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FIRST TRUST STRATEGIC HIGH INCOME FUND

Form N-Q

September 26, 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 811-21756

FIRST TRUST STRATEGIC HIGH INCOME 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: OCTOBER 31

Date of reporting period: JULY 31, 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.

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ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

FIRST TRUST STRATEGIC HIGH INCOME FUND
 PORTFOLIO OF INVESTMENTS
 JULY 31, 2007 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	COUPON	STATED MATURITY
ASSET-BACKED SECURITIES - 80.9%			
\$ 1,750,000	ABCLO Ltd Series 2007-1A, Class D (a) (b)	9.27%	04/15/21
504,354	ACE Securities Corp., Home Equity Loan Trust Series 2003-OP1, Class B (c)	6.00%	12/25/33
1,406,893	ACE Securities Corp., Home Equity Loan Trust Series 2004-HE4, Class M11 (b)	8.82%	12/25/34
2,000,000	ACE Securities Corp., Home Equity Loan Trust Series 2005-HE5, Class M10 (b)	8.32%	08/25/35
2,000,000	ACE Securities Corp., Home Equity Loan Trust Series 2005-SL1, Class M7 (c)	6.50%	06/25/35
3,000,000	ACE Securities Corp., Home Equity Loan Trust Series 2007-HE4, Class M8 (b)	7.82%	05/25/37
2,718,136	ACLC Business Loan Receivables Trust Series 1999-1, Class A3 (a)	7.39%	08/15/20
2,499,845	ACLC Business Loan Receivables Trust Series 1999-2, Class B (a)	8.75%	01/15/21
1,617,579	Aircraft Finance Trust Series 1999-1A, Class A2 (a) (b)	5.82%	05/15/24
762,678	Atherton Franchisee Loan Funding Series 1999-A, Class A2 (a)	7.23%	04/15/12
4,000,000	Bear Stearns Asset Backed Security Trust Series 2007-HE3, Class M9 (b)	7.57%	04/25/37
2,000,000	Bear Stearns Second Lien Trust Series 2007-1, Class 2B1 (b)	8.32%	08/25/37
2,878,000	Bear Stearns Second Lien Trust Series 2007-1, Class 2M6 (b)	8.32%	08/25/37
3,000,000	BNC Mortgage Loan Trust Series 2007-2, Class B1 (a) (b)	7.82%	05/25/37
1,766,000	BNC Mortgage Loan Trust Series 2007-3, Class B2 (a) (b)	7.82%	07/25/37
362,696	Bombardier Capital Mortgage Securitization Corp. Series 1999-B, Class A1B	6.61%	09/15/10
928,599	Bombardier Capital Mortgage Securitization Corp. Series 1999-B, Class A3	7.18%	12/15/15
4,267,079	Conseco Finance Securitizations Corp Series 2000-6, Class M1	7.72%	09/01/31
1,415,989	EMAC Owner Trust, LLC Series 1998-1, Class A3 (a)	6.63%	01/15/25
1,411,793	EMAC Owner Trust, LLC Series 2000-1, Class A1 (a) (b)	6.22%	01/15/27
1,808,501	EMAC Owner Trust, LLC Series 2000-1, Class A2 (a) (b)	6.22%	01/15/27
4,905,000	Falcon Franchise Loan Trust Series 2000-1, Class E (a)	6.50%	04/05/16
4,231,000	Falcon Franchise Loan Trust Series 2003-1, Class E (a)	6.00%	01/05/25
5,000,000	FFCA Secured Lending Corp.		

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Series 1998-1, Class D1 (a) 7.81% 10/18/25

See Notes to Quarterly Portfolio of Investments. Page 1

FIRST TRUST STRATEGIC HIGH INCOME FUND
 PORTFOLIO OF INVESTMENTS - (CONTINUED)
 JULY 31, 2007 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	COUPON	STATED MATURITY
ASSET-BACKED SECURITIES - (CONTINUED)			
\$ 5,000,000	FFCA Secured Lending Corp Series 1999-2, Class B1 (a)	8.27%	05/18/26
1,692,222	FMAC Loan Receivables Trust Series 1997-B, Class A (a)	6.85%	09/15/19
6,200,000	FMAC Loan Receivables Trust Series 1998-CA, Class A3 (a)	6.99%	09/15/20
422,243	Green Tree Financial Corp. Series 1997-4, Class B1	7.23%	02/15/29
1,000,000	Green Tree Financial Corp. Series 1998-4, Class M1	6.83%	04/01/30
5,000,000	Green Tree Financial Corp. Series 1998-6, Class M1	6.63%	06/01/30
3,000,000	Green Tree Financial Corp. Series 1998-8, Class M1	6.98%	09/01/30
7,413,623	Green Tree Financial Corp. Series 1999-3, Class M1	6.96%	02/01/31
10,000,000	GreenPoint Manufactured Housing Contract Trust. Series 1999-5, Class M2	9.23%	12/15/29
1,988,790	GSAMP Trust Series 2004-AR2, Class B4 (a) (c)	5.00%	08/25/34
3,700,000	Halyard Multi Asset CBO I, Ltd. Series 1A, Class B (a) (b)	6.76%	03/24/10
3,000,000	Helios Series I, Multi Asset CBO I, Ltd. Series 1A, Class B (a) (b)	6.25%	12/13/36
2,000,000	Home Equity Mortgage Trust Series 2005-3, Class B2 (c)	7.00%	11/25/35
5,000,000	Home Equity Mortgage Trust Series 2007-2, Class M3 (b)	7.82%	06/25/37
5,000,000	Independence 111 CDO, Ltd. Series 3A, Class C1 (a) (b)	7.86%	10/03/37
2,375,000	Indymac Residential Asset Backed Trust Series 2005-B, Class M10 (b)	8.82%	08/25/35
2,810,069	Longhorn CDO Ltd. Series 1, Class C (a) (b)	11.60%	05/10/12
5,349,096	Merit Securities Corp. Series 13, Class B1 (c) (d)	8.65%	12/28/33
2,602,000	Merit Securities Corp. Series 13, Class M2 (c)	8.65%	12/28/33
2,500,000	Merrill Lynch Mortgage Investors Trust Series 2006-SL1, Class B4 (a) (c)	7.50%	09/25/36
4,500,000	North Street Referenced Linked Notes Series 2000-1A, Class C (a) (b)	7.11%	04/28/11
7,000,000	North Street Referenced Linked Notes Series 2000-1A, Class D1 (a) (b)	7.96%	04/28/11
8,000,000	Oakwood Mortgage Investors, Inc.		

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	Series 2002-B, Class M1	7.62%	06/15/32
4,000,000	Park Place Securities, Inc.		
	Series 2004-WCW1, Class M8 (b)	8.82%	09/25/34

Page 2 See Notes to Quarterly Portfolio of Investments.

FIRST TRUST STRATEGIC HIGH INCOME FUND
 PORTFOLIO OF INVESTMENTS - (CONTINUED)
 JULY 31, 2007 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	COUPON	STATED MATURITY
ASSET-BACKED SECURITIES - (CONTINUED)			
\$ 3,000,000	Park Place Securities, Inc. Series 2004-WCW2, Class M10 (b)	8.07%	10/25/34
3,000,000	Park Place Securities, Inc. Series 2005-WHQ4, Class M10 (a) (b)	7.82%	09/25/35
2,000,000	Pebble Creek LCDO Ltd. Series 2007-2A, Class E (a) (b)	8.61%	06/22/14
2,656,636	Pegasus Aviation Lease Securitization III Series 2001-1A, Class A3 (a) (b)	6.00%	03/10/14
3,500,000	Rosedale CLO Ltd. Series I-A, Class II (a)	0.00%	07/24/21
1,000,000	Signature 5 Ltd. Series 5A, Class C (a)	12.56%	10/27/12
6,000,000	Soundview Home Equity Loan Trust Series 2005-A, Class B2 (a) (b)	8.32%	04/25/35
1,634,000	Soundview Home Equity Loan Trust Series 2007-OPT3, Class M10 (a) (b)	7.82%	08/25/37
2,651,000	Structured Asset Investment Loan Trust Series 2004-8, Class B2 (c)	5.00%	09/25/34
3,000,000	Structured Asset Securities Corp. Series 2007-BC3, Class B1 (a) (b)	7.82%	05/25/47
2,000,000	Structured Asset Securities Corp. Series 2007-OSI, Class M10 (b)	7.82%	06/25/37
5,000,000	Summit CBO I, Ltd. Series 1A, Class B (a) (b)	6.38%	05/23/11
10,000,000	UCFC Manufactured Housing Contract Series 1998-3, Class M1	6.51%	01/15/30
3,947,000	Wells Fargo Home Equity Trust Series 2007-2, Class B2 (a) (b)	7.82%	04/25/37
5,000,000	Wilbraham CBO Ltd. Series 1A, Class A2 (a) (b)	6.05%	07/13/12
	TOTAL ASSET-BACKED SECURITIES.....		
	(Cost \$140,205,934)		
COLLATERALIZED MORTGAGE OBLIGATIONS - 10.1%			
1,930,000	Adjustable Rate Mortgage Trust Series 2005-10, Class 5M5 (b)	7.52%	01/25/36
3,985,835	Countrywide Alternative Loan Trust Series 2005-56, Class B4 (a) (b)	6.57%	11/25/35

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3,137,516	Countrywide Alternative Loan Trust Series 2006-OA2, Class B2 (b)	7.57%	05/20/46
2,437,856	Credit Suisse Mortgage Capital Series 2006-1, Class DB5 (b)	5.74%	02/25/36
2,349,491	Credit Suisse Mortgage Capital Series 2006-2, Class DB5 (b)	5.87%	03/25/36
1,099,080	CS First Boston Mortgage Securities Series 2005-11, Class DB6 (b)	6.19%	12/25/35

See Notes to Quarterly Portfolio of Investments.

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FIRST TRUST STRATEGIC HIGH INCOME FUND
PORTFOLIO OF INVESTMENTS - (CONTINUED)
JULY 31, 2007 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	COUPON	STATED MATURITY
COLLATERALIZED MORTGAGE OBLIGATIONS - (CONTINUED)			
\$ 3,690,000	Deutsche Securities ALT-A Securities, Inc. Mortgage Loan Trust Series 2007-OA4, Class M10 (b)	8.32%	08/25/47
4,596,668	HarborView Mortgage Loan Trust Series 2005-9, Class B10 (b)	7.07%	06/20/35
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS.....			
(Cost \$17,102,706)			

COMMERCIAL MORTGAGE-BACKED SECURITIES - 17.5%

1,171,422	Banc of America Commercial Mortgage Inc. Series 2000-1, Class M (d)	6.00%	11/15/31
2,000,000	Banc of America Large Loan, Inc. Series 2005-MIB1, Class L (a) (b)	8.32%	03/15/22
2,878,166	Banc of America Structured Securities Trust Series 2002-X1, Class O (a)	7.00%	10/11/33
2,878,166	Banc of America Structured Securities Trust Series 2002-X1, Class P (a)	7.00%	10/11/33
1,776,400	Bear Stearns Commercial Mortgage Securities Series 2000-WF1, Class K	6.50%	02/15/32
14,938,142	FannieMae-ACES Series 1998-M7, Class N, IO (b) (e) (f).....	0.74%	05/25/36
700,000	GE Capital Commercial Mortgage Corp. Series 2000-1, Class G (a)	6.13%	01/15/33
1,000,000	GMAC Commercial Mortgage Securities, Inc. Series 1999-C3, Class G (a)	6.97%	08/15/36
111,642,092	Government National Mortgage Association Series 2003-47, Class XA, IO (b) (f)	0.56%	06/16/43
26,237,543	Government National Mortgage Association Series 2003-59, Class XA, IO (b) (f)	1.69%	06/16/34
7,000,000	GS Mortgage Securities Corp. II Series 1998-C1, Class H (a)	6.00%	10/18/30
3,025,000	LB-UBS Commercial Mortgage Trust Series 2001-C7, Class Q (d)	5.87%	11/15/33

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2,084,042	LB-UBS Commercial Mortgage Trust Series 2001-C7, Class S (a)	5.87%	11/15/33
968,400	Morgan Stanley Capital I Inc. Series 1999-WF1, Class M (d)	5.91%	11/15/31
2,787,919	Morgan Stanley Capital I Inc. Series 2003-IQ5, Class O (a)	5.24%	04/15/38

TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES.....

(Cost \$29,692,131)

CORPORATE BONDS AND NOTES - 17.7%

3,500,000	Americast Technologies (a).....	11.00%	12/01/14
1,000,000	Broadview Networks Holdings, Inc. (a).....	11.38%	09/01/12
1,500,000	Broadview Networks Holdings, Inc. (a).....	11.38%	09/01/12
2,000,000	Coleman Cable Inc.....	9.88%	10/01/12
3,500,000	Dayton Superior Corp.....	13.00%	06/15/09
2,500,000	Interdent Service Corp.	10.75%	12/15/11

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See Notes to Quarterly Portfolio of Investments.

FIRST TRUST STRATEGIC HIGH INCOME FUND
PORTFOLIO OF INVESTMENTS - (CONTINUED)
JULY 31, 2007 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	COUPON	STATED MATURITY
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CORPORATE BONDS AND NOTES - (CONTINUED)

\$ 2,000,000	International Coal Group Inc.	10.25%	07/15/14
1,500,000	Lexington Precision Corp. Units (g).....	12.00%	08/01/09
3,000,000	MSX International UK, MXS International Business Service FR/MXS International GmbH (a)	2.50%	04/01/12
3,341,000	Rafealla Apparel Group, Inc.....	11.25%	06/15/11
2,000,000	Sheridan Group, Inc.	10.25%	08/15/11
3,500,000	The Restaurant Company.....	10.00%	10/01/13

TOTAL CORPORATE BONDS AND NOTES

(Cost \$29,243,315)

STRUCTURED NOTES - 1.3%

1,225,000	Bacchus Ltd. Series 2006-1I, Subordinated Note (a)	N/A	01/20/19
2,000,000	InCaps Funding II Ltd./InCaps Funding II Corp. Subordinated Note (a)	N/A	01/15/34

TOTAL STRUCTURED NOTES.....

(Cost \$2,050,281)

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SHARES	DESCRIPTION
C	
PREFERRED SECURITIES - 8.4%	
1,450,000	Ajax Ltd., Series 2A (a) (b).....
2,000,000	Ajax Ltd., Series 2X (a) (b).....
3,750,000	Preferred Term Securities XXV, Ltd. (a).....
4,000,000	Pro Rata Funding Ltd., Inc. (a) (b).....
2,000,000	Soloso CDO Ltd., Series 2005-1 (a) (b).....
3,000,000	White Marlin CDO Ltd., Series AI (a).....
	TOTAL PREFERRED SECURITIES.....
	(Cost \$13,891,474)
	TOTAL INVESTMENTS - 135.9%.....
	(Cost \$232,185,841) (h)
	LOAN OUTSTANDING - (45.2)%.....
	NET OTHER ASSETS AND LIABILITIES - 9.3%.....
	NET ASSETS - 100.0%.....

- (d) Securities sold within the terms of a private placement memorandum, exempt from registration under Rule 144A under the Securities Act of 1933, as amended, and may be resold in transactions exempt from registration, normally to qualified institutional buyers (See Note 1C - Restricted Securities).
- (e) ACES - Alternative Credit Enhancement Securities
- (f) IO - Interest only
- (g) The issuer is in default. Income is not being accrued.
- (h) Aggregate cost for federal income tax and financial reporting purposes.
- N/A Not applicable

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See Notes to Quarterly Portfolio of Investments.

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS

FIRST TRUST STRATEGIC HIGH INCOME FUND JULY 31, 2007 (UNAUDITED)

1. VALUATION AND INVESTMENT PRACTICES

A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of First Trust Strategic High Income Fund (the "Fund") is determined daily as of the close of regular session trading on the New York Stock Exchange ("NYSE"), normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. Domestic debt securities and foreign securities are priced using data reflecting the earlier closing of the principal markets for those securities. The NAV per Common Share is calculated

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by subtracting the Fund's liabilities (including accrued expenses, dividends payable and any borrowings of the Fund) from the Fund's Total Assets (the value of the securities and other investments the Fund holds plus cash or other assets, including interest accrued but not yet received) 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. A majority of the Fund's assets are valued using market information supplied by third parties. In the event that market quotations are not readily available, the pricing service does not provide a valuation for a particular asset, or the valuations are deemed unreliable, or if events occurring after the close of the principal markets for particular securities (e.g., domestic debt and foreign securities), but before the Fund values its assets, would materially affect NAV, First Trust Advisors L.P. ("First Trust") may use a fair value method to value the Fund's securities and investments. The use of fair value pricing by the Fund is governed by valuation procedures adopted by the Fund's Board of Trustees, and in accordance with the provisions of the Investment Company Act of 1940, as amended.

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 traded on the NASDAQ, are valued at the closing bid prices. Short-term investments that mature in less than 60 days are valued at amortized cost.

B. SECURITIES TRANSACTIONS:

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

Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date; interest income on such securities is not accrued until settlement date. The Fund maintains liquid assets of the Fund with a current value at least equal to the amount of its when-issued or delayed-delivery purchase commitments. As of July 31, 2007, the Fund held no when-issued or delayed-delivery purchase commitments.

C. RESTRICTED SECURITIES:

The Fund invests in restricted securities, which are securities that may not be offered for public sale without first being registered under the Securities Act of 1933, as amended (the "Securities Act"). Prior to registration, restricted securities may only be resold in transactions exempt from registration under Rule 144A of the Securities Act, normally to qualified institutional buyers. As of July 31, 2007, the Fund held restricted securities as shown in the table on the following page that the Sub-Advisor has deemed illiquid pursuant to procedures adopted by the Fund's Board of Trustees. The Fund does not have the right to demand that such securities be registered. These securities are valued according to the valuation procedures as stated in the Portfolio Valuation footnote (Note 1A) and are not expressed as a discount to the carrying value of a comparable unrestricted security. There are no unrestricted securities with the same maturity dates and yields for these issuers.

 NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS - (CONTINUED)

SECURITY	ACQUISITION DATE	PRINCIPAL VALUE	CARRYING VALUE PER SHARE 07/31/07	CURREN CARRYING
Banc of America Commercial Mortgage Inc., Series 2000-1, Class M, 6.00%, 11/15/31	08/02/05	\$ 1,171,422	\$82.76	\$ 93
LB-UBS Commercial Mortgage Trust Series 2001-C7, Class Q, 5.87%, 11/15/33	09/19/05	3,025,000	75.38	2,43
Merit Securities Corp. Series 13, Class B1, 8.65%, 12/28/33	02/20/07	5,349,096	6.72	35
Morgan Stanley Capital I Inc., Series 1999-WF1, Class M, 5.91%, 11/15/31	08/03/05	968,400	65.74	62
		----- \$ 10,513,918 =====		----- \$ 4,34 =====

2. UNREALIZED APPRECIATION (DEPRECIATION)

As of July 31, 2007, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$7,340,882, and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$22,972,455.

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ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial

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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 STRATEGIC HIGH INCOME FUND

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

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

Date SEPTEMBER 24, 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 SEPTEMBER 24, 2007

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

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

Date SEPTEMBER 24, 2007

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