

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

FIRST TRUST ENHANCED EQUITY INCOME FUND
Form N-CSR
March 03, 2016

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, 2015

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

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

ANNUAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015

FIRST TRUST
ENHANCED EQUITY
INCOME FUND (FFA)

FIRST TRUST

CHARTWELL INVESTMENT PARTNERS

Institutional and Private Asset Management

TABLE OF CONTENTS

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
ANNUAL REPORT
DECEMBER 31, 2015

Shareholder Letter.....	1
At a Glance.....	2
Portfolio Commentary.....	3
Portfolio of Investments.....	5
Statement of Assets and Liabilities.....	10
Statement of Operations.....	11
Statements of Changes in Net Assets.....	12
Financial Highlights.....	13
Notes to Financial Statements.....	14
Report of Independent Registered Public Accounting Firm	20
Additional Information	21
Board of Trustees and Officers	24
Privacy Policy	26

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, LLC ("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

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

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/or Sub-Advisor and their respective representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

PERFORMANCE AND RISK DISCLOSURE

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

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

The Advisor may also periodically provide additional information on Fund performance on the Fund's webpage at <http://www.ftportfolios.com>.

HOW TO READ THIS REPORT

This report contains information that may help you evaluate your investment in the Fund. 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 material 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
LETTER FROM THE PRESIDENT
DECEMBER 31, 2015

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

Dear Shareholders:

Thank you for your investment in First Trust Enhanced Equity Income Fund (the "Fund").

First Trust Advisors L.P. ("First Trust") is pleased to provide you with this annual report which contains detailed information about your investment for the 12 months ended December 31, 2015, including a performance analysis and a market outlook. Additionally, First Trust has compiled the Fund's financial statements for you to review. We encourage you to read this report and discuss it with your financial advisor.

While markets were up and down during 2015, we believe there are three important things to remember: first, the U.S. economy grew, in spite of the massive decline in oil prices; and second, the tapering that began in 2014 by the Federal Reserve (the "Fed") did not stop growth in the U.S. economy either. Finally, the long-anticipated rate hike by the Fed in December had little effect on the money supply, and the stock market was not shocked by the hike. We remain positive on U.S. markets, although we know that markets will always move up and down.

First Trust believes that having a long-term investment horizon and being invested in quality products can help you reach your goals, despite how the market behaves. We have always maintained perspective about the markets and believe investors should as well. We will continue to strive to provide quality investments each and every day, which has been one of the hallmarks of our firm since its inception nearly 25 years ago.

Thank you for giving First Trust the opportunity to be a part of your investment plan. We value our relationship with you and will continue to focus on helping investors like you reach your financial goals.

Sincerely,

/s/ James A. Bowen

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

Page 1

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
"AT A GLANCE"
AS OF DECEMBER 31, 2015 (UNAUDITED)

FUND STATISTICS

Symbol on New York Stock Exchange	FFA
Common Share Price	\$13.20
Common Share Net Asset Value ("NAV")	\$14.99
Premium (Discount) to NAV	(11.94)%
Net Assets Applicable to Common Shares	\$299,388,564
Current Quarterly Distribution per Common Share (1)	\$0.235
Current Annualized Distribution per Common Share	\$0.940
Current Distribution Rate on Closing Common Share Price (2)	7.12%

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

Current Distribution Rate on NAV (2)

6.27%

 COMMON SHARE PRICE & NAV (WEEKLY CLOSING PRICE)

	Common Share Price	NAV
12/14	\$14.34	\$15.95
	14.31	15.95
	14.49	15.88
	14.17	15.66
	14.47	15.89
1/15	14.18	15.43
	14.37	15.90
	14.92	16.28
	14.66	16.36
2/15	14.84	16.35
	14.61	16.08
	14.44	15.92
	14.52	16.06
3/15	14.27	15.85
	14.29	15.96
	14.65	16.27
	14.68	16.18
4/15	15.01	16.32
	15.05	16.40
	15.00	16.42
	15.19	16.47
	15.27	16.50
5/15	15.06	16.39
	14.99	16.27
	14.94	16.27
	15.11	16.35
6/15	14.58	16.03
	14.39	15.81
	14.14	15.72
	14.54	15.94
	14.19	15.62
7/15	14.35	15.79
	13.93	15.62
	14.02	15.71
	13.21	14.82
8/15	13.30	14.98
	13.13	14.52
	13.18	14.83
	13.03	14.78
9/15	12.81	14.36
	12.87	14.54
	13.26	15.01
	13.34	15.15
	13.69	15.34
10/15	13.56	15.40
	13.62	15.52
	13.13	15.03
	13.52	15.44
11/15	13.47	15.48
	13.54	15.49
	13.04	14.92
	13.21	14.93
	13.22	15.11
12/15	13.20	14.99

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

 PERFORMANCE

	Average Annual Total Return			
	1 Year Ended 12/31/2015	5 Years Ended 12/31/2015	10 Years Ended 12/31/2015	Inception (8/ to 12/31/
FUND PERFORMANCE (3)				
NAV	0.72%	10.11%	6.28%	6.49%
Market Value	-1.35%	8.30%	6.03%	4.88%
INDEX PERFORMANCE				
S&P 500(R) Index	1.38%	12.57%	7.31%	7.79%
BXM Index	5.24%	6.97%	4.87%	5.08%

TOP 10 HOLDINGS	% OF TOTAL INVESTMENTS
Apple, Inc.	3.9%
General Electric Co.	3.7
JPMorgan Chase & Co.	3.0
Microsoft Corp.	2.9
Pfizer, Inc.	2.8
Honeywell International, Inc.	2.4
Philip Morris International, Inc.	2.4
Wells Fargo & Co.	2.3
Merck & Co., Inc.	2.3
Cisco Systems, Inc.	2.0
Total	27.7%

=====

SECTOR CLASSIFICATION	% OF TOTAL INVESTMENTS
Information Technology	19.8%
Financials	18.6
Health Care	16.3
Consumer Staples	11.7
Consumer Discretionary	11.0
Industrials	8.5
Energy	7.9
Utilities	2.6
Telecommunication Services	2.1
Materials	1.5
Total	100.0%

=====

- (1) Most recent distribution paid or declared through 12/31/2015. 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

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

Common Share price or NAV, as applicable, as of 12/31/2015. Subject to change in the future.

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

Page 2

PORTFOLIO COMMENTARY

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
ANNUAL REPORT
DECEMBER 31, 2015 (UNAUDITED)

SUB-ADVISOR

Chartwell Investment Partners, LLC ("Chartwell"), a wholly-owned subsidiary of TriState Capital Holdings, Inc., is a research-based equity and fixed-income manager with a disciplined, team-oriented investment process.

PORTFOLIO MANAGEMENT TEAM

DOUGLAS W. KUGLER, CFA
PRINCIPAL, SENIOR PORTFOLIO MANAGER

PETER M. SCHOFIELD, CFA
PRINCIPAL, SENIOR PORTFOLIO MANAGER

COMMENTARY

FIRST TRUST ENHANCED EQUITY INCOME FUND

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

MARKET RECAP

The S&P 500(R) Index (the "Index") returned 1.38% (inclusive of dividends) for the year ended December 31, 2015. The two previous years returned a rather large total of 51% so we had been anticipating a period of relatively muted returns with the possibility of some larger than recent history downdrafts, and 2015 fit that description. The Index started the year just below an all-time high and for almost the next five months, it alternated between climbing and falling within a

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

fairly narrow but rising range, culminating in another all-time high on May 21, 2015. From there the market traded sideways for almost another three months. It seemed that the market was slowly coming to grips with the low-growth environment and the fact that the Federal Reserve was likely to raise short-term interest rates for the first time in the last nine years sometime in the Fall. Then on August 11, 2015, the Chinese government unexpectedly devalued their currency. The markets seemed to accept this without too much angst at first. However, as market participants digested that news, the continuing slide in oil prices and mixed economic news, fears of a global economic slowdown began to materialize. Starting on August 20, 2015 and for the next four trading days, the Index fell over 10% taking the S&P 500(R) Index into "correction" territory (a downward movement of over 10% from recent highs) - something that had not happened in over four years. A good portion of that swift and steep decline was reversed on August 26 and 27, when the market bounced back by just over 6%. That bounce was brought about by better than expected U.S. economic data and an official with the Federal Reserve making comments that indicated that the start of the "normalization" of short-term interest rates may not be coming in September. From there the Index vacillated a few times due to global growth concerns, but as more data came out that disputed that fear, the Index ground higher and closed about 4.1% below its all-time high on December 31, 2015. Excitement and volatility were not just reserved for the equity markets. Both the energy and interest rate markets saw their share of both during the year. The price of a barrel of Brent crude went from \$58 at the beginning of the year, to \$47, then on to \$65, and finally down to \$38 at the end of December 2015. This price volatility started with OPEC deciding during a meeting in late November 2014 to not cut their production despite a global over-supply of oil brought on by the development of U.S. Shale Oil Fields. From that point on, any data showing changes in crude oil supply/ demand was greeted with a large move in the price of oil. Longer-term interest rates in the U.S. also saw a great deal of volatility. The U.S. 10-year Treasury yield moved from 2.17% at the beginning of the year to 1.64%, then on to 2.48%, before settling in a range between 2.00% and 2.30% and closing at 2.14% at the end of December. The 10-year Treasury yield was buffeted about by the same global growth worries that influenced the equity markets as well as the anticipation of when the first actions from the Federal Reserve may occur and how far they might go in their "normalization" process.

PERFORMANCE SUMMARY

For the year ended December 31, 2015 the Fund's net asset value ("NAV") and market value total returns(1) were 0.72% and -1.35%, respectively. Both these returns are inclusive of dividends paid during the year. The Index returned 1.38% on a total return basis over the same period. The covered call options program delivered a positive return during the period which was not unexpected, given the weak equity returns during the period. There were several sizeable

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

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

PORTFOLIO COMMENTARY (CONTINUED)

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
ANNUAL REPORT
DECEMBER 31, 2015 (UNAUDITED)

headwinds that hurt the Fund's performance. The Fund's portfolio is structured to provide a better than market dividend yield as a way to help achieve its objective of providing a high level of current income and gains. Therefore, the Fund's portfolio will tend to hold more higher-yielding stocks than the Index and will carry a tilt towards value stocks as opposed to growth stocks. These tendencies proved to be headwinds this year. The S&P 500/Citigroup Value Index trailed its Growth Index counterpart by over 8.6% (-3.1% versus +5.5%) for 2015. Also, in a study done by Bank of America Merrill Lynch, the highest yielding 40% of stocks in the Index underperformed the Index by an average of 3.2% during the period, while the lowest yielding 40% of stocks in the Index outperformed the Index by an average of 7.0%. Lastly, the performance of the market was very narrow this year with several large-cap stocks driving the Index's return. Facebook (+34.1%), Amazon (+117.8%), Netflix (+134.4%), and Google (+44.6%) were responsible for 142% of the Index's total return for the year. These stocks, for various reasons, were not held in the portfolio, which contributed to the slight underperformance during the period. Within the portfolio, the largest detractor to relative performance was the Consumer Discretionary group, with stock selection within the group responsible for the majority of the underperformance (not owning Amazon was the largest detractor). Also hurting relative performance was stock selection in the Information Technology group, where not owning Google and Facebook were the largest contributors. Lastly, the Energy group was a negative for the portfolio. The portfolio had exposure to several Master Limited Partnerships (MLPs) and exploration and production companies which had steep price declines. The severe decline in the price of oil caused both a reduction in earnings estimates and valuations for these holdings. We believe these holdings are of high quality and their share prices should recover when the energy markets recover. However, we are carefully watching their fundamentals to ensure the appropriateness of continuing those investments. On the positive side, stock selection in the Food, Beverage & Tobacco group was very strong and benefited from the takeover of Kraft Foods as well as investments in certain tobacco companies. In addition, stock selection within the Industrial, Financial, and Utilities groups was beneficial to relative performance.

MARKET OUTLOOK

The Index attained an all-time closing high of 2130.82 on May 21, 2015, and it closed 2015 down 4.1% from that record level. As was stated earlier, the Index was up 51% in the two preceding years and up over 200% from its closing low of 676.53 on March 9, 2009 through December 31, 2015. So is 2015's small gain (by comparison) a respite which will allow the market to advance more strongly in the coming years? We believe that depends on the answers to a myriad of questions that remain unanswered. Some of them are: How quickly and to what level will the Federal Reserve raise short-term interest rates after its first change to policy in the last nine years? What will be the impact of those hikes (assuming they occur) on the economy? Will the U.S. employment picture continue to improve? What are the not-so-visible impacts of the collapse in oil prices? Will China be able to maneuver through its economic transition? What will happen in the upcoming U.S. elections? There are many other issues which add to the uncertain environment - but these uncertainties can provide positive impetus to stock prices if they are resolved in a market friendly manner. Stock prices have risen the last few years on a combination of the mostly positive resolution of uncertainties, strong earnings growth and increased confidence in the economy's ability to continue to improve coming out of the "Great Recession". Given

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

valuations in the equity markets are above longer-term averages and higher interest rates (which are typically viewed as a headwind to equity valuations) appear to be coming, we believe that earnings growth will have to improve in order for the equity market to move substantially higher. While this earnings growth may prove more difficult than in prior years, we believe that companies have learned how to operate well in the low growth environment that the global economy has been experiencing and that we believe will continue. Absent a global recession, we believe revenues should move higher and companies will continue to be vigilant on controlling costs thereby keeping profit margins at or near current high levels. In addition, we believe that the uptick in mergers and acquisitions will continue as will strong stock repurchases which should help corporations in their search for earnings growth. Low interest rates have helped facilitate these corporate actions and despite the increase in short-term rates that is expected, we believe rates will remain low enough to continue to drive these actions.

Our position is essentially unchanged. Despite the uncertainties, we believe the economy should continue to grow at a reasonable, but not overly strong rate, and corporate profits should continue to grow as well. This could provide a solid backdrop for the market going forward. However, with valuation of the stock market no longer at the lower end of historical norms, and with earnings growth flattening out, moves higher in the Index may be more muted going forward with the increased likelihood of periods of price declines. No matter the outcome of these issues, we will manage the Fund with the dual objectives of generating a high level of current income while seeking capital appreciation over the market cycle.

Page 4

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

SHARES	DESCRIPTION	VALUE

COMMON STOCKS - 95.6%		
AEROSPACE & DEFENSE - 3.4%		
22,000	Boeing (The) Co.....	\$ 3,180,980
68,000	Honeywell International, Inc. (a).....	7,042,760

		10,223,740

AIR FREIGHT & LOGISTICS - 1.4%		
28,000	FedEx Corp. (a).....	4,171,720

AUTOMOBILES - 1.5%		
130,000	General Motors Co. (a).....	4,421,300

BANKS - 8.5%		
155,000	Bank of America Corp.....	2,608,650

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

95,000	BB&T Corp. (a).....	3,591,950
135,000	JPMorgan Chase & Co. (a).....	8,914,050
28,000	M&T Bank Corp.....	3,393,040
127,000	Wells Fargo & Co. (a).....	6,903,720

		25,411,410

	BEVERAGES - 3.5%	
35,000	Anheuser-Busch InBev N.V., ADR (a).....	4,375,000
60,000	PepsiCo, Inc. (a).....	5,995,200

		10,370,200

	BIOTECHNOLOGY - 2.8%	
30,000	Celgene Corp. (a) (b).....	3,592,800
48,700	Gilead Sciences, Inc. (a).....	4,927,953

		8,520,753

	CAPITAL MARKETS - 2.6%	
11,000	BlackRock, Inc. (a).....	3,745,720
125,000	Charles Schwab (The) Corp.....	4,116,250

		7,861,970

	CHEMICALS - 1.5%	
30,000	LyondellBasell Industries N.V., Class A.....	2,607,000
20,000	PPG Industries, Inc.....	1,976,400

		4,583,400

	COMMUNICATIONS EQUIPMENT - 2.0%	
225,000	Cisco Systems, Inc. (a).....	6,109,875

	CONSUMER FINANCE - 1.3%	
58,000	American Express Co. (a).....	4,033,900

	DIVERSIFIED TELECOMMUNICATION SERVICES - 0.9%	
60,000	Verizon Communications, Inc. (a).....	2,773,200

	ELECTRIC UTILITIES - 1.3%	
110,000	PPL Corp. (a).....	3,754,300

	ENERGY EQUIPMENT & SERVICES - 2.4%	
75,000	National Oilwell Varco, Inc. (a).....	2,511,750
125,000	Noble Corp. PLC.....	1,318,750
46,000	Schlumberger, Ltd. (a).....	3,208,500

		7,039,000

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

See Notes to Financial Statements

Page 5

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

SHARES	DESCRIPTION	VALUE

COMMON STOCKS (CONTINUED)		
FOOD & STAPLES RETAILING - 2.9%		
20,000	Costco Wholesale Corp.....	\$ 3,230,000
55,000	CVS Health Corp. (a).....	5,377,350

		8,607,350

FOOD PRODUCTS - 1.1%		
75,000	Mondelez International, Inc., Class A (a).....	3,363,000

HEALTH CARE EQUIPMENT & SUPPLIES - 1.9%		
75,000	Medtronic PLC (a).....	5,769,000

HEALTH CARE PROVIDERS & SERVICES - 2.8%		
57,500	Cardinal Health, Inc. (a).....	5,133,025
28,000	UnitedHealth Group, Inc.....	3,293,920

		8,426,945

HOTELS, RESTAURANTS & LEISURE - 1.8%		
100,000	Carnival Corp. (a).....	5,448,000

HOUSEHOLD DURABLES - 1.3%		
85,000	Newell Rubbermaid, Inc.....	3,746,800

INDUSTRIAL CONGLOMERATES - 3.6%		
350,000	General Electric Co. (a).....	10,902,500

INSURANCE - 3.8%		
40,000	ACE, Ltd.....	4,674,000
66,000	Arthur J. Gallagher & Co. (a).....	2,702,040
80,000	MetLife, Inc. (a).....	3,856,800

		11,232,840

IT SERVICES - 1.6%		
57,500	Automatic Data Processing, Inc. (a).....	4,871,400

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

LIFE SCIENCES TOOLS & SERVICES - 1.7%		
35,000	Thermo Fisher Scientific, Inc. (a).....	4,964,750

MEDIA - 3.4%		
72,500	CBS Corp., Class B (a).....	3,416,925
70,000	Cinemark Holdings, Inc.....	2,340,100
80,000	Comcast Corp., Class A (a).....	4,514,400

10,271,425		

OIL, GAS & CONSUMABLE FUELS - 3.8%		
42,000	Chevron Corp. (a).....	3,778,320
25,000	Exxon Mobil Corp.....	1,948,750
120,000	Marathon Oil Corp. (a).....	1,510,800
62,000	Occidental Petroleum Corp. (a).....	4,191,820

11,429,690		

PHARMACEUTICALS - 7.1%		
10,000	Allergan PLC (b).....	3,125,000
80,000	AstraZeneca PLC, ADR (a).....	2,716,000
130,000	Merck & Co., Inc. (a).....	6,866,600
260,000	Pfizer, Inc. (a).....	8,392,799

21,100,399		

Page 6

See Notes to Financial Statements

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

SHARES/ UNITS	DESCRIPTION	VALUE
-----	-----	-----
COMMON STOCKS (CONTINUED)		
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 5.1%		
150,000	Intel Corp. (a).....	\$ 5,167,500
80,000	Microchip Technology, Inc. (a).....	3,723,200
130,000	Micron Technology, Inc. (b).....	1,840,800
135,000	NVIDIA Corp.....	4,449,600

15,181,100		

SOFTWARE - 6.2%		
65,000	Check Point Software Technologies Ltd. (a) (b).....	5,289,700

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

155,000	Microsoft Corp. (a).....	8,599,400
130,000	Oracle Corp. (a).....	4,748,900

		18,638,000

	SPECIALTY RETAIL - 1.4%	
45,000	L Brands, Inc. (a).....	4,311,900

	TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS - 4.8%	
111,500	Apple, Inc. (a).....	11,736,490
100,000	EMC Corp. (a).....	2,568,000

		14,304,490

	TEXTILES, APPAREL & LUXURY GOODS - 1.6%	
75,000	VF Corp. (a).....	4,668,750

	TOBACCO - 4.2%	
95,000	Altria Group, Inc. (a).....	5,529,950
80,000	Philip Morris International, Inc. (a).....	7,032,800

		12,562,750

	WATER UTILITIES - 1.3%	
65,000	American Water Works Co., Inc. (a).....	3,883,750

	WIRELESS TELECOMMUNICATION SERVICES - 1.1%	
32,000	SBA Communications Corp., Class A (b).....	3,362,240

	TOTAL COMMON STOCKS.....	286,321,847
	(Cost \$253,495,126)	-----
	REAL ESTATE INVESTMENT TRUSTS - 2.4%	
65,000	Lamar Advertising Co., Class A (a).....	3,898,700
35,000	Mid-America Apartment Communities, Inc. (a).....	3,178,350

	TOTAL REAL ESTATE INVESTMENT TRUSTS.....	7,077,050
	(Cost \$5,949,041)	-----
	MASTER LIMITED PARTNERSHIPS - 1.7%	
	OIL, GAS & CONSUMABLE FUELS - 1.7%	
55,000	Energy Transfer Partners, L.P. (a).....	1,855,150
130,000	Enterprise Products Partners, L.P. (a).....	3,325,400

	TOTAL MASTER LIMITED PARTNERSHIPS.....	5,180,550
	(Cost \$3,098,931)	-----
	TOTAL INVESTMENTS - 99.7%.....	298,579,447
	(Cost \$262,543,098) (c)	-----

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

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

NUMBER OF CONTRACTS	DESCRIPTION	VALUE

CALL OPTIONS WRITTEN - (0.1%)		
	BlackRock, Inc. Call	
40	@ \$370.00 due January 2016.....	\$ (1,280)

	Carnival Corp. Call	
300	@ 55.00 due January 2016.....	(25,500)

	Charles Schwab (The) Corp. Call	
400	@ 34.00 due January 2016.....	(16,000)

	Comcast Corp., Class A Call	
250	@ 62.50 due January 2016.....	(750)

	CVS Health Corp. Call	
150	@ 105.00 due February 2016.....	(7,200)

	FedEx Corp. Call	
150	@ 155.00 due January 2016.....	(8,850)

	General Electric Co. Call	
1,000	@ 32.00 due February 2016.....	(41,000)

	General Motors Co. Call	
400	@ 35.00 due January 2016.....	(12,800)

	Honeywell International, Inc. Call	
350	@ 105.00 due January 2016.....	(31,500)

	JPMorgan Chase & Co. Call	
250	@ 67.50 due January 2016.....	(11,250)

	L Brands, Inc. Call	
150	@ 103.00 due January 2016.....	(2,550)

	LyondellBasell Industries N.V., Class A Call	
100	@ 92.50 due January 2016.....	(3,100)

	Micron Technology, Inc. Call	
650	@ 16.00 due January 2016.....	(2,600)

	Microsoft Corp. Call	
800	@ 57.50 due January 2016.....	(15,200)

	NVIDIA Corp. Calls	
300	@ 34.00 due January 2016.....	(18,300)
300	@ 35.00 due January 2016.....	(9,900)

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

		(28,200)
	Pfizer, Inc. Call	
500	@ 34.00 due January 2016.....	(1,500)
	Philip Morris International, Inc. Call	
400	@ 90.00 due January 2016.....	(14,000)
	S&P 500 Index Calls (d)	
200	@ 2,095.00 due January 2016.....	(78,000)
100	@ 2,110.00 due January 2016.....	(18,000)
175	@ 2,130.00 due January 2016.....	(11,375)
150	@ 2,150.00 due January 2016.....	(6,600)
		(113,975)

Page 8

See Notes to Financial Statements

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

DESCRIPTION	VALUE
TOTAL CALL OPTIONS WRITTEN..... (Premiums received \$974,414)	\$ (337,255)
NET OTHER ASSETS AND LIABILITIES - 0.4%.....	1,146,372
NET ASSETS - 100.0%.....	\$ 299,388,564

-
- (a) All or a portion of this security is pledged to cover index call options written.
 - (b) Non-income producing security.
 - (c) Aggregate cost for federal income tax purposes is \$263,043,036. As of December 31, 2015, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$51,227,623 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$15,691,212.
 - (d) Call options on securities indices were written on a portion of the common stock positions that were not used to cover call options written on individual equity securities held in the Fund's portfolio.

ADR American Depositary Receipt

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

 VALUATION INPUTS

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

INVESTMENTS	ASSETS TABLE		
	TOTAL VALUE AT 12/31/2015	LEVEL 1 QUOTED PRICES	LEVEL SIGNIFI OBSERVA INPUT
-----	-----	-----	-----
Common Stocks*.....	\$ 286,321,847	\$ 286,321,847	\$
Real Estate Investment Trusts.....	7,077,050	7,077,050	
Master Limited Partnerships*.....	5,180,550	5,180,550	
-----	-----	-----	-----
Total Investments.....	\$ 298,579,447	\$ 298,579,447	\$
	=====	=====	=====

	LIABILITIES TABLE		
	TOTAL VALUE AT 12/31/2015	LEVEL 1 QUOTED PRICES	LEVEL SIGNIFI OBSERVA INPUT
-----	-----	-----	-----
Call Options Written.....	\$ (337,255)	\$ (337,255)	\$
	=====	=====	=====

* See the Portfolio of Investments for industry breakdown.

All transfers in and out of the Levels during the period are assumed to be transferred on the last day of the period at their current value. There were no transfers between Levels at December 31, 2015.

See Notes to Financial Statements

Page 9

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
 STATEMENT OF ASSETS AND LIABILITIES
 DECEMBER 31, 2015

ASSETS:

Investments, at value (Cost \$262,543,098).....	
Cash.....	
Receivables:	
Investment securities sold.....	
Dividends.....	

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

Dividend reclaims.....
Miscellaneous.....
Interest.....
Prepaid expenses.....

Total Assets.....

LIABILITIES:

Options written, at value (Premiums received \$974,414).....
Payables:
Investment securities purchased.....
Investment advisory fees.....
Audit and tax fees.....
Printing fees.....
Administrative fees.....
Custodian fees.....
Transfer agent fees.....
Legal fees.....
Financial reporting fees.....
Trustees' fees and expenses.....
Other liabilities.....

Total Liabilities.....

NET ASSETS.....

NET ASSETS CONSIST OF:

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

NET ASSETS.....

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

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

Page 10

See Notes to Financial Statements

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

INVESTMENT INCOME:

Dividends (net of foreign withholding tax of \$21,515).....
Interest.....

Total investment income.....

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

EXPENSES:

Investment advisory fees.....
 Administrative fees.....
 Printing fees.....
 Audit and tax fees.....
 Transfer agent fees.....
 Custodian fees.....
 Trustees' fees and expenses.....
 Legal fees.....
 Financial reporting fees.....
 Other.....

Total expenses.....

NET INVESTMENT INCOME (LOSS).....

NET REALIZED AND UNREALIZED GAIN (LOSS):

Net realized gain (loss) on:
 Investments.....
 Written options.....

Net realized gain (loss).....

Net change in unrealized appreciation (depreciation) on:
 Investments.....
 Written options.....

Net change in unrealized appreciation (depreciation).....

NET REALIZED AND UNREALIZED GAIN (LOSS).....

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....

See Notes to Financial Statements

Page 11

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

	YEAR ENDED 12/31/2015
OPERATIONS:	
Net investment income (loss).....	\$ 4,166,263
Net realized gain (loss).....	16,788,987
Net change in unrealized appreciation (depreciation).....	(21,431,903)

Net increase (decrease) in net assets resulting from operations.....	(476,653)

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

DISTRIBUTIONS TO SHAREHOLDERS FROM:	
Net investment income.....	(12,083,764)
Net realized gain.....	(6,691,010)

Total distributions to shareholders.....	(18,774,774)

Total increase (decrease) in net assets.....	(19,251,427)
NET ASSETS:	
Beginning of period.....	318,639,991

End of period.....	\$299,388,564
	=====
Accumulated net investment income (loss) at end of period.....	\$ 693,703
	=====
COMMON SHARES:	
Common Shares at end of period.....	19,973,164
	=====

Page 12

See Notes to Financial Statements

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

	YEAR ENDED DECEMBER 31,			
	2015	2014 (a)	2013	2012
	-----	-----	-----	-----
Net asset value, beginning of period.....	\$ 15.95	\$ 15.24	\$ 13.27	\$ 12.51
	-----	-----	-----	-----
INCOME FROM INVESTMENT OPERATIONS:				
Net investment income (loss).....	0.20	0.24	0.21	0.26
Net realized and unrealized gain (loss).....	(0.22)	1.39	2.66	1.40
	-----	-----	-----	-----
Total from investment operations.....	(0.02)	1.63	2.87	1.66
	-----	-----	-----	-----
DISTRIBUTIONS PAID TO SHAREHOLDERS FROM:				
Net investment income.....	(0.60)	(0.92)	(0.90)	(0.72)
Net realized gain.....	(0.34)	--	--	--
Return of capital.....	--	--	--	(0.18)
	-----	-----	-----	-----
Total distributions to Common Shareholders.....	(0.94)	(0.92)	(0.90)	(0.90)
	-----	-----	-----	-----
Net asset value, end of period.....	\$ 14.99	\$ 15.95	\$ 15.24	\$ 13.27
	=====	=====	=====	=====

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

Market value, end of period.....	\$ 13.20	\$ 14.34	\$ 13.32	\$ 11.84
	=====	=====	=====	=====
TOTAL RETURN BASED ON NET ASSET VALUE (b)...	0.72%	11.63%	23.11%	14.18%
	=====	=====	=====	=====
TOTAL RETURN BASED ON MARKET VALUE (b).....	(1.35)%	14.83%	20.60%	17.68%
	=====	=====	=====	=====

RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA:

Net assets, end of period (in 000's).....	\$299,389	\$318,640	\$304,297	\$265,009
Ratio of total expenses to average net assets.....	1.12%	1.18%	1.19%	1.21%
Ratio of net investment income (loss) to average net assets.....	1.33%	1.54%	1.45%	1.90%
Portfolio turnover rate.....	45%	44%	40%	66%

-
- (a) On February 20, 2014, the Fund's Board of Trustees approved an interim and new sub-advisory agreement with Chartwell Investment Partners, Inc. ("Chartwell"), which became the Fund's sub-advisor on March 5, 2014, under the interim sub-advisory agreement. On July 2, 2014, the Fund's shareholders voted to approve the new sub-advisory agreement.
- (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 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. Past performance is not indicative of future results.
- (c) The Fund received reimbursements from Chartwell Investment Partners, L.P. (the predecessor to Chartwell) in the amount of \$77,318. The reimbursements represented less than \$0.01 per share and had no effect on the Fund's total return.

See Notes to Financial Statements

Page 13

NOTES TO FINANCIAL STATEMENTS

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

1. ORGANIZATION

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

The Fund's investment objective is to provide a high level of current income and

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

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. Managed Assets means the total asset value of the Fund minus the sum of the Fund's liabilities, including the value of call options written (sold). There can be no assurance that the Fund will achieve its investment objective. The Fund may not be appropriate for all investors.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund, which is an investment company within the scope of Financial Accounting Standards Board ("FASB") Accounting Standards Update 2013-08, follows accounting and reporting guidance under FASB Accounting Standards Codification Topic 946, "Financial Services-Investment Companies." 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 ("U.S. GAAP") 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. If the NYSE closes early on a valuation day, the NAV is determined as of that time. The Fund's 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. Market value prices represent last sale or official closing prices from a national or foreign exchange (i.e., a regulated market) and are primarily obtained from third-party pricing services. Fair value prices represent any prices not considered market value prices and are either obtained from a third-party pricing service or are determined by the Pricing Committee of the Fund's investment advisor, First Trust Advisors L.P. ("First Trust" or the "Advisor"), in accordance with valuation procedures adopted by the Fund's Board of Trustees, and in accordance with provisions of the 1940 Act. Investments valued by the Advisor's Pricing Committee, if any, are footnoted as such in the footnotes to the Portfolio of Investments. The Fund's investments are valued as follows:

Common stocks, real estate investment trusts ("REITs"), master limited partnerships ("MLPs"), exchange-traded funds and other equity securities listed on any national or foreign exchange (excluding The Nasdaq(R) Stock Market LLC ("Nasdaq") and the London Stock Exchange Alternative Investment Market ("AIM")) are valued at the last sale price on the exchange on which they are principally traded or, for Nasdaq and AIM securities, the official closing price. Securities traded on more than one securities exchange are valued at the last sale price or official closing price, as applicable, at the close of the securities exchange representing the principal market for such securities.

Securities traded in an over-the-counter market are fair valued at the

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

mean of their most recent bid and asked price, if available, and otherwise at their closing bid price.

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

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

Page 14

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

before the calculation of the Fund's NAV or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by the pricing service, does not reflect the security's fair value. As a general principle, the current fair value of a security would appear to be the amount which the owner might reasonably expect to receive for the security upon its current sale. When fair value prices are used, generally they will differ from market quotations or official closing prices on the applicable exchanges. A variety of factors may be considered in determining the fair value of such securities, including, but not limited to, the following:

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

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

- 8) an analysis of the issuer's financial statements; and
- 9) the existence of merger proposals or tender offers that might affect the value of the security.

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

- o Level 1 - Level 1 inputs are quoted prices in active markets for identical investments. An active market is a market in which transactions for the investment occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- o Level 2 - Level 2 inputs are observable inputs, either directly or indirectly, and include the following:
 - o Quoted prices for similar investments in active markets.
 - o Quoted prices for identical or similar investments in markets that are non-active. A non-active market is a market where there are few transactions for the investment, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
 - o Inputs other than quoted prices that are observable for the investment (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
 - o Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- o Level 3 - Level 3 inputs are unobservable inputs. Unobservable inputs may reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the investment.

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

B. OPTION CONTRACTS

The Fund is subject to equity price risk in the normal course of pursuing its investment objective and may write (sell) options to hedge against changes in the value of equities. Also, the Fund seeks to generate additional income, in the form of premiums received, from writing (selling) the options. The Fund may write (sell) covered call options ("options") on all or a portion of the equity securities held in the Fund's portfolio and on securities indices as determined to be appropriate by Chartwell Investment Partners, LLC ("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

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

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. When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is included in "Options written, at value" on the Fund's Statement of Assets and Liabilities. 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

Page 15

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

to the option holder upon payment of the strike price. In this case, the option premium received by the Fund will be added to the amount realized on the sale of the underlying security for purposes of determining gain or loss. If the price of the underlying equity security is less than the option's strike price, the option will likely expire without being exercised. The option premium received by the Fund will, in this case, be treated as short-term capital gain on the expiration date of the option. The Fund may also elect to close out its position in an option prior to its expiration by purchasing an option of the same series as the option written (sold) by the Fund. Gain or loss on options is presented separately as "Net realized gain (loss) on written options" on the Statement of Operations.

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

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

option. Once an option writer (seller) has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security to the option holder at the exercise price.

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

C. SECURITIES TRANSACTIONS 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, if any, is recorded daily on the accrual basis, including amortization of premiums and accretion of discounts.

The Fund may hold securities of publicly-traded REITs. Distributions from such investments may be comprised of return of capital, capital gains and income. The actual character of amounts received during the year is not known until after the REITs' fiscal year end. The Fund records the character of distributions received from REITs during the year based on estimates available. The characterization of distributions received by the Fund may be subsequently revised based on information received from the REITs after their tax reporting periods conclude.

For the year ended December 31, 2015, distributions of \$421,800 received from MLPs have been reclassified as return of capital. The cost basis of the applicable MLPs has been reduced accordingly.

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.

Distributions from income and realized capital gains are determined in accordance with income tax regulations, which may differ from U.S. GAAP. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These permanent differences are primarily due to the varying treatment of income and gain/loss on portfolio securities held by the Fund and have no impact on net assets or NAV per share. Temporary differences, which arise from recognizing certain items of income, expense and gain/loss in different periods for financial statement and tax purposes, will reverse at some point in the future. Permanent differences incurred during the tax year ended December 31, 2015, primarily as a result of distributions in excess of current year taxable income, have been reclassified at year end to reflect an increase in accumulated net investment income (loss) of \$7,625,861, a decrease in accumulated net realized gain (loss) on investments and written options of \$756,594 and a decrease to paid-in capital of \$6,869,267. Net assets were not affected by this reclassification.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The tax character of distributions paid during the fiscal years ended December 31, 2015 and 2014 was as follows:

Distributions paid from:	2015	2014
Ordinary income.....	\$ 12,083,764	\$ 18,375,311
Long-term capital gain.....	6,691,010	--
Return of capital.....	--	--

As of December 31, 2015, the distributable earnings and net assets on a tax basis were as follows:

Undistributed ordinary income.....	\$ --
Undistributed capital gains.....	--

Total undistributed earnings.....	--
Accumulated capital and other losses.....	(3,330,902)
Net unrealized appreciation (depreciation)...	35,675,202

Total accumulated earnings (losses).....	32,344,300
Other.....	(4,450,162)
Paid-in capital.....	271,494,426

Net assets.....	\$ 299,388,564
	=====

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. However, due to the timing and amount of distributions, the Fund may be subject to an excise tax of 4% of the amount by which approximately 98% of the Fund's taxable income exceeds the distributions from such taxable income for the calendar year.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses arising in taxable years after December 22, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward up to eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. At December 31, 2015, the Fund had no pre- or post-enactment capital loss carryforwards for federal income tax purposes.

During the taxable year ended December 31, 2015, the Fund utilized pre-enactment capital loss carryforwards in the amount of \$13,292,078.

The Fund is subject to certain limitations under the U.S. tax rules on the use

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

of capital loss carryforwards and net unrealized built-in losses. These limitations apply when there has been a 50% change in ownership.

The Fund is subject to 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 2012, 2013, 2014 and 2015 remain open to federal and state audit. As of December 31, 2015, 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.

Certain losses realized during the current fiscal year may be deferred and treated as occurring on the first day of the following year for federal income tax purposes. For the fiscal year ended December 31, 2015, the Fund intends to elect to defer net capital losses of \$3,330,902.

F. EXPENSES

The Fund will pay all expenses directly related to its operations.

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

First Trust, the investment advisor to the Fund, is a limited partnership with one limited partner, Grace Partners of DuPage L.P., and one general partner, The Charger Corporation. The Charger Corporation is an Illinois corporation controlled by James A. Bowen, Chief Executive Officer of First Trust. 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 investment management services, First Trust is entitled to a monthly fee calculated at an annual rate of 1.00% of the Fund's Managed Assets. First Trust also provides fund reporting services to the Fund for a flat annual fee in the amount of \$9,250.

Page 17

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

On December 16, 2015, TriState Capital Holdings, Inc. ("TriState"), the parent of Chartwell, announced that it had entered into an agreement to acquire The Killen Group, which is an investment manager and advisor to The Berwyn Funds. In the announcement, TriState indicated that The Killen Group will become part of Chartwell, but will work independently and will not be involved with the portfolio management and other services that Chartwell provides to the Fund. The transaction is expected to close in the second quarter of 2016, subject to customary regulatory and closing conditions.

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

BNY Mellon Investment Servicing (US) Inc. ("BNYM IS") serves as the Fund's administrator, fund accountant and transfer agent in accordance with certain fee arrangements. As administrator and fund accountant, BNYM IS is responsible for providing certain administrative and accounting services to the Fund, including maintaining the Fund's books of account, records of the Fund's securities transactions, and certain other books and records. As transfer agent, BNYM IS is responsible for maintaining shareholder records for the Fund. The Bank of New York Mellon ("BNYM") serves as the Fund's custodian in accordance with certain fee arrangements. As custodian, BNYM is responsible for custody of the Fund's assets. BNYM IS and BNYM are subsidiaries of The Bank of New York Mellon Corporation, a financial holding company.

At a meeting on December 7, 2015, the Board accepted Mr. Bradley's resignation from his position as the President and Chief Executive Officer of the Fund, effective December 31, 2015. At the same meeting, the Board elected Mr. Dykas, formerly Chief Financial Officer and Treasurer of the Fund, to serve as the President and Chief Executive Officer and Mr. Swade, formerly an Assistant Treasurer of the Fund, to serve as the Treasurer, Chief Financial Officer and Chief Accounting Officer of the Fund.

Each Trustee who is not an officer or employee of First Trust, any sub-advisor or any of their affiliates ("Independent Trustees") is paid a fixed annual retainer that is allocated pro rata among each fund in the First Trust Fund Complex based on net assets. Each Independent Trustee is also paid an annual per fund fee that varies based on whether the fund is a closed-end or other actively managed fund, or is an index fund.

Additionally, the Lead Independent Trustee and the Chairmen of the Audit Committee, Nominating and Governance Committee and Valuation Committee are paid annual fees to serve in such capacities, with such compensation allocated pro rata among each fund in the First Trust Fund Complex based on net assets. Trustees are reimbursed for travel and out-of-pocket expenses in connection with all meetings. The Lead Independent Trustee and Committee Chairmen rotate every three years. The officers and "Interested" Trustee receive no compensation from the Fund for acting in such capacities.

4. PURCHASES AND SALES OF SECURITIES

Cost of purchases and proceeds from sales of investments, excluding short-term investments, for the year ended December 31, 2015, were \$138,203,012 and \$148,430,618, respectively.

5. DERIVATIVE TRANSACTIONS

Written option activity for the Fund was as follows:

WRITTEN OPTIONS	NUMBER OF CONTRACTS	PREMIUMS
Options outstanding at December 31, 2014.....	7,300	\$ 965,198
Options Written.....	101,495	14,742,315
Options Expired.....	(55,984)	(3,734,536)
Options Exercised.....	(5,121)	(436,679)
Options Closed.....	(40,575)	(10,561,884)
	-----	-----
Options outstanding at December 31, 2015.....	7,115	\$ 974,414
	=====	=====

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

The following table presents the types of derivatives held by the Fund at December 31, 2015, the primary underlying risk exposure and the location of these instruments as presented on the Statement of Assets and Liabilities.

DERIVATIVE INSTRUMENT	RISK EXPOSURE	ASSET DERIVATIVES		LIABILITY DERIVATIVES	
		STATEMENTS OF ASSETS AND LIABILITIES	LOCATION	STATEMENTS OF ASSETS AND LIABILITIES	LOCATION
Written Options	Equity Risk	--	--	Options written, at value	

Page 18

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The following table presents the amount of net realized gain (loss) and change in net unrealized appreciation (depreciation) recognized for the year ended December 31, 2015, on derivative instruments, as well as the primary underlying risk exposure associated with each instrument.

STATEMENT OF OPERATIONS LOCATION

EQUITY RISK	
Net realized gain (loss) on written options	\$ 2,911,907
Net change in unrealized gain (loss) on written options	324,636

The Fund does not have the right to offset financial assets and financial liabilities related to option contracts on the Statement of Assets and Liabilities.

6. 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.

7. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events to the Fund through the date the financial statements were issued, and has determined that there was the following subsequent event:

Effective January 1, 2016, the fixed annual retainer paid to the Independent Trustees will be allocated equally among each fund in the First Trust Fund

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

Complex and will no longer be allocated pro rata based on each fund's net assets.

Page 19

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, 2015, and the related statement of operations for 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 each of the five years in the period then ended. 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 audit 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, 2015 by correspondence with the Fund's custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. 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, 2015, and 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 each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Chicago, Illinois
February 23, 2016

Page 20

ADDITIONAL INFORMATION

FIRST TRUST ENHANCED EQUITY INCOME FUND (FFA)
DECEMBER 31, 2015 (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 BNY Mellon Investment Servicing (US) 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 the dividend paying agent.

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

- (1) If Common Shares are trading at or above net asset value ("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 NYSE 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 (866) 340-1104, 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

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

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 BNY Mellon Investment Servicing (US) 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 to vote proxies and information on how the Fund voted proxies relating to portfolio investments 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 ("SEC") website located at <http://www.sec.gov>.

Page 21

ADDITIONAL INFORMATION (CONTINUED)

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

PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Qs 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

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

President has certified to the NYSE that, as of April 29, 2015, 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

For the year ended December 31, 2015, the amount of long-term capital gain distributions designated by the Fund was \$6,691,010 which is taxable at the applicable capital gain tax rates for federal income tax purposes.

Of the ordinary income (including short-term capital gain, if applicable) distributions made by the Fund during the year ended December 31, 2015, 16.23% qualified for the corporate dividends received deduction available to corporate shareholders. The Fund hereby designates as qualified dividend income 20.39% of its ordinary income distributions (including short-term capital gain, if applicable), for the year ended December 31, 2015.

SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

The Joint Annual Meeting of Shareholders of the Common Shares of Macquarie/First Trust Global Infrastructure/Utilities Dividend & Income Fund, First Trust Energy Income and Growth Fund, First Trust Enhanced Equity Income Fund, First Trust/Aberdeen Global Opportunity Income Fund, First Trust Mortgage Income Fund, First Trust Strategic High Income Fund II, First Trust/Aberdeen Emerging Opportunity Fund, First Trust Specialty Finance and Financial Opportunities Fund, First Trust Dividend and Income Fund, First Trust High Income Long/Short Fund, First Trust Energy Infrastructure Fund, First Trust MLP and Energy Income Fund, First Trust Intermediate Duration Preferred & Income Fund and First Trust New Opportunities MLP & Energy Fund was held on April 20, 2015 (the "Annual Meeting"). At the Annual Meeting, Richard E. Erickson and Thomas R. Kadlec were elected by the Common Shareholders of the First Trust Enhanced Equity Income Fund as Class II Trustees for a three-year term expiring at the Fund's annual meeting of shareholders in 2018. The number of votes cast in favor of Mr. Erickson was 17,437,693, the number of votes against was 451,105 and the number of broker non-votes was 2,084,366. The number of votes cast in favor of Mr. Kadlec was 17,459,722, the number of votes against was 429,076 and the number of broker non-votes was 2,084,366. James A. Bowen, Robert F. Keith and Niel B. Nielson are the other current and continuing Trustees.

RISK CONSIDERATIONS

Risks are inherent in all investing. The following summarizes some, but not all, 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

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

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 22

ADDITIONAL INFORMATION (CONTINUED)

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

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 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,

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

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.

Page 23

 BOARD OF TRUSTEES AND OFFICERS

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

NAME, ADDRESS, DATE OF BIRTH AND POSITION WITH THE FUND	TERM OF OFFICE AND LENGTH OF SERVICE (2)	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS
----- INDEPENDENT TRUSTEES -----		
Richard E. Erickson, Trustee c/o First Trust Advisors L.P. 120 East Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 04/51	<ul style="list-style-type: none"> o Three-Year Term o Since Fund Inception 	Physician; President, Wheaton Orthopedics; Limited Partner, Gundersen Real Estate Limited Partnership; Member, Sportsmed LLC
Thomas R. Kadlec, Trustee c/o First Trust Advisors L.P. 120 East Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/57	<ul style="list-style-type: none"> o Three-Year Term o Since Fund Inception 	President, ADM Investor Services, Inc. (Futures Commission Merchant)
Robert F. Keith, Trustee c/o First Trust Advisors L.P. 120 East Liberty Drive, Suite 400	<ul style="list-style-type: none"> o Three-Year Term o Since June 2006 	President, Hibs Enterprises (Financial and Management Consulting)

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

Wheaton, IL 60187
D.O.B.: 11/56

Niel B. Nielson, Trustee
c/o First Trust Advisors L.P.
120 East Liberty Drive,
Suite 400
Wheaton, IL 60187
D.O.B.: 03/54

o Three-Year Term
o Since Fund
Inception

Managing Director and Chief Operating Officer (January 2015 to Present), Pelita Harapan Educational Foundation (Educational Products and Services); President and Chief Executive Officer (June 2012 to September 2014), Servant Interactive LLC (Educational Products and Services); President and Chief Executive Officer (June 2012 to September 2014), Dew Learning LLC (Educational Products and Services); President (June 200 to June 2012), Covenant College

INTERESTED TRUSTEE

James A. Bowen(1), Trustee
and Chairman of the Board
120 East Liberty Drive,
Suite 400
Wheaton, IL 60187
D.O.B.: 09/55

o Three-Year Term
o Since Fund
Inception

Chief Executive Officer, 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)

- (1) Mr. Bowen is deemed an "interested person" of the Fund due to his position as CEO of First Trust Advisors L.P., investment advisor of the Fund.
- (2) Currently, James A. Bowen and Niel B. Nielson, as Class III Trustees, are serving as trustees until the Fund's 2016 annual meeting of shareholders. Robert F. Keith, as a Class I Trustee, is serving as a trustee until the Fund's 2017 annual meeting of shareholders. Richard E. Erickson and Thomas R. Kadlec, as Class II Trustees, are serving as trustees until the Fund's 2018 annual meeting of shareholders.

Page 24

BOARD OF TRUSTEES AND OFFICERS (CONTINUED)

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

NAME, ADDRESS
AND DATE OF BIRTH

POSITION AND OFFICES
WITH FUND

TERM OF OFFICE AND
LENGTH OF SERVICE

PR
D

OFFICERS (3)

James M. Dykas

President and Chief

o Indefinite Term

Managing Director

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

120 E. Liberty Drive, Executive Officer
Suite 400
Wheaton, IL 60187
D.O.B.: 01/66

o Since January 2016

(January 2016 to P
2011 to January 20
(April 2007 to Jan
Advisors L.P. and

Donald P. Swade
120 E. Liberty Drive,
Suite 400
Wheaton, IL

Treasurer, Chief Financial
Officer and Chief
Accounting Officer

o Indefinite Term

o Since January 2016

Vice President (Ap
First Trust Adviso
Portfolios L.P., V