

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

FIRST TRUST ENHANCED EQUITY INCOME FUND

Form N-Q

May 28, 2015

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: March 31, 2015  
-----

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.

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

ITEM 1. SCHEDULE OF INVESTMENTS. The Schedule(s) of Investments is attached herewith.

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)  
 PORTFOLIO OF INVESTMENTS  
 MARCH 31, 2015 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
-----		
COMMON STOCKS - 93.3%		
AEROSPACE & DEFENSE - 2.0%		
60,000	Honeywell International, Inc. (a).....	\$ 6,258,600
-----		
AIR FREIGHT & LOGISTICS - 1.5%		
28,000	FedEx Corp. ....	4,632,600
-----		
AUTOMOBILES - 1.3%		
110,000	General Motors Co. ....	4,125,000
-----		
BANKS - 7.3%		
120,000	BB&T Corp. (a).....	4,678,800
190,000	JPMorgan Chase & Co. (a).....	11,510,200
127,000	Wells Fargo & Co. (a).....	6,908,800
-----		
		23,097,800
-----		
BEVERAGES - 2.9%		
35,000	Anheuser-Busch InBev N.V., ADR (a).....	4,266,850
52,000	PepsiCo, Inc. (a).....	4,972,240
-----		
		9,239,090
-----		
BIOTECHNOLOGY - 1.7%		
55,000	Gilead Sciences, Inc. (b).....	5,397,150
-----		
CAPITAL MARKETS - 3.7%		
9,000	BlackRock, Inc. (a).....	3,292,560
100,000	Invesco, Ltd. (a).....	3,969,000
60,000	State Street Corp. (a).....	4,411,800
-----		
		11,673,360
-----		
CHEMICALS - 0.8%		
29,000	LyondellBasell Industries N.V., Class A .....	2,546,200
-----		
COMMUNICATIONS EQUIPMENT - 3.5%		
225,000	Cisco Systems, Inc. (a).....	6,193,125
70,000	QUALCOMM, Inc. (a).....	4,853,800
-----		
		11,046,925

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

	CONSUMER FINANCE - 1.0%	
40,000	American Express Co. ....	3,124,800
	DIVERSIFIED TELECOMMUNICATION SERVICES - 0.9%	
60,000	Verizon Communications, Inc. (a).....	2,917,800
	ELECTRIC UTILITIES - 1.2%	
110,000	PPL Corp. (a).....	3,702,600
	ELECTRICAL EQUIPMENT - 1.0%	
28,000	Rockwell Automation, Inc. (a).....	3,247,720
	ENERGY EQUIPMENT & SERVICES - 2.5%	
60,000	National Oilwell Varco, Inc. (a).....	2,999,400
112,000	Noble Corp. PLC .....	1,599,360
40,000	Schlumberger, Ltd. (a).....	3,337,600
		7,936,360

See Notes to Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 MARCH 31, 2015 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
COMMON STOCKS (CONTINUED)		
	FOOD & STAPLES RETAILING - 1.3%	
40,000	CVS Health Corp. ....	\$ 4,128,400
	FOOD PRODUCTS - 0.9%	
75,000	Mondelez International, Inc., Class A (a)....	2,706,750
	HEALTH CARE EQUIPMENT & SUPPLIES - 1.8%	
75,000	Medtronic PLC .....	5,849,250
	HEALTH CARE PROVIDERS & SERVICES - 1.6%	
57,500	Cardinal Health, Inc. (a).....	5,190,525
	HOTELS, RESTAURANTS & LEISURE - 2.4%	
100,000	Carnival Corp. (a).....	4,784,000
35,000	Starwood Hotels & Resorts Worldwide, Inc. (a).....	2,922,500

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

		7,706,500
		-----
	INDUSTRIAL CONGLOMERATES - 2.8%	
360,000	General Electric Co. (a).....	8,931,600
		-----
	INSURANCE - 3.2%	
28,000	ACE, Ltd. ....	3,121,720
66,000	Arthur J. Gallagher & Co. (a).....	3,085,500
80,000	MetLife, Inc. (a).....	4,044,000
		-----
		10,251,220
		-----
	IT SERVICES - 1.4%	
52,000	Automatic Data Processing, Inc. (a).....	4,453,280
		-----
	LIFE SCIENCES TOOLS & SERVICES - 2.0%	
70,000	Agilent Technologies, Inc. (a).....	2,908,500
25,000	Thermo Fisher Scientific, Inc. ....	3,358,500
		-----
		6,267,000
		-----
	MEDIA - 3.7%	
57,500	CBS Corp., Class B (a).....	3,486,225
70,000	Comcast Corp., Class A (a).....	3,952,900
50,000	Time Warner, Inc. ....	4,222,000
		-----
		11,661,125
		-----
	METALS & MINING - 0.7%	
122,000	Freeport-McMoRan, Inc. (a).....	2,311,900
		-----
	MULTILINE RETAIL - 1.4%	
55,000	Kohl's Corp. (a).....	4,303,750
		-----
	OIL, GAS & CONSUMABLE FUELS - 4.5%	
42,000	Chevron Corp. (a).....	4,409,160
25,000	Exxon Mobil Corp. (a).....	2,125,000
120,000	Marathon Oil Corp. (a).....	3,133,200
62,000	Occidental Petroleum Corp. (a).....	4,526,000
		-----
		14,193,360
		-----

See Notes to Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 MARCH 31, 2015 (UNAUDITED)

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

SHARES	DESCRIPTION	VALUE
COMMON STOCKS (CONTINUED)		
	PAPER & FOREST PRODUCTS - 0.8%	
55,655	Domtar Corp. (a).....	\$ 2,572,374
	PHARMACEUTICALS - 8.1%	
40,000	AstraZeneca PLC, ADR .....	2,737,200
60,000	Johnson & Johnson (a).....	6,036,000
130,000	Merck & Co., Inc. (a).....	7,472,400
276,886	Pfizer, Inc. (a).....	9,632,863
		25,878,463
	REAL ESTATE INVESTMENT TRUSTS - 2.3%	
60,000	Lamar Advertising Co., Class A (a).....	3,556,200
50,000	Mid-America Apartment Communities, Inc. (a).....	3,863,500
		7,419,700
	ROAD & RAIL - 0.3%	
30,000	CSX Corp. ....	993,600
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 3.8%	
120,000	Intel Corp. ....	3,752,400
80,000	Microchip Technology, Inc. (a).....	3,912,000
75,000	Micron Technology, Inc. (b).....	2,034,750
120,000	NVIDIA Corp. ....	2,511,000
		12,210,150
	SOFTWARE - 4.9%	
65,000	Check Point Software Technologies Ltd. (a) (b).....	5,328,050
117,600	Microsoft Corp. ....	4,781,028
130,000	Oracle Corp. (a).....	5,609,500
		15,718,578
	SPECIALTY RETAIL - 1.9%	
65,000	L Brands, Inc. ....	6,128,850
	TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS - 5.6%	
111,500	Apple, Inc. (a).....	13,873,945
160,000	EMC Corp. (a).....	4,089,600
		17,963,545
	TEXTILES, APPAREL & LUXURY GOODS - 1.7%	
70,000	VF Corp. (a).....	5,271,700

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

-----		
	TOBACCO - 3.6%	
95,000	Altria Group, Inc. (a).....	4,751,900
90,000	Philip Morris International, Inc. (a).....	6,779,700
		-----
		11,531,600
-----		
	WATER UTILITIES - 1.3%	
75,000	American Water Works Co., Inc. (a).....	4,065,750
		-----
TOTAL COMMON STOCKS .....		296,654,975
(Cost \$255,268,453)		-----

See Notes to Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 MARCH 31, 2015 (UNAUDITED)

SHARES/ UNITS	DESCRIPTION	VALUE
-----		
INVESTMENT COMPANIES - 2.7%		
CAPITAL MARKETS - 2.7%		
42,000	SPDR S&P 500 ETF Trust .....	\$ 8,670,060
		-----
TOTAL INVESTMENT COMPANIES .....		8,670,060
(Cost \$8,704,347)		-----
MASTER LIMITED PARTNERSHIPS - 2.3%		
OIL, GAS & CONSUMABLE FUELS - 2.3%		
55,000	Energy Transfer Partners, L.P. (a).....	3,066,250
130,000	Enterprise Products Partners, L.P. (a).....	4,280,900
		-----
TOTAL MASTER LIMITED PARTNERSHIPS .....		7,347,150
(Cost \$3,417,906)		-----
COMMON STOCKS - BUSINESS DEVELOPMENT COMPANIES - 1.0%		
CAPITAL MARKETS - 1.0%		
187,000	Ares Capital Corp. (a).....	3,210,790
		-----
TOTAL COMMON STOCKS - BUSINESS DEVELOPMENT COMPANIES .....		3,210,790
(Cost \$3,148,066)		-----
TOTAL INVESTMENTS - 99.3% .....		315,882,975
(Cost \$270,538,772) (c)		-----

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
-----		
CALL OPTIONS WRITTEN - (0.2%)		

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

350	Apple, Inc. Call @ \$130.00 due April 2015.....	(24,500)
350	Carnival Corp. Call @ 48.00 due April 2015.....	(28,000)
200	CBS Corp., Class B Call @ 65.00 due April 2015.....	(4,800)
250	Domtar Corp. Call @ 50.00 due May 2015.....	(20,000)
700	General Electric Co. Call @ 27.00 due April 2015.....	(1,400)
350	General Motors Co. Call @ 39.00 due April 2015.....	(8,050)
200	Gilead Sciences, Inc. Call @ 105.00 due April 2015.....	(6,800)
250	Honeywell International, Inc. Call @ 105.00 due April 2015.....	(38,500)

See Notes to Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
MARCH 31, 2015 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
CALL OPTIONS WRITTEN (CONTINUED)		
500	Intel Corp. Call @ \$33.00 due April 2015.....	\$ (17,000)
250	Kohl's Corp. Call @ 77.50 due April 2015.....	(51,250)
350	L Brands, Inc. Call @ 95.00 due April 2015.....	(40,250)
150	LyondellBasell Industries N.V., Class A Call @ 90.00 due April 2015.....	(15,750)
300	Micron Technology, Inc. Call @ 30.00 due April 2015.....	(8,100)
300	Noble Corp. PLC Calls @ 18.00 due June 2015.....	(7,500)
200	@ 21.00 due June 2015.....	(1,700)
		(9,200)

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

NVIDIA Corp. Call		
300 @ 24.00 due April 2015.....		(1,500)
		-----
Pfizer, Inc. Call		
500 @ 35.00 due April 2015.....		(20,000)
		-----
S&P 500 Index Calls (d)		
200 @ 2,115.00 due April 2015.....		(72,000)
125 @ 2,130.00 due April 2015.....		(21,375)
300 @ 2,145.00 due April 2015.....		(19,500)
		-----
		(112,875)
		-----
Starwood Hotels & Resorts Worldwide, Inc. Call		
250 @ 87.50 due April 2015.....		(38,000)
		-----
Time Warner, Inc. Call		
200 @ 87.50 due April 2015.....		(5,200)
		-----
VF Corp. Call		
300 @ 75.00 due April 2015.....		(40,500)
		-----
TOTAL CALL OPTIONS WRITTEN .....		(491,675)
(Premiums received \$766,883)		-----
NET OTHER ASSETS AND LIABILITIES - 0.9% .....		2,775,349
		-----
NET ASSETS - 100.0% .....	\$	318,166,649
		=====

- 
- (a) All or a portion of this security is pledged to cover index call options written.

See Notes to Portfolio of Investments

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 MARCH 31, 2015 (UNAUDITED)

- (b) Non-income producing security.
- (c) Aggregate cost for financial reporting purposes, which approximates the aggregate cost for federal income tax purposes. As of March 31, 2015, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$52,563,960 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$7,219,757.
- (d) 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



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

-----  
 VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of March 31, 2015 is as follows (see Note 2A - Portfolio Valuation in the Notes to Portfolio of Investments):

INVESTMENTS	ASSETS TABLE		
	TOTAL VALUE AT 3/31/2015	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS
Common Stocks*.....	\$ 296,654,975	\$ 296,654,975	\$ --
Investment Companies*.....	8,670,060	8,670,060	--
Master Limited Partnerships*.....	7,347,150	7,347,150	--
Common Stocks - Business Development Companies*.....	3,210,790	3,210,790	--
Total Investments.....	\$ 315,882,975	\$ 315,882,975	\$ --

LIABILITIES	LIABILITIES TABLE		
	TOTAL VALUE AT 3/31/2015	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS
Call Options Written.....	\$ (491,675)	\$ (491,675)	\$ --

\* 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 March 31, 2015.

See Notes to Portfolio of Investments

NOTES TO PORTFOLIO OF INVESTMENTS

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)  
 MARCH 31, 2015 (UNAUDITED)

1. ORGANIZATION

First Trust Enhanced Equity Income Fund (the "Fund") is a diversified, closed-end management investment company organized as a Massachusetts business trust on May 20, 2004, and is registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund trades under the ticker symbol FFA on the New York Stock

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

Exchange ("NYSE").

### 2. VALUATION AND INVESTMENT PRACTICES

#### A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of the Fund is determined daily as of the close of regular trading on the 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. 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 at market value or, in absence of market value with respect to any portfolio securities, at fair value. Market value prices represent last sale or official closing prices from a national or foreign exchange (i.e., a regulated market) and are primarily obtained from third party pricing services. Fair value prices represent any prices not considered market value prices and are either obtained from a third party pricing service or are determined by the Pricing Committee of the Fund's investment advisor, First Trust Advisors L.P. ("First Trust" or the "Advisor"), in accordance with valuation procedures adopted by the Fund's Board of Trustees, and in accordance with provisions of the 1940 Act. Investments valued by the Advisor's Pricing Committee, if any, are footnoted as such in the footnotes to the Portfolio of Investments. The Fund's investments are valued as follows:

Common stocks, master limited partnerships ("MLPs"), exchange-traded funds and other equity securities listed on any national or foreign exchange (excluding The NASDAQ(R) Stock Market LLC ("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 or, for NASDAQ and AIM securities, the official closing price. Securities traded on more than one securities exchange are valued at the last sale price or official closing price, as applicable, at the close of the securities exchange representing the principal market for such securities.

Securities traded in an over-the-counter market are fair valued at the mean of their most recent bid and asked price, if available, and otherwise at their closing bid price.

Exchange-traded options 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 contracts are fair valued at the mean of their most recent bid and asked price, if available, and otherwise at their closing bid price. Over-the-counter options contracts are fair valued at the mean of their most recent bid and asked price, if available, and otherwise at their closing bid price.

Certain securities may not be able to be priced by pre-established pricing methods. Such securities may be valued by the Fund's Board of Trustees or its delegate, the Advisor's Pricing Committee, at fair value. These securities generally include, but are not limited to, restricted securities (securities which may not be publicly sold without registration under the Securities Act of 1933, as amended) for which a pricing service is unable to provide a market price; securities whose trading has been formally suspended; a security whose market or fair value price is not available from a pre-established pricing source; a security with respect to which an event has occurred that is likely to materially affect the value of the security after the market has closed but before the calculation of the Fund's NAV or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by

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

the pricing service, does not reflect the security's fair value. As a general principle, the current fair value of a security would appear to be the amount which the owner might reasonably expect to receive for the security upon its current sale. When fair value prices are used, generally they will differ from market quotations or official closing prices on the applicable exchanges. A variety of factors may be considered in determining the fair value of such securities, 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
- 9) the existence of merger proposals or tender offers that might affect the value of the security.

### NOTES TO PORTFOLIO OF INVESTMENTS (CONTINUED)

#### FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA) MARCH 31, 2015 (UNAUDITED)

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 investments. An active market is a market in which transactions for the investment 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 investments in active markets.
  - o Quoted prices for identical or similar investments in markets that are non-active. A non-active market is a market where there are few transactions for the investment, 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 investment (for example, interest rates and yield curves

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

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 investment.

The inputs or methodologies used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. A summary of the inputs used to value the Fund's investments as of March 31, 2015, is included with the Fund's Portfolio of Investments.

### B. OPTION CONTRACTS:

The Fund is subject to equity price risk in the normal course of pursuing its investment objective and may write (sell) options to hedge against changes in the value of equities. Also, the Fund seeks to generate additional income, in the form of premiums received, from writing (selling) the options. 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, Inc. ("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. 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.

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

## NOTES TO PORTFOLIO OF INVESTMENTS (CONTINUED)

### FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA) MARCH 31, 2015 (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.

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.

#### 3. DERIVATIVES TRANSACTIONS

Written option activity for the Fund for the fiscal year-to-date period (January 1, 2015 through March 31, 2015) was as follows:

WRITTEN OPTIONS	NUMBER OF CONTRACTS	PREMIUMS
Options outstanding at December 31, 2014....	7,300	\$ 965,198
Options Written.....	25,035	(3,520,987)
Options Expired.....	(14,489)	(1,118,198)
Options Exercised.....	(3,096)	(330,842)
Options Closed .....	(7,875)	(2,270,262)
Options outstanding at March 31, 2015.....	6,875	\$ 766,883
	=====	=====

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

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/ Mark R. Bradley  
-----  
Mark R. Bradley, President and  
Chief Executive Officer  
(principal executive officer)

Date: May 20, 2015  
-----

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/ Mark R. Bradley  
-----  
Mark R. Bradley, President and  
Chief Executive Officer  
(principal executive officer)

Date: May 20, 2015  
-----

By (Signature and Title)\* /s/ James M. Dykas  
-----

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

James M. Dykas, Treasurer,  
Chief Financial Officer and  
Chief Accounting Officer  
(principal financial officer)

Date: May 20, 2015  
-----

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