

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

FIRST TRUST ENHANCED EQUITY INCOME FUND

Form N-Q

November 06, 2007

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT  
INVESTMENT COMPANY

Investment Company Act file number 811-21586

FIRST TRUST ENHANCED EQUITY INCOME FUND (FORMERLY KNOWN AS FIRST  
TRUST/FIDUCIARY ASSET MANAGEMENT COVERED CALL FUND)

(Exact name of registrant as specified in charter)

1001 Warrenville Road, Suite 300  
LISLE, IL 60532

(Address of principal executive offices) (Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: DECEMBER 31

Date of reporting period: SEPTEMBER 30, 2007

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

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

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

ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

FIRST TRUST ENHANCED EQUITY INCOME FUND (FORMERLY KNOWN AS FIRST TRUST/FIDUCIARY ASSET MANAGEMENT COVERED CALL FUND)  
 PORTFOLIO OF INVESTMENTS (a)  
 SEPTEMBER 30, 2007 (UNAUDITED)

SHARES	DESCRIPTION	MARKET VALUE
COMMON STOCKS (b) - 102.3%		
AEROSPACE & DEFENSE - 5.9%		
145,200	Honeywell International Inc. ....	\$ 8,635,044
77,400	Rockwell Collins Inc. ....	5,653,296
104,200	United Technologies Corp. ....	8,386,016
		-----
		22,674,356
		-----
AIR FREIGHT & LOGISTICS - 1.3%		
47,200	FedEx Corp. ....	4,944,200
		-----
BEVERAGES - 3.0%		
94,000	Coca-Cola (The), Company ....	5,402,180
82,600	PepsiCo, Inc. ....	6,051,276
		-----
		11,453,456
		-----
BIOTECHNOLOGY - 3.4%		
38,900	Amgen, Inc. (c) ....	2,200,573
58,300	Genentech, Inc. (c) ....	4,548,566
156,800	Gilead Sciences, Inc. (c) ....	6,408,416
		-----
		13,157,555
		-----
CAPITAL MARKETS - 8.4%		
120,000	AllianceBernstein Holding, LP ....	10,568,400
18,100	Goldman Sachs Group (The), Inc. ....	3,922,994
156,700	Lehman Brothers Holdings, Inc. ....	9,673,091
114,500	Merrill Lynch & Company, Inc. ....	8,161,560
		-----
		32,326,045
		-----
CHEMICALS - 2.4%		
107,100	Monsanto Company ....	9,182,754
		-----
COMMERCIAL BANKS - 4.6%		
158,500	Huntington Bancshares, Inc. ....	2,691,330
80,000	U.S. Bancorp ....	2,602,400
77,300	Wachovia Corp. ....	3,876,595
240,000	Wells Fargo & Company ....	8,548,800
		-----
		17,719,125
		-----
COMMUNICATIONS EQUIPMENT - 4.0%		
295,200	Cisco Systems, Inc. (c) ....	9,774,072
136,500	QUALCOMM, Inc. ....	5,768,490

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

		15,542,562
	COMPUTERS & PERIPHERALS - 3.8%	
7,500	Apple, Inc. (c) .....	1,151,550
389,500	EMC Corp. (c) .....	8,101,600
47,900	International Business Machines Corp. ....	5,642,620
		14,895,770

See Notes to Quarterly Portfolio of Investments.

Page 1

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 SEPTEMBER 30, 2007 (UNAUDITED)

SHARES	DESCRIPTION	MARKET VALUE
COMMON STOCKS (b) - (CONTINUED)		
	DIVERSIFIED FINANCIAL SERVICES - 5.8%	
157,100	Bank of America Corp. ....	\$ 7,897,417
135,700	Citigroup, Inc. ....	6,333,119
175,100	JPMorgan Chase & Company .....	8,023,082
		22,253,618
	DIVERSIFIED TELECOMMUNICATION SERVICES - 4.1%	
200,000	Alaska Communications Systems Group, Inc. ....	2,890,000
229,700	AT&T Inc. ....	9,718,607
75,600	Verizon Communications, Inc. ....	3,347,568
		15,956,175
	ELECTRICAL EQUIPMENT - 2.1%	
156,100	Emerson Electric Company .....	8,307,642
	ENERGY EQUIPMENT AND SERVICES - 1.4%	
27,200	Oil Service Holders Trust .....	5,215,600
	FOOD & STAPLES RETAILING - 2.7%	
133,600	CVS Caremark Corp.. ....	5,294,568
108,800	Walgreen Company .....	5,139,712
		10,434,280
	HEALTH CARE PROVIDERS & SERVICES - 3.0%	
68,900	Cardinal Health, Inc. ....	4,308,317
50,050	Coventry Health Care, Inc. (c). ....	3,113,611
83,500	UnitedHealth Group, Inc. ....	4,043,905
		11,465,833
	HOTELS, RESTAURANTS & LEISURE - 3.8%	
126,200	McDonald's Corp. ....	6,874,114
36,200	MGM MIRAGE (c) .....	3,237,728
177,600	Starbucks Corp. (c) .....	4,653,120

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

		14,764,962
	HOUSEHOLD DURABLES - 1.6%	
90,900	Procter & Gamble (The) Company .....	6,393,906
	INDUSTRIAL CONGLOMERATES - 0.7%	
64,800	General Electric Company .....	2,682,720
	INSURANCE - 2.3%	
132,800	American International Group, Inc. ....	8,983,920
	INTERNET SOFTWARE & SERVICES - 1.5%	
145,700	eBay, Inc. (c) .....	5,685,214
	MACHINERY - 3.0%	
67,600	Caterpillar, Inc. ....	5,301,868
14,600	Deere & Company .....	2,166,932
81,800	Joy Global Inc. ....	4,160,348
		11,629,148

Page 2

See Notes to Quarterly Portfolio of Investments.

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 SEPTEMBER 30, 2007 (UNAUDITED)

SHARES	DESCRIPTION	MARKET VALUE
COMMON STOCKS (b) - (CONTINUED)		
	MEDIA - 3.0%	
277,100	Comcast Corp., Class A (c) .....	\$ 6,700,278
147,400	Walt Disney (The) Company .....	5,069,086
		11,769,364
	MULTILINE RETAIL - 3.4%	
173,400	Nordstrom, Inc. ....	8,130,726
79,500	Target Corp. ....	5,053,815
		13,184,541
	OIL, GAS & CONSUMABLE FUELS - 7.4%	
97,800	Chevron Corp. ....	9,152,124
307,900	El Paso Corp. ....	5,225,063
76,100	Plains All American Pipeline, LP .....	4,146,689
54,800	Valero Energy Corp. ....	3,681,464
189,400	Williams Companies (The), Inc. ....	6,450,964
		28,656,304
	PHARMACEUTICALS - 3.4%	
223,100	Pfizer, Inc. ....	5,450,333
94,800	Pharmaceutical Holders Trust .....	7,594,428

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

		13,044,761
		-----
	REAL ESTATE INVESTMENT TRUSTS (REITS) - 1.4%	
130,000	CapitalSource, Inc. ....	2,631,200
80,000	iStar Financial, Inc. ....	2,719,200
		-----
		5,350,400
		-----
	ROAD & RAIL - 0.7%	
33,300	Burlington Northern Santa Fe Corp. ....	2,702,961
		-----
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 4.3%	
172,200	Broadcom Corp., Class A (c) ....	6,274,968
287,300	Intel Corp. ....	7,429,578
84,400	Texas Instruments, Inc. ....	3,088,196
		-----
		16,792,742
		-----
	SOFTWARE - 5.5%	
143,900	Adobe Systems, Inc. (c) ....	6,282,674
167,000	Amdocs Ltd. (c) ....	6,210,730
389,700	BEA Systems, Inc. (c) ....	5,405,139
108,900	Microsoft Corp. ....	3,208,194
		-----
		21,106,737
		-----
	SPECIALTY RETAIL - 1.3%	
107,000	Best Buy Company, Inc. ....	4,924,140
		-----
	TEXTILES, APPAREL & LUXURY GOODS - 1.5%	
98,600	Nike Inc., Class B ....	5,783,876
		-----
	TOBACCO - 1.6%	
87,300	Altria Group Inc. ....	6,069,969
		-----

See Notes to Quarterly Portfolio of Investments.

Page 3

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 SEPTEMBER 30, 2007 (UNAUDITED)

DESCRIPTION	MARKET VALUE
-----	-----
TOTAL COMMON STOCKS .....	\$ 395,054,636
(Cost \$390,925,453)	-----
TOTAL INVESTMENTS - 102.3% .....	395,054,636
(Cost \$390,925,453) (d)	
CALL OPTIONS WRITTEN - (2.7%) .....	(10,293,720)
(Premiums received \$8,573,832)	
NET OTHER ASSETS AND LIABILITIES - 0.4% .....	1,565,182
	-----
NET ASSETS - 100.0% .....	\$ 386,326,098
	=====

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

- (a) All percentages shown in the Portfolio of Investments are based on net assets.
- (b) Call options were written on either entire or partial Common Stock positions; all Common Stocks are pledged as collateral.
- (c) Non-income producing security.
- (d) Aggregate cost for federal income tax and financial reporting purposes.

NUMBER OF CONTRACTS	DESCRIPTION	MARKET VALUE
CALL OPTIONS WRITTEN - (2.7%)		
1,439	Adobe Systems Inc. Call @ 45 due Oct 07 .....	\$ (71,950)
600	AllianceBernstein Holding, LP Call @ 85 due Oct 07 .....	(228,000)
873	Altria Group Inc. Call @ 70 due Oct 07 .....	(78,570)
1,042	Amdocs Ltd. Call @ 35 due Oct 07 .....	(255,290)
136	American International Group, Inc. Calls @ 70 due Oct 07 .....	(3,808)
854	@ 65 due Oct 07 .....	(290,360)
		(294,168)
389	Amgen, Inc. Call @ 57.5 due Oct 07 .....	(36,566)
75	Apple Inc. Call @ 150 due Nov 07 .....	(87,375)

Page 4 See Notes to Quarterly Portfolio of Investments.

FIRST TRUST ENHANCED EQUITY INCOME FUND  
PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
SEPTEMBER 30, 2007 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	MARKET VALUE
CALL OPTIONS WRITTEN - (CONTINUED)		
1,893	AT&T Inc. Calls @ 42.5 due Oct 07 .....	\$ (121,152)
404	@ 42.5 due Nov 07 .....	(56,560)

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

		----- (177,712) -----
1,408	Bank of America Corp. Call @ 52.5 due Oct 07 .....	(21,120) -----
1,239	BEA Systems, Inc. Calls @ 15 due Oct 07 .....	(24,780)
2,658	@ 15 due Nov 07 .....	(106,320) ----- (131,100) -----
405	Best Buy Company, Inc. Calls @ 47.5 due Oct 07 .....	(16,200)
665	@ 45 due Oct 07 .....	(106,400) ----- (122,600) -----
1,722	Broadcom Corp., Class A Call @ 37.5 due Oct 07 .....	(120,540) -----
333	Burlington Northern Santa Fe Corp. Call @ 85 due Oct 07 .....	(28,305) -----
800	CapitalSource, Inc. Call @ 20 due Oct 07 .....	(68,000) -----
689	Cardinal Health, Inc. Call @ 65 due Oct 07 .....	(17,225) -----
676	Caterpillar, Inc. Call @ 80 due Oct 07 .....	(101,400) -----
460	Chevron Corp. Calls @ 95 due Nov 07 .....	(128,800)
461	@ 95 due Oct 07 .....	(76,065) ----- (204,865) -----
2,952	Cisco Systems, Inc. Call @ 32.5 due Oct 07 .....	(333,576) -----
1,357	Citigroup, Inc. Call @ 50 due Oct 07 .....	(18,998) -----
135	Coca-Cola (The), Company Calls @ 60 due Nov 07 .....	(6,750)
405	@ 55 due Nov 07 .....	(141,750) ----- (148,500) -----
2,771	Comcast Corp., Class A Call @ 25 due Oct 07 .....	(83,130) -----

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

See Notes to Quarterly Portfolio of Investments.

Page 5

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 SEPTEMBER 30, 2007 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	MARKET VALUE
CALL OPTIONS WRITTEN - (CONTINUED)		
	Coventry Health Care, Inc. Call	
363	@ 60 due Oct 07 .....	\$ (112,530)
	CVS Caremark Corp. Call	
773	@ 37.5 due Oct 07 .....	(187,066)
	Deere & Company Calls	
65	@ 135 due Oct 07 .....	(98,800)
81	@ 150 due Nov 07 .....	(54,270)
		(153,070)
	eBay Inc. Calls	
1,049	@37.5 due Oct 07 .....	(241,270)
408	@ 40 due Nov 07 .....	(67,320)
		(308,590)
	El Paso Corp. Call	
2,544	@ 17 due Oct 07 .....	(114,480)
	EMC Corp. Calls	
2,921	@ 20 due Oct 07 .....	(335,915)
974	@ 20 due Nov 07 .....	(155,840)
		(491,755)
	Emerson Electric Company Call	
1,561	@ 55 due Nov 07 .....	(179,515)
	FedEx Corp. Calls	
378	@ 115 due Oct 07 .....	(5,670)
94	@ 110 due Oct 07 .....	(5,640)
		(11,310)
	Genentech, Inc. Call	
583	@ 80 due Oct 07 .....	(49,555)
	Gilead Sciences, Inc. Call	
784	@ 37.5 due Oct 07 .....	(274,400)
	Goldman Sachs Group (The) Inc. Calls	



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

96	@ 190 due Oct 07 .....	(264,000)
85	@ 210 due Nov 07 .....	(114,750)
		-----
		(378,750)
		-----
	Honeywell International Inc. Calls	
873	@ 57.5 due Oct 07 .....	(241,821)
579	@ 60 due Nov 07 .....	(104,220)
		-----
		(346,041)
		-----
	Huntington Bancshares, Inc. Call	
1,390	@ 17.5 due Oct 07 .....	(48,650)
		-----

Page 6 See Notes to Quarterly Portfolio of Investments.

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 SEPTEMBER 30, 2007 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	MARKET VALUE
-----	-----	-----
CALL OPTIONS WRITTEN - (CONTINUED)		
	Intel Corp. Calls	
2,145	@ 25 due Oct 07 .....	\$ (270,270)
728	@ 27.5 due Nov 07 .....	(32,032)
		-----
		(302,302)
		-----
	International Business Machines Corp. Calls	
408	@ 120 due Oct 07 .....	(77,520)
71	@ 120 due Nov 07 .....	(19,880)
		-----
		(97,400)
		-----
	iStar Financial, Inc. Call	
800	@ 35 due Oct 07 .....	(40,000)
		-----
	Joy Global Inc. Calls	
650	@ 45 due Oct 07 .....	(422,500)
168	@ 50 due Oct 07 .....	(38,976)
		-----
		(461,476)
		-----
	JPMorgan Chase & Company Call	
1,359	@ 47.5 due Oct 07 .....	(61,155)
		-----
	Lehman Brothers Holdings, Inc. Call	
1,097	@ 65 due Oct 07 .....	(87,760)
		-----
	McDonald's Corp. Calls	
1,152	@ 55 due Nov 07 .....	(169,344)
110	@ 57.5 due Nov 07 .....	(6,600)
		-----

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

		(175,944)
		-----
	Merrill Lynch & Company, Inc. Calls	
80	@ 80 due Oct 07 .....	(2,400)
737	@ 75 due Oct 07 .....	(88,440)
		-----
		(90,840)
		-----
	MGM MIRAGE Call	
260	@ 80 due Oct 07 .....	(239,200)
		-----
	Microsoft Corp. Call	
1,089	@ 30 due Oct 07 .....	(37,026)
		-----
	Monsanto Company Calls	
872	@ 75 due Oct 07 .....	(961,816)
199	@ 80 due Nov 07 .....	(159,200)
		-----
		(1,121,016)
		-----
	Nike Inc., Class B Call	
739	@ 57.5 due Oct 07 .....	(147,800)
		-----
	Nordstorm Inc. Call	
1,581	@ 50 due Oct 07 .....	(75,888)
		-----

See Notes to Quarterly Portfolio of Investments.

Page 7

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
 SEPTEMBER 30, 2007 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	MARKET VALUE
-----	-----	-----
CALL OPTIONS WRITTEN - (CONTINUED)		
	Oil Service Holders Trust Calls	
68	@ 180 due Oct 07 .....	\$ (92,820)
204	@ 185 due Oct 07 .....	(204,000)
		-----
		(296,820)
		-----
	PepsiCo, Inc. Call	
731	@ 72.5 due Nov 07 .....	(175,440)
		-----
	Pharmaceutical Holders Trust Call	
948	@ 80 due Oct 07 .....	(104,280)
		-----
	Proctor & Gamble (The) Company Calls	
592	@ 65 due Oct 07 .....	(319,680)
135	@ 70 due Oct 07 .....	(17,550)
		-----
		(337,230)

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

1,121	QUALCOMM, Inc. Call @ 40 due Oct 07 .....	(294,823)
429	Rockwell Collins Inc. Calls @ 75 due Oct 07 .....	(27,885)
345	@ 70 due Oct 07 .....	(144,900)
		(172,785)
1,419	Starbucks Corp. Call @ 27.5 due Oct 07 .....	(28,380)
498	Target Corp. Calls @ 65 due Oct 07 .....	(62,250)
297	@ 67.5 due Oct 07 .....	(14,256)
		(76,506)
844	Texas Instruments, Inc. Call @ 37.5 due Oct 07 .....	(38,824)
260	United Technologies Corp. Calls @ 80 due Nov 07 .....	(77,220)
782	@ 85 due Nov 07 .....	(62,560)
		(139,780)
835	UnitedHealth Group, Inc. Call @ 50 due Oct 07 .....	(33,400)
411	Valero Energy Corp. Call @ 70 due Oct 07 .....	(36,990)
604	Verizon Communications, Inc. Call @ 45 due Oct 07 .....	(24,160)
773	Wachovia Corp. Call @ 52.5 due Oct 07 .....	(27,055)

Page 8

See Notes to Quarterly Portfolio of Investments.

FIRST TRUST ENHANCED EQUITY INCOME FUND  
PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
SEPTEMBER 30, 2007 (UNAUDITED)

NUMBER OF CONTRACTS	DESCRIPTION	MARKET VALUE
1,088	Walgreen Company Call @ 47.5 due Oct 07 .....	\$ (93,568)

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

		-----
1,474	Walt Disney (The) Company Call @ 35 due Oct 07 .....	(51,590)
		-----
1,270	Wells Fargo & Company Calls @ 37.5 due Oct 07 .....	(38,100)
1,130	@ 40 due Oct 07 .....	(6,780)
		-----
		(44,880)
		-----
1,894	Williams Companies (The), Inc. Call @ 35 due Oct 07 .....	(94,700)
		-----
	TOTAL CALL OPTIONS WRITTEN .....	\$ (10,293,720)
		=====
	(Premiums Received \$8,573,832)	

See Notes to Quarterly Portfolio of Investments. Page 9

-----  
NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS  
-----

FIRST TRUST ENHANCED EQUITY INCOME FUND  
SEPTEMBER 30, 2007 (UNAUDITED)

1. VALUATION AND INVESTMENT PRACTICES

A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of First Trust Enhanced Equity Income Fund (formerly known as First Trust/Fiduciary Asset Management Covered Call Fund) (the "Fund") is determined daily as of the close of regular trading on the New York Stock Exchange ("NYSE"), normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. The NAV per Common Share is calculated by subtracting the Fund's liabilities (including accrued expenses, the value of call options written (sold) and dividends payable), from the Fund's total assets (the value of the securities and other investments the Fund holds plus cash or other assets, including accrued interest and dividends) and dividing the result 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 according to procedures adopted by the Fund's Board of Trustees. Portfolio securities listed on any exchange other than the NASDAQ National Market ("NASDAQ") are valued at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked prices on such day. Securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price as determined by NASDAQ. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities. Portfolio securities traded in the over-the-counter market, but excluding securities trading on the NASDAQ, are valued at the closing bid prices. Fixed income securities with a remaining maturity of 60 days or more will be valued by the Fund using a pricing service. Short-term investments that mature in less than 60 days are valued at amortized

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

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.

### B. OPTION CONTRACTS:

Covered Options. When the Fund purchases equity securities, it simultaneously writes (sells) covered call or put options ("options") on substantially all of such equity securities. The number of options the Fund can write (sell) is limited by the amount of equity securities the Fund holds in its portfolio. The Fund will not write (sell) "naked" or uncovered options. By writing (selling) options, the Fund seeks to generate additional income, in the form of premiums received for writing (selling) the options, and provide a partial hedge against a market decline in the underlying equity security. Options are marked-to-market daily and their value will be affected by changes in the value and dividend rates of the underlying equity securities, an increase in interest rates, changes in the actual or perceived volatility of the securities markets and the underlying equity securities and the remaining time to the options' expiration. The value of options may also be adversely affected if the market for the options becomes less liquid or smaller.

Options the Fund writes (sells) will either be exercised, expire or be cancelled pursuant to a closing transaction. If the price of the underlying equity security exceeds the option's 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.

The Fund writes (sells) options on at least 80% of the Fund's Managed Assets. On September 14, 2007, the Fund's Board of Trustees approved investment strategy changes designed to provide the Fund with greater flexibility to pursue its investment objective. The Fund will continue to seek to achieve its investment objective by investing in a diversified portfolio of equity securities; however, effective on or about November 19, 2007, the Fund will no longer be required to write (or sell) call options on at least 80% of the Fund's Managed Assets. Chartwell Investment Partners, L.P. ("Chartwell"), the Fund's investment sub-advisor will thereafter write (sell) call options as determined to be appropriate, consistent with the Fund's investment objective. "Managed Assets" means the average daily gross assets of this 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. These options give the option holder the right, but not the obligation, to purchase a security

Page 10

---

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS - (CONTINUED)

---

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

FIRST TRUST ENHANCED EQUITY INCOME FUND  
 SEPTEMBER 30, 2007 (UNAUDITED)

from the Fund at the strike price on or prior to the option's expiration date. The ability to successfully implement the Fund's investment strategy depends on the ability of the Fund's sub-advisor, 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, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. As the writer (seller) of a covered option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the option above the sum of the premium and the strike price of the option, but retains the risk of loss should the price of the underlying security decline. The writer (seller) of an option has no control over the time when it may be required to fulfill its obligation as a writer (seller) of the option. Once an option writer (seller) has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security to the option holder at the exercise price.

## C. SECURITIES TRANSACTIONS:

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

### 2. UNREALIZED APPRECIATION/(DEPRECIATION)

As of September 30, 2007, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$21,602,854 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$19,193,559.

### 3. OPTION ACTIVITY

Written option activity for the Fund was as follows:

	NUMBER OF CONTRACTS	PREMIUMS
	-----	-----
Options outstanding at December 31, 2006 .....	71,400	\$ 8,241,701
Options written .....	543,969	61,036,524
Options expired .....	(97,343)	(7,533,324)
Options exercised .....	(4,934)	(653,435)
Options closed .....	(439,037)	(52,517,634)
	-----	-----
Options outstanding at September 30, 2007 .....	74,055	\$ 8,573,832
	=====	=====

Page 11

## ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls

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

and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

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

SIGNATURES

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

(Registrant) FIRST TRUST ENHANCED EQUITY INCOME FUND (FORMERLY KNOWN AS FIRST TRUST/FIDUCIARY ASSET MANAGEMENT COVERED CALL FUND)

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

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

Date NOVEMBER 5, 2007

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 NOVEMBER 5, 2007

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

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

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

Date NOVEMBER 5, 2007

---

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