$6,895,744)	-----
EXCHANGE-TRADED FUNDS - 2.1%		
	CAPITAL MARKETS - 2.1%	
264,200	SPDR KBW Bank ETF	4,634,068
	TOTAL EXCHANGE-TRADED FUNDS.....	4,634,068
	(Cost \$3,925,808)	-----
COMMON STOCKS - BUSINESS DEVELOPMENT COMPANIES - 1.8%		
	CAPITAL MARKETS - 1.8%	
320,000	Apollo Investment Corp.	2,406,400
80,000	Solar Capital, Ltd.	1,610,400
	TOTAL COMMON STOCKS - BUSINESS DEVELOPMENT COMPANIES	4,016,800
	(Cost \$5,543,430)	-----
CONVERTIBLE PREFERRED SECURITIES - 0.1%		
	AUTOMOBILES - 0.1%	
10,000	General Motors Co., Ser B, 4.75%	350,800
	TOTAL CONVERTIBLE PREFERRED SECURITIES	350,800

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(Cost \$496,012)	-----
TOTAL INVESTMENTS - 99.8%	224,773,002
(Cost \$241,965,266) (e)	-----

NUMBER OF CONTRACTS	DESCRIPTION	VALUE

CALL OPTIONS WRITTEN - (0.3%)		
	Accenture PLC Calls	
100	@ 52.5 due October 11	(25,500)
100	@ 57.5 due October 11	(3,000)
	(Cost \$496,012)	-----
		(28,500)
	(Cost \$496,012)	-----

See Notes to Quarterly Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (Continued)
 SEPTEMBER 30, 2011 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE

CALL OPTIONS WRITTEN - (Continued)		
	Annaly Capital Management, Inc. Call	
500	@ 18 due October 11	\$ (2,000)
	Apple, Inc. Calls	
50	@ 425 due October 11	(20,000)
50	@ 450 due October 11	(7,400)

		(27,400)

	Bristol-Myers Squibb Co. Call	
500	@ 32 due October 11	(22,000)

	Cisco Systems, Inc. Call	
300	@ 17 due October 11	(3,600)

	Coca-Cola (The) Co. Calls	
200	@ 70 due October 11	(18,000)
400	@ 75 due October 11	(3,200)

		(21,200)

	Dow Chemical (The) Co. Call	
300	@ 29 due October 11	(1,200)

	E.I. Du Pont de Nemours & Co. Call	
300	@ 48 due October 11	(2,100)

	Hewlett-Packard Co. Call	
200	@ 25 due October 11	(9,800)

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	International Paper Co. Calls	
200	@ 28 due October 11	(2,200)
300	@ 30 due October 11	(1,500)

		(3,700)

	Kraft Foods, Inc. Class A Call	
300	@ 36 due October 11	(2,700)

	Limited Brands, Inc. Calls	
200	@ 39 due October 11	(36,000)
200	@ 42 due October 11	(12,000)

		(48,000)

	Lincoln National Corp. Call	
350	@ 18 due October 11	(11,550)

	Mattel, Inc. Call	
1,100	@ 30 due October 11	(11,000)

See Notes to Quarterly Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (Continued)
 SEPTEMBER 30, 2011 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE

CALL OPTIONS WRITTEN - (CONTINUED)		
	McDonald's Corp. Calls	
175	@ 90 due October 11	\$ (24,325)
175	@ 92.5 due October 11	(10,500)

		(34,825)

	Occidental Petroleum Corp. Call	
200	@ 90 due October 11	(2,400)

	Oracle Corp. Call	
400	@ 31 due October 11	(18,400)

	PPG Industries, Inc. Call	
100	@ 80 due October 11	(5,000)

	S&P 500 Index Calls (f)	
350	@ 1240 due October 11	(155,750)
300	@ 1270 due October 11	(55,500)
300	@ 1290 due October 11	(22,500)
200	@ 1230 due October 11	(108,000)

		(341,750)

	Southern Co. Call	
700	@ 43 due October 11	(46,900)

	Starwood Hotels & Resorts Worldwide, Inc. Call	

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200 @ 45 due October 11	(7,800)

Target Corp. Call	
200 @ 52.5 due October 11	(9,200)

United Technologies Corp. Calls	
200 @ 75 due October 11	(23,000)
200 @ 80 due October 11	(4,200)

	(27,200)

TOTAL CALL OPTIONS WRITTEN	(688,225)
(Premiums received \$1,578,439)	-----
NET OTHER ASSETS AND LIABILITIES - 0.5%	1,213,212

NET ASSETS - 100.0%	\$ 225,297,989
	=====

- (a) All percentages shown in the Portfolio of Investments are based on net assets.
- (b) Call options were written on a portion of the common stock position and are fully covered by the common stock position.
- (c) Call options were written on this entire common stock position and are fully covered by the common stock position.
- (d) Non-income producing security.

See Notes to Quarterly Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND
 PORTFOLIO OF INVESTMENTS (a) - (Continued)
 SEPTEMBER 30, 2011 (UNAUDITED)

- (e) Aggregate cost for financial reporting purposes, which approximates the aggregate cost for federal income tax purposes. As of September 30, 2011, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$18,741,842 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$35,934,106.
- (f) Call options on securities indices were written on a portion of the common stock positions that were not used to cover call options on individual equity securities held in the Fund's portfolio.

ADR American Depositary Receipt

 VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of September 30, 2011 is as follows (see Note 1A - Portfolio Valuation in the Notes to Quarterly Portfolio of Investments):

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ASSETS TABLE			
	TOTAL VALUE AT 9/30/2011	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS
Common Stocks*.....	\$ 204,498,964	\$ 204,498,964	\$ --
Master Limited Partnerships*.....	11,272,370	11,272,370	--
Exchange-Traded Funds*.....	4,634,068	4,634,068	--
Common Stocks - Business Development Companies*.....	4,016,800	4,016,800	--
Convertible Preferred Securities*.....	350,800	350,800	--
TOTAL INVESTMENTS.....	\$ 224,773,002	\$ 224,773,002	\$ --

LIABILITIES TABLE			
	TOTAL VALUE AT 9/30/2011	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS
Call Options Written.....	\$ (688,225)	\$ (688,225)	\$ --

*See the Portfolio of Investments for industry breakdown.

See Notes to Quarterly Portfolio of Investments

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS

FIRST TRUST ENHANCED EQUITY INCOME FUND
SEPTEMBER 30, 2011 (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. If the NYSE closes early on a valuation day, the NAV is determined as of that time. Domestic debt securities and foreign securities are priced using data reflecting the earlier closing of the principal markets for those securities. 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 daily in accordance with valuation procedures adopted by the Fund's Board of Trustees, and in accordance with provisions of the Investment Company Act of 1940, as amended (the "1940 Act"). The following securities, for which accurate and reliable market quotations are readily

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available, will be valued as follows:

Common stocks, master limited partnerships ("MLPs"), exchanged-traded funds and other securities listed on any national or foreign exchange (excluding the NASDAQ National Market ("NASDAQ") and the London Stock Exchange Alternative Investment Market ("AIM")) are valued at the last sale price on the exchange on which they are principally traded. If there are no transactions on the valuation day, the securities are valued at the mean between the most recent bid and asked prices.

Securities listed on the NASDAQ or the AIM are valued at the official closing price. If there is no official closing price on the valuation day, the securities are valued at the mean between the most recent bid and asked prices.

Securities traded in the over-the-counter market are valued at their closing bid prices.

Exchange-traded options and futures contracts are valued at the closing price in the market where such contracts are principally traded. If no closing price is available, exchange-traded options and futures contracts are valued at the mean between the most recent bid and asked prices. Over-the-counter options and futures contracts are valued at their closing bid prices.

All market quotations used in valuing the Fund's securities will be obtained from a third party pricing service. If no quotation is received from a pricing service, attempts will be made to obtain one or more broker quotes for the security. In the event the pricing service does not provide a valuation, broker quotations are not readily available, or the valuations received are deemed unreliable, the Fund's Board of Trustees has designated First Trust Advisors L.P. ("First Trust") to use a fair value method to value the Fund's securities. Additionally, if events occur after the close of the principal markets for certain securities (e.g., domestic debt and foreign securities) that could materially affect the Fund's NAV, First Trust will use a fair value method to value the Fund's securities. The use of fair value pricing is governed by valuation procedures adopted by the Fund's Board of Trustees, and in accordance with the provisions of the 1940 Act. As a general principle, the fair value of a security is the amount which the Fund might reasonably expect to receive for the security upon its current sale. However, in light of the judgment involved in fair valuations, there can be no assurance that a fair value assigned to a particular security will be the amount which the Fund might be able to receive upon its current sale. Fair valuation of a security will be based on the consideration of all available information, including, but not limited to the following:

- 1) the type of security;
- 2) the size of the holding;
- 3) the initial cost of the security;
- 4) transactions in comparable securities;
- 5) price quotes from dealers and/or pricing services;
- 6) relationships among various securities;
- 7) information obtained by contacting the issuer, analysts, or the appropriate stock exchange;
- 8) an analysis of the issuer's financial statements; and

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- 9) the existence of merger proposals or tender offers that might affect the value of the security.

If the securities in question are foreign securities, the following additional information may be considered:

- 1) the value of similar foreign securities traded on other foreign markets;
- 2) ADR trading of similar securities;
- 3) closed-end fund trading of similar securities;
- 4) foreign currency exchange activity;
- 5) the trading prices of financial products that are tied to baskets of foreign securities;
- 6) factors relating to the event that precipitated the pricing problem;
- 7) whether the event is likely to recur; and
- 8) whether the effects of the event are isolated or whether they affect entire markets, countries or regions.

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS - (Continued)

FIRST TRUST ENHANCED EQUITY INCOME FUND
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Short-term investments that mature in less than 60 days when purchased are valued at amortized cost.

The Fund is subject to fair value accounting standards that define fair value, establish the framework for measuring fair value and provide a three-level hierarchy for fair valuation based upon the inputs to the valuation as of the measurement date. The three levels of the fair value hierarchy are as follows:

- o Level 1 - Level 1 inputs are quoted prices in active markets for identical securities. An active market is a market in which transactions for the security occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- o Level 2 - Level 2 inputs are observable inputs, either directly or indirectly, and include the following:
 - o Quoted prices for similar securities in active markets.
 - o Quoted prices for identical or similar securities in markets that are non-active. A non-active market is a market where there are few transactions for the security, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
 - o Inputs other than quoted prices that are observable for the security (for example, interest rates and yield curves)

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observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).

- o Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- o Level 3 - Level 3 inputs are unobservable inputs. Unobservable inputs may reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the security.

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 investments as of September 30, 2011, is included with the Fund's Portfolio of Investments.

B. OPTION CONTRACTS:

The Fund may write (sell) covered call 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. ("Chartwell" or the "Sub-Advisor"), 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 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 trading volume diminishes.

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 exercise 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 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.

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NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS - (Continued)

FIRST TRUST ENHANCED EQUITY INCOME FUND SEPTEMBER 30, 2011 (UNAUDITED)

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 writing (selling) of covered call options depends on the ability of the Sub-Advisor 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 foregoes, 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 exercise price.

The Fund is subject to equity price risk in the normal course of pursuing its investment objective. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Fund's maximum equity price risk for purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Fund's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities hedged.

C. SECURITIES TRANSACTIONS:

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

The Fund may hold publicly-traded MLPs and real estate investment trusts ("REITs"). Distributions from such investments may include a return of capital component from the MLP or REIT to the extent of the cost basis of such MLP or REIT investments. The actual character of amounts received during the year is not known until after the fiscal year end. The Fund records the character of distributions received from the MLPs or REITs during the year based on estimates available. The Fund's characterization may be subsequently revised based on information received from the MLPs or REITs after their tax reporting periods conclude.

2. OPTION ACTIVITY

Written option activity for the Fund for the period ended September 30, 2011 was as follows:

WRITTEN OPTIONS	NUMBER OF CONTRACTS	PREMIUMS
Options outstanding at December 31, 2010...	6,463	\$ 1,054,558

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Options Written.....	96,098	15,814,682
Options Expired.....	(52,402)	(6,772,741)
Options Exercised.....	(2,439)	(132,282)
Options Closed.....	(38,370)	(8,385,778)
	-----	-----
Options outstanding at September 30, 2011..	9,350	\$ 1,578,439
	=====	=====

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.

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: November 21, 2011

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

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

Date: November 21, 2011

By (Signature and Title)* /s/ Mark R. Bradley

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

Date: November 21, 2011

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