

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

FIRST TRUST ENHANCED EQUITY INCOME FUND  
Form N-CSR  
March 11, 2010

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: December 31, 2009

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. Section 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

ANNUAL REPORT

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

FOR THE YEAR ENDED  
DECEMBER 31, 2009

(GRAPHIC) FIRST TRUST  
ENHANCED EQUITY  
INCOME FUND

CHARTWELL INVESTMENT PARTNERS  
INSTITUTIONAL AND PRIVATE ASSET MANAGEMENT

(FIRST TRUST LOGO)

(GRAPHIC)

## TABLE OF CONTENTS

FIRST TRUST ENHANCED EQUITY INCOME FUND  
DECEMBER 31, 2009

Shareholder Letter .....	1
At a Glance .....	2
Portfolio Commentary .....	3
Portfolio of Investments .....	6
Statement of Assets and Liabilities .....	13
Statement of Operations .....	14
Statements of Changes in Net Assets .....	15
Financial Highlights .....	16
Notes to Financial Statements .....	17
Report of Independent Registered Public Accounting Firm .....	23
Additional Information .....	24
Board of Trustees and Officers .....	26
Privacy Policy .....	30

## 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, L.P. ("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 report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of the Advisor and Chartwell and their respective representatives only as of the date hereof. We undertake no

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

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 value 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 investing in the Fund. See "Risk Considerations" in the Notes to Financial Statements for a discussion of 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)  
ANNUAL REPORT  
DECEMBER 31, 2009

Dear Shareholders:

The year 2009 was more positive for the U.S. and global markets, which eased the minds of economists and investors alike. Many economists believe that the recession that began in December 2007 ended in March 2009. In fact, the Dow Jones Industrial Average's total return from March 9 (the statistical end of the bear market) to December 31, 2009, was 61.59%. Of course, no one can guarantee that this trend will continue, but the economy has continued to rise and most investors have found it easier to open their financial statements since March.

First Trust Advisors L.P. ("First Trust") has always believed that in order to be successful in reaching your financial goals, you should be invested for the long term. A long-term investor understands that the market, from a historical perspective, has always experienced ups and downs. But history has shown that the patient investor is typically rewarded over the long term. We have always believed that staying invested in quality products and having a long-term

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

perspective can help investors reach their financial goals.

The report you hold contains detailed information about your investment in First Trust Enhanced Equity Income Fund (the "Fund"). It contains a portfolio commentary from the Fund's portfolio management team that provides a market recap for the period, a performance analysis and a market and Fund outlook. Additionally, the report provides the Fund's financial statements for the period covered by the report. I encourage you to read this document and discuss it with your financial advisor.

Since its inception, First Trust has been through many types of markets. We remain committed to bringing you quality investment solutions regardless of the inevitable volatility the market experiences. We offer a variety of products that can fit many financial plans to help those investors seeking long-term investment success. As well, we are committed to making available up-to-date information about your investments so you and your financial advisor have current information on your portfolio.

We continue to value our relationship with you, and we thank you for the opportunity to assist you in achieving your financial goals.

Sincerely,

/s/ James A. Bowen  
James A. Bowen  
President of First Trust Enhanced Equity Income Fund

Page 1

FIRST TRUST ENHANCED EQUITY INCOME FUND  
"AT A GLANCE"  
AS OF DECEMBER 31, 2009 (UNAUDITED)

### FUND STATISTICS

Symbol on New York Stock Exchange	FFA
Common Share Price	\$ 11.70
Common Share Net Asset Value ("NAV")	\$ 12.32
Premium (Discount) to NAV	(5.03)%
Net Assets Applicable to Common Shares	\$246,048,008
Current Quarterly Distribution per Common Share (1)	\$ 0.220
Current Annualized Distribution per Common Share	\$ 0.880
Current Distribution Rate on Closing Common Share Price (2)	7.52%
Current Distribution Rate on NAV (2)	7.14%

COMMON SHARE PRICE & NAV (WEEKLY CLOSING PRICE)

(PERFORMANCE GRAPH)

Common  
Share  
Price      NAV  
-----      -----

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

12/31/08	8.85	11.15
1/2/09	9.31	11.32
1/9/09	9.2	11.07
1/16/09	8.93	10.74
1/23/09	8.84	10.59
1/30/09	8.67	10.55
2/6/09	9.11	10.96
2/13/09	8.86	10.6
2/20/09	8.02	9.95
2/27/09	7.73	9.66
3/6/09	6.97	9.12
3/13/09	7.89	9.76
3/20/09	7.56	9.46
3/27/09	8.01	9.9
4/3/09	8.29	10.22
4/9/09	8.45	10.31
4/17/09	8.55	10.37
4/24/09	8.39	10.22
5/1/09	8.59	10.35
5/8/09	8.89	10.69
5/15/09	8.41	10.38
5/22/09	8.65	10.45
5/29/09	8.86	10.74
6/5/09	9.09	10.9
6/12/09	9.09	11.01
6/19/09	8.75	10.64
6/26/09	8.85	10.67
7/2/09	8.78	10.5
7/10/09	8.45	10.31
7/17/09	9.01	10.94
7/24/09	9.47	11.29
7/31/09	9.55	11.36
8/7/09	9.80	11.44
8/14/09	9.80	11.44
8/21/09	10.02	11.68
8/28/09	9.94	11.7
9/4/09	10.02	11.63
9/11/09	10.35	11.89
9/18/09	10.58	12.05
9/25/09	10.14	11.64
10/2/09	9.97	11.47
10/9/09	10.38	11.93
10/16/09	10.49	12.05
10/23/09	10.59	11.99
10/30/09	9.97	11.59
11/6/09	10.49	11.91
11/13/09	10.69	12.13
11/20/09	10.89	12.12
11/27/09	10.80	12.17
12/4/09	11.16	12.34
12/11/09	11.38	12.38
12/18/09	11.50	12.36
12/24/09	11.75	12.39
12/31/09	11.70	12.32

PERFORMANCE

Average Annual Total Return

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

	1 Year Ended 12/31/2009	5 Years Ended 12/31/2009	Inception (8/26/2004) to 12/31/2009
Fund Performance (3)			
NAV	22.24%	0.36%	1.66%
Market Value	46.26%	-0.70%	-0.18%
Index Performance			
S&P 500 Index	26.47%	0.42%	2.26%

TOP 10 HOLDINGS	% OF TOTAL INVESTMENTS
Bristol-Myers Squibb Co.	4.1%
Intel Corp.	3.8
Occidental Petroleum Corp.	3.5
Exxon Mobil Corp.	3.3
Limited Brands, Inc.	3.1
Emerson Electric Co.	3.1
Cisco Systems, Inc.	2.9
International Business Machines Corp.	2.7
Target Corp.	2.6
JPMorgan Chase & Co.	2.5
	----
Total	31.6%
	=====

SECTOR CLASSIFICATION	% OF TOTAL INVESTMENTS
Information Technology	16.8%
Financials	14.4
Energy	13.9
Consumer Discretionary	12.4
Industrial	12.2
Healthcare	10.7
Consumer Staples	8.5
Telecommunication Services	3.8
Materials	3.5
Other	2.3
Utilities	1.5
	----
Total	100.0%
	=====

- (1) Most recent distribution paid or declared through 12/31/2009. 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 12/31/2009. Subject to change in the future.

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

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

Page 2

### PORTFOLIO COMMENTARY

#### SUB-ADVISOR

Chartwell Investment Partners, L.P. ("Chartwell") is an employee-owned investment advisory firm founded on April 1, 1997 by nine investment professionals from Delaware Investment Advisers. The firm is 75% owned by the partners and employees of Chartwell and 25% owned by a limited partnership comprised of three passive investors in the Philadelphia area. There are no affiliates at this time. The firm is a research-based equity and fixed-income manager with a disciplined, team-oriented investment process.

Timothy J. Riddle, an executive with 30 years of investment industry experience, is the Chief Executive Officer of Chartwell. Michael J. McCloskey, an executive with 22 years of management experience, serves as President. G. Gregory Hagar is Chartwell's Chief Financial Officer and Chief Compliance Officer. He has 21 years of related experience.

#### PORTFOLIO MANAGEMENT TEAM

(PHOTO OF BERNARD P. SCHAFFER)

BERNARD P. SCHAFFER  
MANAGING PARTNER, SENIOR PORTFOLIO MANAGER

Mr. Schaffer is a founding partner of Chartwell and has 38 years of investment industry experience. He serves as senior portfolio manager for Chartwell's closed-end fund and hedged large-cap equity strategies. As the lead portfolio manager for the Fund since 2007, he focuses on securities in the Energy, Financials and Consumer Staples sectors. He was employed as a Senior Portfolio Manager at Delaware Investment Advisers from 1990 to 1997, managing two closed-end equity income funds that utilized option strategies to generate portfolio gains. Mr. Schaffer earned a Bachelor's degree in Economics from Villanova University and an MBA from the University of Pennsylvania's Wharton School.

(PHOTO OF DOUGLAS W. KUGLER)

DOUGLAS W. KUGLER, CFA  
PRINCIPAL, PORTFOLIO MANAGER

Mr. Kugler is a portfolio manager on Chartwell's large-cap equity portfolio management team and has 12 years of investment industry experience. His areas of focus include the Transportation and Consumer Discretionary sectors of the market. He has been a portfolio manager for the Fund since 2007. From 1993 to 2003, he held several positions at Morgan Stanley Investment Management (Miller Anderson & Sherrerd) including Head of Mutual Fund Administration and Vice President and Treasurer of the MAS Funds, Junior Associate in the Equity Department, and his last position held prior to joining Chartwell was Senior Associate and Analyst for the Large Cap Value team. Prior to joining Morgan

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

Stanley, he was an Assistant Vice President and Senior Accounting Officer at Provident Financial Processing Corporation. Mr. Kugler is a member of the CFA (Chartered Financial Analysts) Institute and the CFA Society of Philadelphia. He holds the Chartered Financial Analyst designation. Mr. Kugler earned a Bachelor's degree in Accounting from the University of Delaware.

(PHOTO OF KEVIN A. MELICH)

KEVIN A. MELICH, CFA  
MANAGING PARTNER, SENIOR PORTFOLIO MANAGER

Mr. Melich is a founding partner of Chartwell and has 45 years of investment industry experience. He is a member of Chartwell's large-cap equity portfolio management team and implements portfolio management decisions for high-yield equity institutional portfolios, including the Fund. He has been a portfolio manager for the Fund since 2007. His areas of focus are in the Automotive, Machinery, Office Electronics and REITs sectors. He was employed as a Senior Portfolio Manager at Delaware Investment Advisers from 1983 to 1997. There he managed over \$1.6 billion for institutional accounts in the value style. From 1979 to 1983, Mr. Melich was a Partner with the economics consulting firm A.B. Laffer Associates. From 1964 to 1979, he was the Senior Investment Officer and Manager of the Trust and Investment Division of Security Trust Company. Mr. Melich is a member of the CFA Institute and the CFA Society of Philadelphia. He holds the Chartered Financial Analyst designation. He earned a Bachelor of Science degree in Economics from St. John Fisher College.

Page 3

PORTFOLIO COMMENTARY -CONTINUED

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.

MARKET RECAP

Stock market performance in 2009 was comprised of two distinct and very different periods. From the start of the year through March 9, 2009, the market continued its significant decline from previous highs. After March 9, 2009, the Standard & Poor's 500 Index ("S&P 500") reversed course and rebounded almost without break through the end of the year. Overall for the period, the market (as measured by the S&P 500) was up 26.47%. The first months of 2009 saw a continuation of the economic and financial crises that we wrote about in our portfolio commentary for the 2008 Annual Report. Home prices continued to decline and unemployment increased. Financial institutions were absorbing significant losses on their loan and investment portfolios as economic activity slowed and security values plunged. The availability of credit to fund every day



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

business transactions was dramatically reduced. All of this uncertainty drove the S&P 500 down to its intra-day low of 667 on March 6, 2009. On March 10, 2009, it appears as if the "all clear bell" was rung and market participants found "green shoots" of nascent economic improvement. Financial institutions began to lose less money and in some instances hinted at substantial profits. The rates of decline of many economic indicators began to ebb. Job losses slowed, credit became more available and China appeared to begin to feel the benefits of its substantial economic stimulus package. These and other "green shoots" incited the S&P 500 to rally almost 37% from its lows through the end of May. The market rally paused from there through mid-July as uncertainty regarding the overall outcome and impact of the various government programs that were put in place crept into the market. However, second quarter earnings (and subsequently third quarter earnings) came in significantly better than expected on strong corporate cost controls and the market rally resumed with the S&P 500 up another 26.8% at year-end from the July lows. This brought the overall gain for 2009 for the S&P 500 to 64.8% from its March 9th closing low. The size of the rally over a nine-month period is unprecedented since 1933.

### PERFORMANCE ANALYSIS

The Net Asset Value ("NAV") total return(1) of the Fund for the year ending December 31, 2009 was 22.24% and the market value total return(1) of the Fund was 46.26%. Both these returns were inclusive of dividends paid during the period. During this time period, the S&P 500 returned 26.47%. The Fund continued to take full advantage of volatility in the market and sold call options on a significant percentage of the Fund's holdings. This supplemented the dividend stream and provided support to the Fund's performance. We continue to believe the strategy of combining high dividend-paying stocks and an option overwrite program is an excellent long-term strategy.

Two major contributors to the performance of the S&P 500 during the year were lower quality and smaller capitalization stocks. A Bank of America Merrill Lynch study showed that for the year, stocks with quality rankings of B or lower significantly outperformed the S&P 500. The impact of market capitalization on 2009 market returns can be seen in the fact that the equally-weighted S&P 500 returned (on a price only basis) 20 percentage points more than the capitalization-weighted S&P 500 during the year. The Fund's portfolio has been and will continue to be invested in higher quality, mostly larger capitalization dividend-paying stocks and thus faced a headwind during 2009.

Performance versus the S&P 500 was largely driven by the quality issue described previously. From a portfolio holdings standpoint, the weakest relative performance versus the S&P 500 came from an underweight and lagging stock selection in the Technology sector (which was up 62% for the year) and negative stock selection in the Financials sector. Positive contributors to the Fund's portfolio performance versus the S&P 500 during 2009 were the Consumer Staples and Energy sectors. The outperformance in Consumer Staples was driven by the Fund's underweight position and good stock selection while outperformance in the Energy sector was driven by strong stock selection. In addition, as the financial system stabilized, positions in high quality financial institutions were added to the portfolio, the timing of which benefited relative performance.

-----

- (1) Total return is based on the combination of reinvested dividend, capital gains and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in net asset value per share for net asset value returns and changes in Common Share price for market value returns. Total returns do not reflect sales load. Past performance is not indicative of future results.

## PORTFOLIO COMMENTARY - CONTINUED

## MARKET &amp; FUND OUTLOOK

The stock market is a forward looking indicator and it appears to be factoring in an economic recovery that likely started in the third quarter of 2009. In general, we are in agreement with this notion. We believe that the economy will be on better footing in 2010. In our opinion, this improvement will come as a result of inventory restocking, the impact of the domestic stimulus package, continued low interest rates and global economic improvement. As the market rally took hold in 2009, the economic sensitivity of the Fund's portfolio was increased. This trend will be continued in 2010 if the economy continues to improve. Any additions to the economic sensitivity of the Fund's portfolio will be made through investments in high quality, dividend-paying companies, as was done in 2009. In addition, we will continue to reduce the Fund's overall weightings in less economically sensitive areas such as Telecommunications and Utilities if the economy continues to improve. Investors will likely focus on the outlook for the economy and changes in Federal Reserve monetary policy. We will continue to manage the portfolio with the dual objectives of earning dividend income and options gains while seeking capital appreciation opportunities over the market cycle.

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a)  
 DECEMBER 31, 2009

SHARES	DESCRIPTION	VALUE
COMMON STOCKS - 93.2%		
AEROSPACE & DEFENSE - 2.7%		
75,900	Honeywell International, Inc.....	\$ 2,975,280
54,000	United Technologies Corp. (b).....	3,748,140
		-----
		6,723,420
		-----
BEVERAGES - 4.1%		
80,000	Coca-Cola (The) Co. (b).....	4,560,000
40,000	Diageo PLC, ADR.....	2,776,400
45,000	PepsiCo, Inc.....	2,736,000
		-----
		10,072,400
		-----
CAPITAL MARKETS - 1.9%		
56,300	Ameriprise Financial, Inc. (b).....	2,185,566
105,000	Invesco, Ltd.....	2,466,450
		-----
		4,652,016
		-----
CHEMICALS - 1.7%		
70,000	PPG Industries, Inc.....	4,097,800

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

-----		
	COMMERCIAL BANKS - 0.5%	
198,185	National Penn Bancshares, Inc.....	1,147,491
-----		
	COMMERCIAL SERVICES & SUPPLIES - 1.1%	
80,000	Waste Management, Inc. (b).....	2,704,800
-----		
	COMMUNICATIONS EQUIPMENT - 4.0%	
295,200	Cisco Systems, Inc. (b) (c).....	7,067,088
60,000	QUALCOMM, Inc.....	2,775,600
-----		
		9,842,688
-----		
	COMPUTERS & PERIPHERALS - 4.1%	
70,000	Hewlett-Packard Co.....	3,605,700
50,000	International Business Machines Corp. (b).....	6,545,000
-----		
		10,150,700
-----		
	DIVERSIFIED FINANCIAL SERVICES - 4.0%	
567,900	Citigroup, Inc. (d).....	1,879,749
147,000	JPMorgan Chase & Co.....	6,125,490
70,000	NYSE Euronext.....	1,771,000
-----		
		9,776,239
-----		
	DIVERSIFIED TELECOMMUNICATION SERVICES - 3.8%	
200,000	Alaska Communications Systems Group, Inc.....	1,596,000
92,100	AT&T, Inc. (d).....	2,581,563
155,000	Verizon Communications, Inc. (b).....	5,135,150
-----		
		9,312,713
-----		
	ELECTRIC UTILITIES - 1.0%	
35,000	Exelon Corp.....	1,710,450
20,000	Southern Co.....	666,400
-----		
		2,376,850
-----		

See Notes to Financial Statements

Page 6

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 DECEMBER 31, 2009

SHARES	DESCRIPTION	VALUE
-----		
COMMON STOCKS - (CONTINUED)		
	ELECTRICAL EQUIPMENT - 3.1%	
180,000	Emerson Electric Co. (b).....	\$ 7,668,000
-----		
	FOOD & STAPLES RETAILING - 0.6%	

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

45,000	CVS Caremark Corp. (b).....	1,449,450
		-----
	FOOD PRODUCTS - 1.0%	
90,000	Kraft Foods, Inc., Class A (b).....	2,446,200
		-----
	HEALTHCARE EQUIPMENT & SUPPLIES - 1.6%	
90,000	Medtronic, Inc. (b).....	3,958,200
		-----
	HOTELS, RESTAURANTS & LEISURE - 2.6%	
90,000	Carnival Corp. (b) (c).....	2,852,100
100,000	Darden Restaurants, Inc. (b).....	3,507,000
		-----
		6,359,100
		-----
	HOUSEHOLD PRODUCTS - 0.8%	
35,000	Procter & Gamble (The) Co.....	2,122,050
		-----
	INDUSTRIAL CONGLOMERATES - 1.2%	
35,000	3M Co. (d).....	2,893,450
		-----
	INSURANCE - 4.7%	
65,000	ACE Ltd.....	3,276,000
110,000	Lincoln National Corp. (b).....	2,736,800
80,000	MetLife, Inc.....	2,828,000
55,000	Prudential Financial, Inc.....	2,736,800
		-----
		11,577,600
		-----
	IT SERVICES - 1.2%	
100,000	Paychex, Inc.....	3,064,000
		-----
	MACHINERY - 2.1%	
90,000	Caterpillar, Inc.....	5,129,100
		-----
	MARINE - 0.4%	
110,000	Seaspan Corp.....	1,014,200
		-----
	MEDIA - 1.7%	
240,000	Regal Entertainment Group, Class A (b).....	3,465,600
25,500	Walt Disney (The) Co.....	822,375
		-----
		4,287,975
		-----
	METALS & MINING - 1.9%	
60,000	BHP Billiton Ltd., ADR (b).....	4,594,800
		-----
	MULTILINE RETAIL - 4.1%	
139,000	J.C. Penney Co., Inc. (b).....	3,698,790
131,000	Target Corp.....	6,336,470
		-----
		10,035,260
		-----

See Notes to Financial Statements

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

PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 DECEMBER 31, 2009

SHARES	DESCRIPTION	VALUE
COMMON STOCKS - (CONTINUED)		
OIL, GAS & CONSUMABLE FUELS - 9.2%		
60,000	Chevron Corp.....	\$ 4,619,400
120,000	Exxon Mobil Corp. (b).....	8,182,800
105,200	Occidental Petroleum Corp.....	8,558,020
60,000	Williams (The) Cos., Inc.....	1,264,800
		-----
		22,625,020
		-----
PERSONAL PRODUCTS - 0.8%		
67,000	Avon Products, Inc.....	2,110,500
		-----
PHARMACEUTICALS - 9.1%		
95,000	Abbott Laboratories (b).....	5,129,050
400,000	Bristol-Myers Squibb Co. (b).....	10,100,000
70,000	Merck & Co., Inc. (b).....	2,557,800
250,000	Pfizer, Inc. (b).....	4,547,500
		-----
		22,334,350
		-----
REAL ESTATE INVESTMENT TRUSTS (REITS) - 3.4%		
184,300	Annaly Capital Management, Inc. (d).....	3,197,605
100,000	Capstead Mortgage Corp.....	1,365,000
515,000	MFA Mortgage Investments, Inc.....	3,785,250
		-----
		8,347,855
		-----
ROAD & RAIL - 1.6%		
60,900	Union Pacific Corp. (d).....	3,891,510
		-----
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 6.1%		
457,300	Intel Corp.....	9,328,920
200,000	Microchip Technology, Inc.....	5,812,000
		-----
		15,140,920
		-----
SOFTWARE - 1.4%		
110,000	Microsoft Corp. (b).....	3,353,900
		-----
SPECIALTY RETAIL - 3.1%		
400,000	Limited Brands, Inc. (b).....	7,696,000
		-----
TOBACCO - 1.9%		
120,000	Altria Group, Inc.....	2,355,600
50,000	Philip Morris International, Inc.....	2,409,500
		-----
		4,765,100
		-----
WATER UTILITIES - 0.7%		
74,200	American Water Works Co., Inc.....	1,662,822
		-----
TOTAL COMMON STOCKS		
	(Cost \$240,924,062).....	229,384,479
		-----

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

See Notes to Financial Statements

Page 8

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 DECEMBER 31, 2009

SHARES/ UNITS	DESCRIPTION	VALUE
MASTER LIMITED PARTNERSHIPS - 4.8%		
	OIL, GAS & CONSUMABLE FUELS - 4.8%	
160,000	Copano Energy, LLC.....	\$ 3,825,600
90,000	Energy Transfer Partners, L.P.....	4,047,300
40,000	Enterprise Products Partners, L.P.....	1,256,400
60,000	Magellan Midstream Partners, L.P.....	2,599,800
	TOTAL MASTER LIMITED PARTNERSHIPS.....	11,729,100
	(Cost \$9,471,612)	

SHARES	DESCRIPTION	VALUE
EXCHANGE-TRADED FUNDS - 2.3%		
	CAPITAL MARKET - 2.3%	
264,500	SPDR KBW Bank ETF (b).....	5,599,465
	TOTAL EXCHANGE-TRADED FUNDS.....	5,599,465
	(Cost \$3,929,150)	
	TOTAL INVESTMENTS - 100.3%.....	246,713,044
	(Cost \$254,324,824) (e)	

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
CALL OPTIONS WRITTEN - (0.8%)		
	3M Co. Call	
350	@ 85 due Jan 10.....	(17,500)
	Abbott Laboratories Call	
400	@ 55 due Jan 10.....	(10,000)
	Ameriprise Financial, Inc. Call	

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

263	@ 40 due Jan 10.....	(11,835)
	Annaly Capital Management, Inc. Call	
1,843	@ 19 due Jan 10.....	(3,686)
	AT&T, Inc. Call	
921	@ 28 due Jan 10.....	(23,025)
	BHP Billiton Ltd., ADR Call	
300	@ 75 due Jan 10.....	(83,400)
	Bristol-Myers Squibb Co. Call	
2,000	@ 27 due Jan 10.....	(16,000)
	Carnival Corp. Call	
600	@ 35 due Jan 10.....	(3,000)

See Notes to Financial Statements

Page 9

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 DECEMBER 31, 2009

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
CALL OPTIONS WRITTEN - (CONTINUED)		
550	Cisco Systems, Inc. Call @ 25 due Jan 10.....	\$ (6,600)
5,679	Citigroup, Inc. Call @ 3 due Mar 10.....	(278,271)
600	Coca-Cola (The) Co. Call @ 60 due Jan 10.....	(3,000)
300	CVS Caremark Corp. Call @ 33 due Jan 10.....	(10,500)
300	Darden Restaurants, Inc. Call @ 37 due Jan 10.....	(3,750)
600	Emerson Electric Co. Call @ 45 due Jan 10.....	(9,000)
200	Exxon Mobil Corp. Call @ 70 due Jan 10.....	(7,200)
250	International Business Machines Corp. Call @ 135 due Jan 10.....	(12,500)
	J.C. Penney Co., Inc. Call	

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

390	@ 29 due Jan 10.....	(5,850)
	Kraft Foods, Inc., Class A Call	
200	@ 27.5 due Jan 10.....	(5,000)
	Lincoln National Corp. Calls	
100	@ 25 due Jan 10.....	(6,800)
200	@ 27 due Jan 10.....	(2,800)
		(9,600)
	Limited Brands, Inc. Call	
1,000	@ 20 due Jan 10.....	(30,000)
	Medtronic, Inc. Call	
500	@ 45 due Jan 10.....	(30,000)
	Merck & Co., Inc. Call	
350	@ 39 due Jan 10.....	(1,750)
	Microsoft Corp. Call	
550	@ 31 due Jan 10.....	(14,300)
	Pfizer, Inc. Call	
1,500	@ 19 due Jan 10.....	(18,000)

See Notes to Financial Statements

Page 10

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 DECEMBER 31, 2009

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
CALL OPTIONS WRITTEN - (CONTINUED)		
	Regal Entertainment Group, Class A Call	
500	@ 15 due Feb 10.....	\$ (22,500)
	S&P 500 Index Calls (f)	
400	@ 1110 due Jan 10.....	(770,000)
400	@ 1130 due Jan 10.....	(348,000)
		(1,118,000)
	SPDR KBW Bank ETF Call	
1,000	@ 22 due Jan 10.....	(22,500)
	Union Pacific Corp. Calls	
309	@ 65 due Jan 10.....	(27,810)
300	@ 67.5 due Jan 10.....	(8,400)



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

		(36,210)
		-----
340	United Technologies Corp. Call @ 70 due Jan 10.....	(25,500)
		-----
850	Verizon Communications, Inc. Call @ 33 due Jan 10.....	(29,750)
		-----
400	Waste Management, Inc. Call @ 35 due Jan 10.....	(8,000)
		-----
	TOTAL CALL OPTIONS WRITTEN - (0.8)%..... (Premiums received \$2,227,651)	(1,876,227)
		-----
	NET OTHER ASSETS AND LIABILITIES - 0.5%.....	1,211,191
		-----
	NET ASSETS - 100.0%.....	\$246,048,008
		=====

-----

- (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) Non-income producing security.
- (d) Call options were written on this entire Common Stock position and are fully covered by the Common Stock position.
- (e) Aggregate cost for federal income tax purposes is \$256,033,477. As of December 31, 2009, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$19,722,153 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$29,042,586.
- (f) 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.

ADR American Depositary Receipt

See Notes to Financial Statements

FIRST TRUST ENHANCED EQUITY INCOME FUND  
PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
DECEMBER 31, 2009

VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of December 31,

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

2009 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

### ASSETS TABLE

	TOTAL VALUE AT 12/31/2009	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
	-----	-----	-----	-----
Common Stocks*	\$229,384,479	\$229,384,479	\$--	\$--
Master Limited Partnerships*	11,729,100	11,729,100	--	--
Exchange-Traded Funds*	5,599,465	5,599,465	--	--
	-----	-----	---	---
Total Investments	\$246,713,044	\$246,713,044	\$--	\$--
	=====	=====	===	===

### LIABILITIES TABLE

	TOTAL VALUE AT 12/31/2009	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
	-----	-----	-----	-----
Call Options Written	\$(1,876,227)	\$(1,876,227)	\$--	\$--
	=====	=====	===	===

\* See the Portfolio of Investments for industry breakdown.

See Notes to Financial Statements

Page 12

FIRST TRUST ENHANCED EQUITY INCOME FUND  
STATEMENT OF ASSETS AND LIABILITIES  
DECEMBER 31, 2009

ASSETS:

Investments, at value	
(Cost \$254,324,824)	.....
Cash	.....
Prepaid expenses	.....
Receivables:	
Dividends	.....
Interest	.....
 Total Assets	 .....

LIABILITIES:

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

Options written, at value (Premiums received \$2,227,651) .....	
Payables:	
Investment securities purchased .....	
Investment advisory fees .....	
Audit and tax fees .....	
Legal fees .....	
Printing fees .....	
Administrative fees .....	
Custodian fees .....	
Transfer agent fees .....	
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 transactions .....	
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) ...	

See Notes to Financial Statements

Page 13

FIRST TRUST ENHANCED EQUITY INCOME FUND  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009

INVESTMENT INCOME:	
Dividends .....	\$ 6,939,550
Interest .....	7,006
	-----
Total investment income .....	6,946,556
	-----
EXPENSES:	
Investment advisory fees .....	2,211,615
Administrative fees .....	205,722
Legal fees .....	134,201
Printing fees .....	109,934
Custodian fees .....	109,017
Audit and tax fees .....	47,039
Trustees' fees and expenses .....	39,298
Transfer agent fees .....	36,267
Other .....	75,840

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

Total expenses .....	2,968,933
NET INVESTMENT INCOME (LOSS) .....	3,977,623
NET REALIZED AND UNREALIZED GAIN (LOSS):	
Net realized gain (loss) on:	
Investments .....	(58,634,598)
Written option transactions * .....	3,453,288
Net realized gain (loss) .....	(55,181,310)
Net change in unrealized appreciation (depreciation) on:	
Investments .....	94,672,348
Written options held * .....	(921,784)
Net change in unrealized appreciation (depreciation) .....	93,750,564
NET REALIZED AND UNREALIZED GAIN (LOSS) .....	38,569,254
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ..	\$ 42,546,877

\* Primary risk exposure is equity contracts.

See Notes to Financial Statements

Page 14

FIRST TRUST ENHANCED EQUITY INCOME FUND  
STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED 12/31/2009	YEAR ENDED 12/31/2008
OPERATIONS:		
Net investment income (loss) .....	\$ 3,977,623	\$ 8,341,866
Net realized gain (loss) .....	(55,181,310)	(33,263,030)
Net change in unrealized appreciation (depreciation) .....	93,750,564	(87,455,880)
Net increase (decrease) in net assets resulting from operations ...	42,546,877	(112,377,060)
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income .....	(3,797,356)	(8,517,780)
Net realized gains .....	--	(2,088,600)
Return of capital .....	(15,376,882)	(21,350,670)
Total distributions to shareholders .....	(19,174,238)	(31,957,060)
Total increase (decrease) in net assets .....	23,372,639	(144,334,120)
NET ASSETS:		
Beginning of period .....	222,675,369	367,009,490

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

End of period .....	\$246,048,008	\$ 222,675,36
	=====	=====
Accumulated net investment income (loss) at end of period .....	\$ 187,549	\$ -
	=====	=====

See Notes to Financial Statements

Page 15

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 FINANCIAL HIGHLIGHTS  
 FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	YEAR ENDED 12/31/2009	YEAR ENDED 12/31/2008	YEAR ENDED 12/31/2007 (a)
	-----	-----	-----
Net asset value, beginning of period .....	\$ 11.15	\$ 18.38	\$ 18.65
	-----	-----	-----
INCOME FROM INVESTMENT OPERATIONS:			
Net investment income (loss) .....	0.20	0.42	0.14
Net realized and unrealized gain (loss) .....	1.93	(6.05)	1.24
	-----	-----	-----
Total from investment operations .....	2.13	(5.63)	1.38
	-----	-----	-----
DISTRIBUTIONS PAID TO SHAREHOLDERS FROM:			
Net investment income .....	(0.19)	(0.43)	(0.14)
Net realized gain .....	--	(0.10)	(1.51)
Return of capital .....	(0.77)	(1.07)	--
	-----	-----	-----
Total distributions .....	(0.96)	(1.60)	(1.65)
	-----	-----	-----
Net asset value, end of period .....	\$ 12.32	\$ 11.15	\$ 18.38
	=====	=====	=====
Market value, end of period .....	\$ 11.70	\$ 8.85	\$ 16.14
	=====	=====	=====
TOTAL RETURN BASED ON NET ASSET VALUE (b) .....	22.24%	(30.54)%	8.19%
	=====	=====	=====
TOTAL RETURN BASED ON MARKET VALUE (b) .....	46.26%	(37.22)%	(3.76)%
	=====	=====	=====
RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA:			
Net assets, end of period (in 000's) .....	\$246,048	\$222,675	\$367,009
Ratio of total expenses to average net assets .....	1.34%	1.31%	1.21%
Ratio of net investment income (loss) to average net assets .....	1.80%	2.80%	0.76%
Portfolio turnover rate .....	74%	121%	174%

-----

- (a) On September 14, 2007, Chartwell Investment Partners, L.P. became the sub-advisor to the Fund.
- (b) Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the

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

Dividend Reinvestment Plan, and changes in net asset value 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 less than one year.

See Notes to Financial Statements

Page 16

### NOTES TO FINANCIAL STATEMENTS

#### FIRST TRUST ENHANCED EQUITY INCOME FUND DECEMBER 31, 2009

##### 1. FUND DESCRIPTION

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 ("SEC") 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 Exchange ("NYSE").

The Fund's investment objective 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 non-U.S. issuers, in each case that are traded on U.S. securities exchanges, and on an ongoing and consistent basis writes (sells) 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.

##### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

###### 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. 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 the absence of market value with respect to any portfolio securities, at fair value in accordance with valuation procedures adopted by the Fund's Board of Trustees. A majority of the Fund's assets are valued using market information supplied by third parties. In the event that market quotations are not readily available, the pricing service does not provide a valuation for a particular asset, or the

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

valuations 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 and other investments. Additionally, if events occur after the close of the principal markets for particular securities (e.g., domestic debt and foreign securities), but before the Fund values its assets, that could materially affect NAV, First Trust may use a fair value method to value the Fund's securities and other investments. The use of fair value pricing by the Fund is governed by valuation procedures adopted by the Fund's Board of Trustees, and in accordance with the provisions of the 1940 Act.

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, or no official closing price in the case of securities traded on the NASDAQ, 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 traded on the NASDAQ, are valued at the closing bid prices. 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.

Page 17

### NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

#### FIRST TRUST ENHANCED EQUITY INCOME FUND DECEMBER 31, 2009

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:

- 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.
- Level 2 - Level 2 inputs are observable inputs, either directly or indirectly, and include the following:
  - Quoted prices for similar securities in active markets.
  - 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.
  - Inputs other than quoted prices that are observable for the

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

security (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
  
- Level 3 - Level 3 inputs are unobservable inputs. Unobservable inputs 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 December 31, 2009, is included with the Fund's Portfolio of Investments.

### B. WRITTEN 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, 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. When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is included in the Fund's Statement of Assets and Liabilities as a liability. 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 exercise 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 exercise 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-CSR

## NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

### FIRST TRUST ENHANCED EQUITY INCOME FUND DECEMBER 31, 2009

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 received and the exercise price of the option, but has retained the risk of loss should the price of the underlying security decline. 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 ("OTC") 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 AND INVESTMENT INCOME:

Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis, including amortization of premiums and accretion of discounts.

The Fund may hold publicly-traded master limited partnerships ("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.

#### D. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS:

Dividends from net investment income of the Fund are declared and paid quarterly or as the Board of Trustees may determine from time to time. Distributions of any net realized capital gains earned by the Fund are distributed at least annually. Distributions will automatically be reinvested into additional Common Shares pursuant to the Fund's Dividend Reinvestment Plan unless cash distributions are elected by the shareholder.

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

Distributions from income and realized capital gains are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterization of distributions made by the Fund. Permanent differences incurred during the tax year ended December 31, 2009, resulting in book and tax accounting differences, have been reclassified at year end to reflect an increase in accumulated net investment income (loss) of \$7,282, a decrease in accumulated net realized gain (loss) on investments of \$164,790 and an increase to paid-in capital of \$157,508. Net assets were not affected by this reclassification.

The tax character of distributions paid during the years ended December 31, 2009 and December 31, 2008 was as follows:

Distributions paid from:

	2009	2008
Ordinary Income .....	\$ 3,797,356	\$10,606,387
Return of Capital .....	15,376,882	21,350,675

As of December 31, 2009, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income .....	\$	--
Net Unrealized Appreciation (Depreciation) ...	(13,727,702)	
Accumulated Capital and Other Losses .....	(84,288,449)	

Page 19

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FIRST TRUST ENHANCED EQUITY INCOME FUND  
DECEMBER 31, 2009

### E. INCOME TAXES:

The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended, which includes distributing substantially all of its net investment income and net realized gains to shareholders. Accordingly, no provision has been made for federal or state income taxes.

The Fund intends to utilize provisions of the federal income tax laws, which allows it to carry a realized capital loss forward for eight years following the year of the loss and offset such loss against any future realized capital gains. The Fund is subject to certain limitations under U.S. tax rules on the use of capital loss carryforwards and net unrealized built-in losses. These limitations apply when there has been a 50% change in ownership. At December 31, 2009, the

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

Fund had a capital loss carryforward for federal income tax purposes of \$83,364,751, with \$15,025,062 and \$68,339,689 expiring on December 31, 2016 and 2017, respectively.

Certain capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal year ended December 31, 2009, the Fund intends to elect to defer net realized capital losses of \$923,698 incurred from November 1, 2009 through December 31, 2009.

The Fund is subject to tax accounting standards that establish a minimum threshold for recognizing, and a system for measuring, the benefits of a tax position taken or expected to be taken in a tax return. Taxable years ending 2009, 2008, 2007 and 2006 remain open to federal and state audit. As of December 31, 2009, management has evaluated the application of these standards to the Fund, and has determined that no provision for income tax is required in the Fund's financial statements for uncertain tax positions.

### F. EXPENSES:

The Fund pays all expenses directly related to its operations.

### G. ACCOUNTING PRONOUNCEMENT:

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements". ASU 2010-06 amends FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, to require additional disclosures regarding fair value measurements. Certain disclosures required by ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009, and other required disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact ASU No. 2010-06 will have on its financial statement disclosures.

### 3. INVESTMENT ADVISORY FEE, AFFILIATED TRANSACTIONS AND OTHER FEE ARRANGEMENTS

First Trust is a limited partnership with one limited partner, Grace Partners of DuPage L.P., and one general partner, The Charger Corporation. First Trust serves as investment advisor to the Fund pursuant to an Investment Management Agreement. First Trust is responsible for the ongoing monitoring of the Fund's investment portfolio, managing the Fund's business affairs and providing certain administrative services necessary for the management of the Fund. For these services, First Trust is entitled to a monthly fee calculated at an annual rate of 1.00% of the Fund's Managed Assets, which means the average daily gross assets of the Fund minus the sum of the Fund's accrued and unpaid dividends on any outstanding Common Shares and accrued liabilities, including the value of call options written (sold).

Chartwell manages the Fund's portfolio subject to First Trust's supervision. Chartwell receives a monthly portfolio management fee calculated at an annual rate of 0.50% of the Fund's Managed Assets that is paid monthly by First Trust out of its investment advisory fee.

PNC Global Investment Servicing (U.S.) Inc., an indirect, majority-owned subsidiary of The PNC Financial Services Group, Inc., serves as the Fund's Administrator, Fund Accountant and Transfer Agent in accordance with certain fee arrangements. PFPC Trust Company, also an indirect, majority-owned subsidiary of The PNC Financial Services Group, Inc., serves as the Fund's Custodian in accordance with certain fee arrangements.

Each Trustee who is not an officer or employee of First Trust, any sub-advisor, or any of their affiliates ("Independent Trustees"), is paid an annual retainer

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

of \$10,000 per trust for the first 14 trusts of the First Trust Fund Complex and an annual retainer of \$7,500 per trust for each subsequent trust in the First Trust Fund Complex. The annual retainer is allocated equally among each of the trusts. No additional meeting fees are paid in connection with board or committee meetings.

Page 20

### NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

#### FIRST TRUST ENHANCED EQUITY INCOME FUND DECEMBER 31, 2009

Additionally, the Lead Independent Trustee is paid \$10,000 annually, the Chairman of the Audit Committee is paid \$5,000 annually, and each of the Chairmen of the Nominating and Governance Committee and Valuation Committee are paid \$2,500 annually to serve in such capacities, with such compensation paid by the trusts in the First Trust Fund Complex and equally allocated among those trusts. Trustees are also reimbursed by the trusts in the First Trust Fund Complex for travel and out-of-pocket expenses in connection with all meetings. The Lead Independent Trustee and each Committee chairman served two-year terms ending December 31, 2009, before rotating to serve as chairman of another Committee or as Lead Independent Trustee. The officers and "Interested" Trustee receive no compensation from the trusts for serving in such capacities.

#### 4. PURCHASES AND SALES OF SECURITIES AND OPTIONS ACTIVITY

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments and written options, for the year ended December 31, 2009, were \$165,536,520 and \$175,820,474, respectively.

Written option activity for the year ended December 31, 2009 was as follows:

	NUMBER OF CONTRACTS	PREMIUMS
	-----	-----
WRITTEN OPTIONS		
Options outstanding at December 31, 2008 ....	58,717	\$ 8,449,321
Options written .....	657,872	76,946,599
Options expired .....	(210,178)	(16,729,817)
Options exercised .....	(16,952)	(1,410,190)
Options closed .....	(465,014)	(65,028,262)
	-----	-----
Options outstanding at December 31, 2009 ....	24,445	\$ 2,227,651
	=====	=====

#### 5. INDEMNIFICATION

The Fund has a variety of indemnification obligations under contracts with its service providers. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

#### 6. RISK CONSIDERATIONS

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

Risks are inherent in all investing. The following summarizes some of the risks that should be considered for the Fund. For additional information about the risks associated with investing in the Fund, please see the Fund's prospectus and statement of additional information, as well as other Fund regulatory filings.

**INVESTMENT AND MARKET RISK:** An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal invested. An investment in Common Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Common Shares at any point in time may be worth less than the original investment, even after taking into account the reinvestment of Fund dividends and distributions. Security prices can fluctuate for several reasons including the general condition of the securities markets, or when political or economic events affecting the issuers occur. When the Advisor or Sub-Advisor determines that it is temporarily unable to follow the Fund's investment strategy or that it is impractical to do so (such as when a market disruption event has occurred and trading in the securities is extremely limited or absent), the Fund may take temporary defensive positions.

**EQUITY SECURITIES RISK:** The Fund invests in equity securities. An adverse event affecting an issuer, such as an unfavorable earnings report, may depress the value of a particular equity security held by the Fund. Also, the prices of equity securities are sensitive to general movements in the stock market and a drop in the stock market may depress the prices of equity securities to which the Fund has exposure. Equity securities prices fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers or their industries occur.

Page 21

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

### FIRST TRUST ENHANCED EQUITY INCOME FUND DECEMBER 31, 2009

**OPTION RISK:** The Fund may write (sell) covered call options on all or a portion of the equity securities held in the Fund's portfolio as determined to be appropriate by the Fund's Sub-Advisor, consistent with the Fund's investment objective. The ability to successfully implement the Fund's investment strategy depends on the Sub-Advisor's ability to predict pertinent market movements, which can not 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 values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold an equity security that it might otherwise sell. There can be no assurance that a liquid market for the options will exist when the Fund seeks to close out an option position. Additionally, to the extent that the Fund purchases options pursuant to a hedging strategy, the Fund will be subject to additional risks.

**INDUSTRY RISK:** The Fund may not invest 25% or more of its total assets in securities of issuers in any single industry. If the Fund is focused in an industry, it may present more risks than if it were broadly diversified over numerous industries of the economy. Individual industries may be subject to unique risks which may include, among others, governmental regulation, inflation, technological innovations that may render existing products and

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

equipment obsolete, competition from new entrants, high research and development costs, and rising interest rates.

**INCOME RISK:** Net investment income paid by the Fund to its Common Shareholders is derived from the premiums it receives from writing (selling) call options and from the dividends and interest it receives from the equity securities and other investments held in the Fund's portfolio and short-term gains thereon. Premiums from writing (selling) call options and dividends and interest payments made by the securities in the Fund's portfolio can vary widely over time. Dividends on equity securities are not fixed but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of the equity securities in which the Fund invests will declare dividends in the future or that if declared they will remain at current levels. The Fund cannot assure as to what percentage of the distributions paid on the Common Shares, if any, will consist of qualified dividend income or long-term capital gains, both of which are taxed at lower rates for individuals than are ordinary income and short-term capital gains.

**NON-U.S. RISK:** The Fund may invest a portion of its assets in the equity securities of issuers domiciled in jurisdictions other than the U.S. Investments in the securities and instruments of non-U.S. issuers involve certain considerations and risks not ordinarily associated with investments in securities and instruments of U.S. issuers. Non-U.S. companies are not generally subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. Non-U.S. securities exchanges, brokers and listed companies may be subject to less government supervision and regulation than exists in the United States. Dividend and interest income may be subject to withholding and other non-U.S. taxes, which may adversely affect the net return on such investments. A related risk is that there may be difficulty in obtaining or enforcing a court judgment abroad.

### 7. SUBSEQUENT EVENT

Management has evaluated the impact of all subsequent events on the Fund through February 24, 2010, the date the financial statements were issued, and has determined that there was a subsequent event as follows:

On February 2, 2010, The PNC Financial Services Group, Inc. ("PNC") entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with The Bank of New York Mellon Corporation ("BNY Mellon"). Upon the terms and subject to the conditions set forth in the Stock Purchase Agreement, which has been approved by the board of directors of each company, PNC will sell to BNY Mellon (the "Stock Sale") 100% of the issued and outstanding shares of PNC Global Investment Servicing Inc., an indirect, wholly-owned subsidiary of PNC.

The Stock Sale includes PNC Global Investment Servicing (U.S.) Inc. and PFPC Trust Company and PNC has indicated that it is expected to close in the third quarter of 2010.

Page 22

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF TRUSTEES AND SHAREHOLDERS OF FIRST TRUST ENHANCED EQUITY INCOME FUND:

We have audited the accompanying statement of assets and liabilities of First Trust Enhanced Equity Income Fund (the "Fund"), including the portfolio of investments, as of December 31, 2009, the related statement of operations for

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

the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for the periods presented. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2009 by correspondence with the Fund's custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of First Trust Enhanced Equity Income Fund as of December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America.

(DELOITTE & TOUCHE LLP)  
Chicago, Illinois  
February 24, 2010

Page 23

### ADDITIONAL INFORMATION

FIRST TRUST ENHANCED EQUITY INCOME FUND  
DECEMBER 31, 2009 (UNAUDITED)

#### DIVIDEND REINVESTMENT PLAN

If your Common Shares are registered directly with the Fund or if you hold your Common Shares with a brokerage firm that participates in the Fund's Dividend Reinvestment Plan (the "Plan"), unless you elect, by written notice to the Fund, to receive cash distributions, all dividends, including any capital gain distributions on your Common Shares, will be automatically reinvested by PNC Global Investment Servicing (U.S.) Inc. (the "Plan Agent") in additional Common Shares under the Plan. If you elect to receive cash distributions, you will receive all distributions in cash paid by check mailed directly to you by the Plan Agent as dividend paying agent.

If you decide to participate in the Plan, the number of Common Shares you will receive will be determined as follows:

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

- (1) If Common Shares are trading at or above NAV at the time of valuation, the Fund will issue new shares at a price equal to the greater of (i) NAV per Common Share on that date or (ii) 95% of the market price on that date.
- (2) If Common Shares are trading below NAV at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase Common Shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. It is possible that the market price for the Common Shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Shares issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase Common Shares in the open market within 30 days of the valuation date except where temporary curtailment or suspension of purchases is necessary to comply with federal securities laws. Interest will not be paid on any uninvested cash payments.

You may elect to opt-out of or withdraw from the Plan at any time by giving written notice to the Plan Agent, or by telephone at (800) 331-1710, in accordance with such reasonable requirements as the Plan Agent and the Fund may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions.

The Plan Agent maintains all Common Shareholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common Shares in your account will be held by the Plan Agent in non-certificated form. The Plan Agent will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to the Fund. Any proxy you receive will include all Common Shares you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in Common Shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. Capital gains and income are realized, although cash is not received by you. Consult your financial advisor for more information.

If you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above.

The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Trustees the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained by writing PNC Global Investment Servicing (U.S.) Inc., 301 Bellevue Parkway, Wilmington, Delaware 19809.

### PROXY VOTING POLICIES AND PROCEDURES

A description of the policies and procedures that the Fund uses to determine how



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

to vote proxies and information on how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) without charge, upon request, by calling (800) 988-5891; (2) on the Fund's website located at <http://www.ftportfolios.com>; and (3) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Page 24

ADDITIONAL INFORMATION - (CONTINUED)

### FIRST TRUST ENHANCED EQUITY INCOME FUND DECEMBER 31, 2009 (UNAUDITED)

#### PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available (1) by calling (800) 988-5891; (2) on the Fund's website located at <http://www.ftportfolios.com>; (3) on the SEC's website at <http://www.sec.gov>; and (4) for review and copying at the SEC's Public Reference Room ("PRR") in Washington, DC. Information regarding the operation of the PRR may be obtained by calling (800) SEC-0330.

#### NYSE CERTIFICATION INFORMATION

In accordance with Section 303A-12 of the NYSE Listed Company Manual, the Fund's President has certified to the NYSE that, as of June 16, 2009, he was not aware of any violation by the Fund of NYSE corporate governance listing standards. In addition, the Fund's reports to the SEC on Form N-CSR and N-Q contain certifications by the Fund's principal executive officer and principal financial officer to the Fund's public disclosure in such reports and that are required by Rule 30a-2 under the 1940 Act.

#### TAX INFORMATION

Of the ordinary income (including short-term capital gain, if applicable), distributions made by the Fund during the year ended December 31, 2009, 56.25% qualified for the corporate dividends received deduction available to corporate shareholders.

The Fund hereby designates as qualified dividend income 57.45% of its ordinary income distributions (including short-term capital gain, if applicable), for the year ended December 31, 2009.

#### SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

The Joint Annual Meeting of Shareholders of Macquarie/First Trust Global Infrastructure/Utilities Dividend & Income Fund, Energy Income and Growth Fund, First Trust Enhanced Equity Income Fund, First Trust/Aberdeen Global Opportunity Income Fund, First Trust/FIDAC Mortgage Income Fund, First Trust Strategic High Income Fund, First Trust Strategic High Income Fund II, First Trust Tax-Advantaged Preferred Income Fund, First Trust Specialty Finance and Financial Opportunities Fund and First Trust Active Dividend Income Fund was held on April 16, 2009. At the Annual Meeting, Trustees Richard E. Erickson and Thomas R. Kadlec were elected by holders of the Common Shares of the First Trust Enhanced Equity Income Fund as Class II Trustees for three-year terms expiring at the Fund's annual meeting of shareholders in 2012. The number of votes cast in favor of Dr. Erickson was 17,247,996, the number of votes against was 954,965 and the number of abstentions was 1,770,203. The number of votes cast in favor

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

of Mr. Kadlec was 17,245,837, the number of votes against was 957,124 and the number of abstentions was 1,770,203. James A. Bowen, Robert F. Keith and Niel B. Nielson are the current and continuing Trustees.

Page 25

### BOARD OF TRUSTEES AND OFFICERS

FIRST TRUST ENHANCED EQUITY INCOME FUND  
DECEMBER 31, 2009 (UNAUDITED)

NAME, ADDRESS, DATE OF BIRTH AND POSITION WITH THE FUND	TERM OF OFFICE AND LENGTH OF SERVICE(1)	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS THE FIRST T FUND COMPL OVERSEEN BY T
-----			
INDEPENDENT TRUSTEES			
Richard E. Erickson, Trustee c/o First Trust Advisors L.P. 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 04/51	- Three Year Term - Since Fund Inception	Physician; President, Wheaton Orthopedics; Co-owner and Co- Director (January 1996 to May 2007), Sports Med Center for Fitness; Limited Partner, Gundersen Real Estate Partnership; Limited Partner, Sportsmed LLC	61
Thomas R. Kadlec, Trustee c/o First Trust Advisors L.P. 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/57	- Three Year Term - Since Fund Inception	Senior Vice President and Chief Financial Officer (May 2007 to Present), Vice President and Chief Financial Officer (1990 to May 2007), ADM Investor Services, Inc. (Futures Commission Merchant)	61
Robert F. Keith, Trustee c/o First Trust Advisors L.P. 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/56	- Three Year Term - Since June 2006	President (2003 to Present), Hibs Enterprises (Financial and Management Consulting)	61

(1) Currently, Robert F. Keith is serving as a trustee until the Fund's 2011 annual meeting of shareholders. Richard E. Erickson and Thomas R. Kadlec are each serving as trustees until the Fund's 2012 annual meeting of shareholders. James A. Bowen and Niel B. Nielson are each serving as trustees until the Fund's 2010 annual meeting of shareholders. Officers of the Fund have an indefinite term.

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

Page 26

BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST ENHANCED EQUITY INCOME FUND  
DECEMBER 31, 2009 (UNAUDITED)

NAME, ADDRESS, DATE OF BIRTH AND POSITION WITH THE FUND	TERM OF OFFICE AND LENGTH OF SERVICE(1)	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS THE FIRST FUND COMPLETED OVERSEEN BY TRUSTEE
INDEPENDENT TRUSTEES - (CONTINUED)			
Niel B. Nielson, Trustee c/o First Trust Advisors L.P. 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 03/54	- Three Year Term - Since Fund Inception	President (June 2002 to Present), Covenant College	61

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS
INTERESTED TRUSTEE			
James A. Bowen(2), Trustee, President, Chairman of the Board and CEO 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 09/55	- Three Year Trustee Term and Indefinite Officer Term - Since Fund Inception	President, First Trust Advisors L.P. and First Trust Portfolios L.P.; Chairman of the Board of Directors, BondWave LLC (Software Development Company/Investment Advisor) and Stonebridge Advisors LLC (Investment Advisor)	61

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS
OFFICERS WHO ARE NOT TRUSTEES (3)			
Mark R. Bradley 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/57	Treasurer, Controller, Chief Financial Officer and Chief Accounting Officer	- Indefinite Term - Since Fund Inception	Chief Financial Officer, First Trust Advisors L.P. and First Trust Portfolios L.P.; Chief Financial Officer, BondWave LLC (Software Development Company/Investment Advisor) and Stonebridge Advisors LLC (Investment Advisor)

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

- 
- (1) Currently, Robert F. Keith is serving as a trustee until the Fund's 2011 annual meeting of shareholders. Richard E. Erickson and Thomas R. Kadlec are each serving as trustees until the Fund's 2012 annual meeting of shareholders. James A. Bowen and Niel B. Nielson are each serving as trustees until the Fund's 2010 annual meeting of shareholders. Officers of the Fund have an indefinite term.
- (2) Mr Bowen is deemed an "interested person" of the Fund due to his position as President of First Trust Advisors L.P., investment advisor of the Fund.
- (3) The term "officer" means the president, vice president, secretary, treasurer, controller or any other officer who performs a policy making function.

Page 27

BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST ENHANCED EQUITY INCOME FUND  
DECEMBER 31, 2009 (UNAUDITED)

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS
OFFICERS WHO ARE NOT TRUSTEES(3) - (CONTINUED)			
Erin E. Chapman 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 08/76	Assistant Secretary	- Indefinite Term - Since June 2009	Assistant General Counsel (October 2007 to Present), Associate Counsel (March 2006 to October 2007), First Trust Advisors L.P. and First Trust Portfolios L.P.; Associate Attorney (November 2003 to March 2006), Doyle & Bolotin, Ltd.
James M. Dykas 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 01/66	Assistant Treasurer	- Indefinite Term - Since December 2005	Senior Vice President (April 2007 to Present), Vice President (January 2005 to April 2007), First Trust Advisors L.P. and First Trust Portfolios L.P.
Christopher R. Fallow 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 04/79	Assistant Vice President	- Indefinite Term - Since December 2006	Assistant Vice President (August 2006 to Present), Associate (January 2005 to August 2006), First Trust Advisors L.P. and First Trust Portfolios L.P.
W. Scott Jardine 120 E. Liberty Drive, Suite 400	Secretary and Chief Compliance Officer	- Indefinite Term - Since Fund Inception	General Counsel, First Trust Advisors L.P., First Trust Portfolios L.P. and

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

Wheaton, IL 60187  
D.O.B.: 05/60

BondWave LLC (Software Development Company/Investment Advisor); Secretary of Stonebridge Advisors LLC (Investment Advisor)

-----  
(3) The term "officer" means the president, vice president, secretary, treasurer, controller or any other officer who performs a policy making function.

Page 28

BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST ENHANCED EQUITY INCOME FUND  
DECEMBER 31, 2009 (UNAUDITED)

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS
----- OFFICERS WHO ARE NOT TRUSTEES(3) - (CONTINUED)			
Daniel J. Lindquist 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 02/70	Vice President	- Indefinite Term - Since December 2005	Senior Vice President (September 2005 to Present), Vice President (April 2004 to September 2005), First Trust Advisors L.P. and First Trust Portfolios L.P.
Coleen D. Lynch 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 07/58	Assistant Vice President	- Indefinite Term - Since July 2008	Assistant Vice President (January 2008 to Present), First Trust Advisors L.P. First Trust Portfolios L.P. Vice President (May 1998 to January 2008), Van Kampen Asset Management and Morgan Stanley Investment Management
Kristi A. Maher 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 12/66	Assistant Secretary and Deputy Chief Compliance Officer	- Indefinite Term - Assistant Secretary since Fund Inception - Deputy Chief Compliance Officer since November 2009	Deputy General Counsel (May 2007 to Present), Assistant General Counsel (March 2004 to May 2007), First Trust Advisors L.P. First Trust Portfolios L.P.

-----  
(3) The term "officer" means the president, vice president, secretary, treasurer, controller or any other officer who performs a policy making function.

PRIVACY POLICY

FIRST TRUST ENHANCED EQUITY INCOME FUND  
DECEMBER 31, 2009 (UNAUDITED)

PRIVACY POLICY

The open-end and closed-end funds advised by First Trust Advisors L.P. (each a "Fund") value our relationship with you and consider your privacy an important priority in maintaining that relationship. We are committed to protecting the security and confidentiality of your personal information.

I. SOURCES OF INFORMATION

We collect nonpublic personal information about you from the following sources:

A. Information we receive from you and your broker-dealer, investment advisor or financial representative through interviews, applications, agreements or other forms;

B. Information about your transactions with us, our affiliates or others;

C. Information we receive from your inquiries by mail, e-mail or telephone; and

D. Information we collect on our website through the use of "cookies". For example, we may identify the pages on our website that your browser requests or visits.

II. INFORMATION COLLECTED

The type of data we collect may include your name, address, social security number, age, financial status, assets, income, tax information, retirement and estate plan information, transaction history, account balance, payment history, investment objectives, marital status, family relationships and other personal information.

III. DISCLOSURE OF INFORMATION

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. In addition to using this information to verify your identity (as required under law), the permitted uses may also include the disclosure of such information to unaffiliated companies for the following reasons:

A. In order to provide you with products and services and to effect transactions that you request or authorize, we may disclose your personal information as described above to unaffiliated financial service providers and other companies that perform administrative or other services on our behalf, such as transfer agents, custodians and trustees, or that assist us in the distribution of investor materials such as trustees, banks, financial representatives, proxy services, solicitors and printers.

B. We may release information we have about you if you direct us to do so, if we are compelled by law to do so, or in other legally limited circumstances (for example to protect your account from fraud).

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

In addition, in order to alert you to our other financial products and services, we may share your personal information with affiliates of the Fund.

### IV. CONFIDENTIALITY AND SECURITY

With regard to our internal security procedures, we restrict access to your nonpublic personal information to those individuals who need to know that information to provide products or services to you. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

### V. POLICY UPDATES AND INQUIRIES

As required by federal law, we will notify you of our privacy policy annually. We reserve the right to modify this policy at any time, however, if we do change it, we will tell you promptly. For questions about our policy, or for additional copies of this notice, please go to [www.ftportfolios.com](http://www.ftportfolios.com), or contact us at 1-800-621-1675 (First Trust Portfolios) or 1-800-222-6822

Page 30

This Page Left Blank Intentionally.

This Page Left Blank Intentionally.

(FIRST TRUST LOGO)

INVESTMENT ADVISOR  
First Trust Advisors L.P.  
120 E. Liberty Drive, Suite 400  
Wheaton, IL 60187

INVESTMENT SUB-ADVISOR  
Chartwell Investment Partners, L.P.  
1235 Westlakes Drive, Suite 400  
Berwyn, PA 19312

ADMINISTRATOR,  
FUND ACCOUNTANT &  
TRANSFER AGENT  
PNC Global Investment Servicing (U.S.) Inc.  
301 Bellevue Parkway  
Wilmington, DE 19809

CUSTODIAN  
PFPC Trust Company  
8800 Tinicum Boulevard  
Philadelphia, PA 19153

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM  
Deloitte & Touche LLP  
111 S. Wacker Drive  
Chicago, IL 60606

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

LEGAL COUNSEL  
Chapman and Cutler LLP  
111 W. Monroe Street  
Chicago, IL 60603

### ITEM 2. CODE OF ETHICS.

- (a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
- (c) During the period covered by this report, the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description was amended to name W. Scott Jardine as the Compliance Coordinator for the implementation and administration of the aforementioned code. The amended code of ethics is provided as an exhibit pursuant to Item 12(a)(1).
- (d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.
- (e) Not applicable.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

As of the end of the period covered by the report, the registrant's board of trustees has determined that Thomas R. Kadlec and Robert F. Keith are qualified to serve as audit committee financial experts serving on its audit committee and that each of them is "independent," as defined by Item 3 of Form N-CSR.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) AUDIT FEES (REGISTRANT) -- The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements were \$37,000.00 for 2008 and \$39,000.00 for 2009.

(b) AUDIT-RELATED FEES (REGISTRANT) -- The aggregate fees billed in each of the last two fiscal years, for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of



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

this Item were \$0 for 2008 and \$0 for 2009.

AUDIT-RELATED FEES (INVESTMENT ADVISER) -- The aggregate fees billed in each of the last two fiscal years of the registrant for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item were \$0 for 2008 and \$0 for 2009.

(c) TAX FEES (REGISTRANT) -- The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning to the registrant were \$5,000.00 for 2008 and \$7,320.00 for 2009. These fees were for tax preparation.

TAX FEES (INVESTMENT ADVISER) -- The aggregate fees billed in each of the last two fiscal years of the registrant for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning to the registrant's adviser were \$0 for 2008 and \$0 for 2009.

(d) ALL OTHER FEES (REGISTRANT) -- The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the registrant, other than the services reported in paragraphs (a) through (c) of this Item were \$0 for 2008 and \$0 for 2009.

ALL OTHER FEES (INVESTMENT ADVISER) -- The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the registrant's investment adviser, other than services reported in paragraphs (a) through (c) of this Item were \$0 for 2008 and \$0 for 2009.

(e) (1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c) (7) of Rule 2-01 of Regulation S-X.

Pursuant to its charter and its Audit and Non-Audit Services Pre-Approval Policy, the Audit Committee (the "COMMITTEE") is responsible for the pre-approval of all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the registrant by its independent auditors. The Chairman of the Committee is authorized to give such pre-approvals on behalf of the Committee up to \$25,000 and report any such pre-approval to the full Committee.

The Committee is also responsible for the pre-approval of the independent auditor's engagements for non-audit services with the registrant's adviser (not including a sub-adviser whose role is primarily portfolio management and is sub-contracted or overseen by another investment adviser) and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant, if the engagement relates directly to the operations and financial reporting of the registrant, subject to the DE MINIMIS exceptions for non-audit services described in Rule 2-01 of Regulation S-X. If the independent auditor has provided non-audit services to the registrant's adviser (other than any sub-adviser whose role is primarily portfolio management and is sub-contracted with or overseen by another investment adviser) and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant that were

not pre-approved pursuant to its policies, the Committee will consider whether the provision of such non-audit services is compatible with the auditor's independence.

(e) (2) The percentage of services described in each of paragraphs (b) through

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

(d) for the registrant and the registrant's investment adviser of this Item that were approved by the audit committee pursuant to the pre-approval exceptions included in paragraph (c) (7) (i) (c) or paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X are as follows:

(b) 0%

(c) 0%

(d) 0%

- (f) The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.
- (g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the Registrant for 2008 were \$5,000.00 and \$12,143.00 for the Registrant and the Registrant's investment adviser, respectively, and for 2009 were \$7,320.00 and \$36,000.00, for the Registrant and the Registrant's investment adviser, respectively.
- (h) The Registrant's audit committee of its Board of Trustees determined that the provision of non-audit services that were rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

- (a) The Registrant has a separately designated audit committee consisting of all the independent trustees of the Registrant. The members of the audit committee are: Thomas R. Kadlec, Niel B. Nielson, Richard E. Erickson and Robert F. Keith.

### ITEM 6. INVESTMENTS.

- (a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.
- (b) Not applicable.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Proxy Voting Policies are attached herewith.

CHARTWELL INVESTMENT PARTNERS  
PROXY VOTING POLICIES AND PROCEDURES

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

As Further Amended July, 2009

**PURPOSE.** Chartwell Investment Partners ("Chartwell") has adopted these Proxy Voting Policies and Procedures ("Policies") to seek to ensure that it exercises voting authority on behalf of Chartwell clients in a manner consistent with the best interests of each client and its agreement with the client.

**SCOPE.** These Policies apply where clients have delegated the authority and responsibility to Chartwell to decide how to vote proxies. Chartwell does not accept or retain authority to vote proxies in accordance with individual client guidelines (with the exception of Clients who wish to instruct Chartwell not to vote in accordance with AFL-CIO Key Vote Survey recommendations, as described below). Clients that wish to arrange to vote proxies in accordance with their own guidelines may elect to do so at any time by notifying Chartwell. Chartwell generally will follow these Policies if asked to make recommendations about proxy voting to clients who request that advice but have not delegated proxy voting responsibility to Chartwell.

**GUIDING PRINCIPLES.** Chartwell believes that voting proxies in the best interests of each client means making a judgment as to what voting decision is most likely to maximize total return to the client as an investor in the securities being voted, and casting the vote accordingly. For this reason, Chartwell's evaluation of the possible impact of a proxy vote on the economic interests of company shareholders similarly situated to Chartwell's clients will be the primary factor governing Chartwell's proxy voting decisions.

**USE OF INDEPENDENT PROXY VOTING SERVICE.** Chartwell has retained RiskMetrics Group, an independent proxy voting service, to assist it in analyzing specific proxy votes with respect to securities held by Chartwell clients and to handle the mechanical aspects of casting votes. Historically, Chartwell has placed substantial reliance on RiskMetrics Group's (RMG - formerly ISS) analyses and recommendations and generally gives instructions to RMG/ISS to vote proxies in accordance with RMG/ISS' recommendations, unless Chartwell reaches a different conclusion than RMG/ISS about how a particular matter should be voted. RMG/ISS' proxy voting recommendations typically are made available to Chartwell about a week before the proxy must be voted, and are reviewed and monitored by members of the Proxy Voting Committee (and, in certain cases, by Chartwell portfolio managers), with a view to determining whether it is in the best interests of Chartwell's clients to vote proxies as recommended by RMG/ISS, or whether client proxies should be voted on a particular proposal in another manner. In addition, Chartwell generally votes in accordance with AFL-CIO Key Votes Survey,

a list of proposals and meetings based on the AFL-CIO Proxy Voting Guidelines. To the extent that any of the proxy voting positions stated in these Policies are inconsistent with a Key Vote Survey recommendation, Chartwell will generally vote in accordance with the Key Vote Survey recommendation on all impacted securities unless any client has chosen to instruct Chartwell to refrain from doing so. In that case, Chartwell will vote the client's securities position in accordance with these Policies (which may or may not cause the vote to be the same as the Key Vote Survey recommendation).

**ADMINISTRATION OF POLICIES.** Chartwell has established a Proxy Voting Committee to oversee and administer the voting of proxies on behalf of clients, comprised of approximately five representatives of the firm's compliance and operations departments. The Committee's responsibilities include reviewing and updating these Policies as may be appropriate from time to time; identifying and resolving any material conflicts of interest on the part of Chartwell or its personnel that may affect particular proxy votes; evaluating and monitoring, on an ongoing basis, the analyses, recommendations and other services provided by

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

RMG/ISS or another third party retained to assist Chartwell in carrying out its proxy voting responsibilities; when deemed appropriate by the Committee, consulting with Chartwell portfolio managers and investment professionals on particular proposals or categories of proposals presented for vote; and determining when and how client proxies should be voted other than in accordance with the general rules and criteria set forth in Chartwell's Proxy Voting Guidelines or with the recommendations of RMG or another independent proxy voting service retained by Chartwell..

CONFLICTS OF INTEREST. It is Chartwell's policy not to exercise its authority to decide how to vote a proxy if there is a material conflict of interest between Chartwell's interests and the interests of the client that owns the shares to be voted that could affect the vote on that matter. To seek to identify any such material conflicts, a representative of the Proxy Voting Committee screens all proxies and presents any potential conflicts identified to the Committee for determination of whether the conflict exists and if so, whether it is material.

Conflicts of interest could result from a variety of circumstances, including, but not limited to, significant personal relationships between executive officers of an issuer and Chartwell personnel, a current or prospective investment adviser-client relationship between an issuer or a pension plan sponsored by an issuer and Chartwell, a significant ownership interest by Chartwell or its personnel in the issuer and various other business, personal or investment relationships. Generally, a current or prospective adviser-client relationship will not be considered material for these purposes if the net advisory revenues to Chartwell have not in the most recent fiscal year and are not expected in the current fiscal year to exceed 1/2 of 1 percent of Chartwell's annual advisory revenue.

Currently, the Proxy Voting Committee has determined that voting in accordance with AFL-CIO Key Votes Survey recommendations is not a material conflict of interest. In reaching this decision, the Committee recognized that Chartwell has many union clients and many clients that are not union-oriented. By voting all impacted securities positions in accordance with AFL-CIO recommendations, it could be said that Chartwell is attempting to retain or attract existing and prospective union clients. However, the overall number of proxy issues in the AFL-CIO Key Votes Survey on which Chartwell has historically voted is approximately 14 - 30 out of a total of approximately 500 company meetings and thousands of proxy votes cast by Chartwell each year. Chartwell does not use its AFL-CIO Key Votes Survey rankings for marketing purposes so to the extent any client or prospect becomes aware of how Chartwell votes in the Surveys, it does so on its own. Recognizing that deciding this is not a material conflict of interest is fundamentally subjective, Chartwell nonetheless discloses its practices to clients and invites clients to instruct Chartwell not to change any vote in these Policies to be consistent

with an AFL-CIO Key Votes Survey recommendation (even though voting consistently with these Policies may result in voting the same way).

In the event the Committee determines that there is a material conflict of interest that may affect a particular proxy vote, Chartwell will NOT make the decision how to vote the proxy in accordance with these Policies unless the Policies specify how votes shall be cast on that particular type of matter, i.e., "for" or "against" the proposal. Where the Policies provide that the voting decision will be made on a "case-by-case" basis, Chartwell will either request the client to make the voting decision, or the vote will be cast in accordance with the recommendations of RMG/ISS or another independent proxy voting service retained by Chartwell for that purpose. Chartwell also will not provide advice to clients on proxy votes without first disclosing any material conflicts to the client requesting such advice.

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

WHEN CHARTWELL DOES NOT VOTE PROXIES. Chartwell may not vote proxies respecting client securities in certain circumstances, including, but not limited to, situations where (a) the securities are no longer held in a client's account; (b) the proxy and other relevant materials are not received in sufficient time to allow analysis or an informed vote by the voting deadline; (c) Chartwell concludes that the cost of voting the proxy will exceed the expected potential benefit to the client; (d) the securities have been loaned out pursuant to a client's securities lending program and are unavailable to vote; or (e) in the case of voting in accordance with AFL-CIO Key Votes Survey recommendations, a client has instructed Chartwell not to vote in accordance with such recommendations but to vote in accordance with these Policies (which may or may not be the same on a given proxy issue).

### PROXY VOTING GUIDELINES

Generally, Chartwell votes all proxies in accordance with the RiskMetrics guidelines. These guidelines may be changed or supplemented from time to time. Votes on matters not covered by these guidelines will be determined in accordance with the principles set forth above. Client guidelines may be inconsistent with these guidelines and may cause Chartwell to vote differently for different clients on the same matter.

### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

#### (A) (1) IDENTIFICATION OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS AND DESCRIPTION OF ROLE OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS

INFORMATION PROVIDED AS OF MARCH 8, 2010

Chartwell Investment Partners, L.P. ("Chartwell" or the "Sub-Adviser"), founded in 1997, is an employee-owned investment firm focusing on institutional, sub-advisory and private client relationships. The firm is a research-based equity and fixed-income manager with a disciplined, team-oriented investment process. The Portfolio Management Team consists of the following:

#### PORTFOLIO MANAGEMENT TEAM

BERNARD P. SCHAFFER  
MANAGING PARTNER, SENIOR PORTFOLIO MANAGER

Mr. Schaffer is a founding partner of Chartwell and has 38 years of investment industry experience. He serves as senior portfolio manager for Chartwell's closed-end fund and hedged large-cap equity

strategies. As the lead portfolio manager for the Fund since 2007, he focuses on securities in the Energy, Financials and Consumer Staples sectors. He was employed as a Senior Portfolio Manager at Delaware Investment Advisers from 1990 to 1997, managing two closed-end equity income funds that utilized option strategies to generate portfolio gains. Mr. Schaffer earned a Bachelor's degree in Economics from Villanova University and an MBA from the University of Pennsylvania's Wharton School.

DOUGLAS W. KUGLER, CFA  
PRINCIPAL, PORTFOLIO MANAGER

Mr. Kugler is a portfolio manager on Chartwell's large-cap equity portfolio management team and has 12 years of investment industry experience. His areas of focus include the Transportation and Consumer Discretionary sectors of the market. He has been a portfolio manager for the Fund since 2007. From 1993 to 2003, he held several positions at Morgan Stanley Investment Management (Miller

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

Anderson & Sherrerd) including Head of Mutual Fund Administration and Vice President and Treasurer of the MAS Funds, Junior Associate in the Equity Department, and his last position held prior to joining Chartwell was Senior Associate and Analyst for the Large Cap Value team. Prior to joining Morgan Stanley, he was an Assistant Vice President and Senior Accounting Officer at Provident Financial Processing Corporation. Mr. Kugler is a member of the CFA (Chartered Financial Analysts) Institute and the CFA Society of Philadelphia. He holds the Chartered Financial Analyst designation. Mr. Kugler earned a Bachelor's degree in Accounting from the University of Delaware.

KEVIN A. MELICH, CFA  
MANAGING PARTNER, SENIOR PORTFOLIO MANAGER

Mr. Melich is a founding partner of Chartwell and has 45 years of investment industry experience. He is a member of Chartwell's large-cap equity portfolio management team and implements portfolio management decisions for high-yield equity institutional portfolios, including the Fund. He has been a portfolio manager for the Fund since 2007. His areas of focus are in the Automotive, Machinery, Office Electronics and REITs sectors. He was employed as a Senior Portfolio Manager at Delaware Investment Advisers from 1983 to 1997. There he managed over \$1.6 billion for institutional accounts in the value style. From 1979 to 1983, Mr. Melich was a Partner with the economics consulting firm A.B. Laffer Associates. From 1964 to 1979, he was the Senior Investment Officer and Manager of the Trust and Investment Division of Security Trust Company. Mr. Melich is a member of the CFA Institute and the CFA Society of Philadelphia. He holds the Chartered Financial Analyst designation. He earned a Bachelor of Science degree in Economics from St. John Fisher College.

(A) (2) OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBER AND POTENTIAL CONFLICTS OF INTEREST

INFORMATION PROVIDED AS OF DECEMBER 31, 2009

OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBER

(assets in millions).

Name Of Portfolio Manager or Team Member	Type of Accounts	Total # of Accounts Managed	Total Assets	# of Manag Advi Based o
1. Bernard P. Schaffer	Registered Investment Companies:	1	\$ 45.5	
	Other Pooled Investment Vehicles:	0	\$ 0	
	Other Accounts:	21	\$357.6	
2. Kevin A. Melich	Registered Investment Companies:	1	\$ 45.5	
	Other Pooled Investment Vehicles:	0	\$ 0	
	Other Accounts:	21	\$357.6	
3. Douglas W. Kugler	Registered Investment Companies:	1	\$ 45.5	
	Other Pooled Investment Vehicles:	0	\$ 0	
	Other Accounts:	21	\$357.6	

POTENTIAL CONFLICTS OF INTERESTS

The portfolio managers manage other accounts for Chartwell including the

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

Chartwell Dividend and Income Fund, (CWF) and institutional portfolios of similar investment styles. None of these portfolio managers manage any hedge funds nor any accounts with performance-based fees.

When registered funds and investment accounts are managed side-by-side, firm personnel must strictly follow the policies and procedures outlined in our Trade Allocation Policy to ensure that accounts are treated in a fair and equitable manner, and that no client or account is favored over another. When registered funds and investment accounts are trading under the same investment product, and thus trading the same securities, shares are allocated on a pro-rata basis based on market value, and all portfolios obtain the same average price.

On a monthly basis, a member of Chartwell's Compliance Group, oversees the performance calculation process handled in Operations, and completes a spreadsheet of monthly portfolio returns by client. This person provides this spreadsheet to the CEO, CCO and various investment personnel for their review. Any performance dispersion noted by anyone on the distribution list is investigated by a member of Chartwell's Compliance Group by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process ensures that all portfolios that are managed under the same investment product are treated fairly, and traded in accordance with firm policy.

(A) (3) COMPENSATION STRUCTURE OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS  
INFORMATION PROVIDED AS OF MARCH 8, 2010

The compensation paid to a Chartwell portfolio manager and analyst consists of base salary, annual bonus, ownership distribution, and an annual profit-sharing contribution to the firm's retirement plan.

A portfolio manager's and analyst's base salary is determined by Chartwell's Compensation Committee and is reviewed at least annually. A portfolio manager's and analyst's experience, historical performance, and role in firm or product team management are the primary considerations in determining the base salary. Industry benchmarking is utilized by the Compensation Committee on an annual basis.

Annual bonuses are determined by the Compensation Committee based on a number of factors. The primary factor is a performance-based compensation schedule that is applied to all accounts managed by a portfolio manager within a particular investment product, and is not specific to any one account. The bonus is calibrated based on the gross composite performance of such accounts versus the appropriate benchmark and peer group rankings. Portfolio construction, sector and security weighting, and performance are reviewed by the Compliance Committee and Compensation Committee to prevent a manager from taking undue risks. Additional factors used to determine the annual bonus include the portfolio manager's contribution as an analyst, product team management, and contribution to the strategic planning and development of the investment group as well as the firm.

Ownership distributions are paid to a portfolio manager and analyst based on the portfolio manager's and analyst's ownership interest, or percentage limited partnership interest, in Chartwell multiplied by total net cash distributions paid during the year.

(A) (4) DISCLOSURE OF SECURITIES OWNERSHIP  
INFORMATION PROVIDED AS OF DECEMBER 31, 2009:

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

Name of Portfolio Manager or Team Member	Dollar Range of Fund Shares Beneficially Owned
-----	-----
Bernard P. Schaffer	\$0
Kevin A. Melich	\$0
Douglas W. Kugler	\$0

(B) Not applicable.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's board of directors, where those changes were implemented after the

registrant last provided disclosure in response to the requirements of Item 407(c) (2) (iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22 (b) (15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

### ITEM 11. 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 second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

- (a) (1) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (a) (2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a) (3) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and



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

Section 906 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 February 19, 2010

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 February 19, 2010

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

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

Date February 19, 2010

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