

FIRST TRUST ENHANCED EQUITY INCOME FUND
Form N-CSR
March 12, 2018

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, 2017

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 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Report to Stockholders.

The registrant's annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

Table of Contents

First Trust Enhanced Equity Income Fund (FFA)

Annual Report

December 31, 2017

<u>Shareholder Letter</u>	2
<u>At a Glance</u>	3
<u>Portfolio Commentary</u>	4
<u>Portfolio of Investments</u>	6
<u>Statement of Assets and Liabilities</u>	11
<u>Statement of Operations</u>	12
<u>Statements of Changes in Net Assets</u>	13
<u>Financial Highlights</u>	14
<u>Notes to Financial Statements</u>	15
<u>Report of Independent Registered Public Accounting Firm</u>	21
<u>Additional Information</u>	22
<u>Board of Trustees and Officers</u>	25
<u>Privacy Policy</u>	27

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 outcomes.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of First Trust Enhanced Equity Income Fund (the Fund) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. When evaluating the information included in this report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of the Advisor and/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.

Managed Distribution Policy

The Board of Trustees of the Fund has approved a managed distribution policy for the Fund (the Plan) in reliance on exemptive relief received from the Securities and Exchange Commission which permits the Fund to make periodic distributions of long-term capital gains more frequently than otherwise permitted with respect to its common shares subject to certain conditions. Under the Plan, the Fund currently intends to pay a quarterly distribution in the amount of \$0.285 per share. A portion of this quarterly distribution may include realized capital gains. This may result in a reduction of the long-term capital gain distribution necessary at year end by distributing realized capital gains throughout the year. The annual distribution rate is independent of the Fund's performance during any particular period but is expected to correlate with the Fund's performance over time. Accordingly, you should not draw any conclusions about the Fund's investment performance from the amount of any distribution or from the terms of the Plan. The Board of Trustees may amend or terminate the Plan at any time without prior notice to shareholders.

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 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 web page at 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 Chairman and CEO

December 31, 2017

Dear Shareholders,

First Trust is pleased to provide you with the annual report for the First Trust Enhanced Equity Income Fund which contains detailed information about your investment for the twelve months ended December 31, 2017, including a market overview and a performance analysis for the period. We encourage you to read this report carefully and discuss it with your financial advisor.

This was a very strong year for U.S. markets. The three major indices – the S&P 500[®] Index, the Dow Jones Industrial Average and the Nasdaq posted their best performance since 2013. And there was more good news for Wall Street:

The S&P 500[®] achieved something it had not previously, finishing 2017 with 12 months of gains;

The Dow Jones realized a milestone as well, closing above 24,000 for the first time ever on November 30; and

The Nasdaq set a record by having 11 months of gains in 2017 (June was the only down month, and by just 0.86%).

World markets were also strong in 2017. According to the MSCI AC World Index, which captures all sources of equity returns in 23 developed and 24 emerging markets, world stocks rose every month in 2017. The value of public companies on global stock markets grew by \$12.4 trillion during the year.

In 2017, stocks benefitted from increased global demand, growth in corporate profits (especially technology stocks) and an accommodative Federal Reserve. The housing market in the United States continues to grow due to a strong job market, low interest rates and tight inventory. As the year came to a close, President Trump signed the tax reform package, called the Tax Cuts and Jobs Act, which was seen as a promise kept by then-candidate Trump to accomplish sweeping reform. It is hoped this tax reform will boost economic activity to greater highs.

At First Trust, we are optimistic about the U.S. economy. We also continue to believe that you should invest for the long term and be prepared for market volatility, which can happen at any time. How can you do this? By keeping current on your portfolio and investing goals by speaking regularly with your investment professional. It is important to keep in mind that past performance of the U.S. and global stock markets or investment products can never guarantee future results. As we've said before, markets go up and they also go down, but savvy investors are prepared for either through careful attention to their portfolios and investment goals.

Thank you for giving First Trust the opportunity to be a part of your financial plan through your investment. We value our relationship with you and will report on your investment again in six months.

Sincerely,

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

Page 2

First Trust Enhanced Equity Income Fund (FFA)**AT A GLANCE**

As of December 31, 2017 (Unaudited)

Fund Statistics	
Symbol on New York Stock Exchange	FFA
Common Share Price	\$16.19
Common Share Net Asset Value (NAV)	\$16.51
Premium (Discount) to NAV	(1.94)%
Net Assets Applicable to Common Shares	\$329,834,526
Current Quarterly Distribution per Common Share ⁽¹⁾	\$0.2850
Current Annualized Distribution per Common Share	\$1.1400
Current Distribution Rate on Common Share Price ⁽²⁾	7.04%
Current Distribution Rate on NAV ⁽²⁾	6.90%

Common Share Price & NAV (weekly closing price)

Performance	Average Annual Total Return			
	1 Year Ended 12/31/17	5 Years Ended 12/31/17	10 Years Ended 12/31/17	Inception (8/26/04) to 12/31/17
Fund Performance⁽³⁾				
NAV	16.53%	11.98%	7.28%	7.41%
Market Value	28.82%	14.12%	8.47%	6.89%
Index Performance				
S&P 500 [®] Index	21.83%	15.79%	8.50%	9.10%
BXM Index	13.00%	8.78%	4.89%	5.81%

Top Ten Holdings	% of Total Investments
Apple, Inc.	5.4%
Microsoft Corp.	4.4
JPMorgan Chase & Co.	3.1
Pfizer, Inc.	2.6
Bank of America Corp.	2.5
PepsiCo, Inc.	2.4
Philip Morris International, Inc.	2.1
UnitedHealth Group, Inc.	2.1
Intel Corp.	2.1
Thermo Fisher Scientific, Inc.	2.0
Total	<u>28.7%</u>

Sector Allocation

	% of Total Investments
Information Technology	23.9%
Financials	17.2
Health Care	12.6
Consumer Staples	11.3
Consumer Discretionary	10.0
Energy	7.7
Industrials	7.3
Materials	3.1
Real Estate	2.4
Utilities	2.2
Telecommunication Services	1.4
Other	0.9
Total	<u>100.0%</u>

- (1) Most recent distribution paid or declared through 12/31/2017. Subject to change in the future.
- (2) Distribution rates are calculated by annualizing the most recent distribution paid or declared through the report date and then dividing by Common Share price or NAV, as applicable, as of 12/31/2017. 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 of less than one year. Past performance is not indicative of future results.

Portfolio Commentary

First Trust Enhanced Equity Income Fund (FFA)

Annual Report

December 31, 2017 (Unaudited)

Advisor

First Trust Advisors L.P. (First Trust) is the investment advisor to the First Trust Enhanced Equity Income Fund (the Fund). 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.

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. Chartwell is the portfolio manager of the Fund.

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 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® Index (the Index) rose 21.83% (inclusive of dividends) during 2017 as the animal spirits that we believe were stirred by President Trump's election continued to push the market higher. Those spirits were likely aided by a U.S. economy that continued to grind out growth in the 2-3% range, improving international economies, rising corporate profits, the Federal Reserve (the Fed) not providing any surprises and the prospect of tax legislation that, while falling short of tax reform in our view, would provide for lower tax rates for both companies and individuals. The Index reached numerous all-time highs during the year, the last of which occurred on December 18, 2017 at 2690.16, and closed the year only 0.6% beneath that record level. The clear leader of the Index was the Technology sector which rose an astounding 38.6% during the year. While Technology was the best performing group for the period, the move up was fairly broad with five other sectors recording returns between 21.3% and 23.7%. Meanwhile, the Energy and Telecommunications groups both saw small declines. An almost complete lack of downward volatility was a hallmark of the year. The largest drawdown (change from high to low) in the Index during 2017 was 2.8%. In fact, that drawdown was the largest since the Brexit vote in late June 2016. That means the farthest the Index had fallen from a near-term peak in the 18-month period from June 23, 2016 through December 31, 2017 was 2.8%. The volatility in the 10-year U.S. Treasury market was more balanced with the yield starting the year at 2.48%, trading up to 2.60% before falling to low of 2.05% and closing on December 31, 2017 at 2.43% -virtually where it started. The Federal Open Market Committee (FOMC) did increase the fed funds rate by a total of 0.75% over the course of the year and the heavily watched 10-year/2-year spread declined significantly. Meanwhile, the price of oil was fairly volatile. The price of a barrel of West Texas Intermediate (WTI), the domestic benchmark price, started the year at \$53.72 per barrel, rose slightly to \$54.45 per barrel shortly after the start of the year but then traded in a series of lower highs and lower lows bottoming at \$42.53 per barrel in late June before rallying impressively and closing the period at \$60.42 per barrel. From this price move, it appears as if OPEC's (The Organization of the Petroleum Exporting Countries) production cuts have been met by increasing demand causing diminishing global inventories of oil, which is what they were hoping to accomplish.

Portfolio Commentary (Continued)**First Trust Enhanced Equity Income Fund (FFA)****Annual Report****December 31, 2017 (Unaudited)****Performance Summary**

For the year ended December 31, 2017 the Fund's net asset value (NAV) and market value total returns¹ were 16.53% and 28.82%, respectively, on a total return basis. The Index returned 21.83% on a total return basis over the same period. The covered call options program had a negative influence on the Fund's return during the period, the size of which was in-line with our expectations given the solid positive return of the Index. As we've mentioned in the past, the Fund's portfolio tends to somewhat favor higher-yielding and value-oriented stocks given our emphasis on providing a high level of current income and our predilection to invest in stocks which we believe to be undervalued when compared to their fundamentals. These leanings were counter to several broad-based themes in the market which meant they were headwinds for the portfolio's relative performance during the year. The largest of these was the sizeable margin by which Growth stocks outperformed Value stocks. As an example of this outperformance, the Russell 1000 Growth Index returned 30.21% while the Russell 1000 Value Index returned 13.64% for 2017. In addition, lower yielding stocks outperformed higher yielding stocks. Bank of America Merrill Lynch did a study for the year which showed that the lowest yielding 40% of the S&P 500[®] beat the Index by an average of 7.2% while the highest yielding 40% trailed the Index by 7.6%. 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. Holdings in Newell Brands (-29.4%) and Foot Locker, Inc. (-42.0%; although a portion of this loss was hedged with the purchase of a put) were the main reason. Additional detractors were stock selection in the Healthcare (Celgene -9.8%) and Industrials (General Electric Co. -42.9%) groups. Positive contributions to relative performance came from: stock selection in the Technology group with Micron Technology, Inc. (+87.6%), Applied Materials, Inc. (+59.9%), Apple, Inc. (+48.5%) and Take-Two Interactive Software, Inc. (+93.8%); an underweight in the Telecommunications group which underperformed (-1.2%); and stock selection in the Food, Beverage and Tobacco group with Constellation Brands, Inc. (+50.7%). Several other stocks had notable movements during the year: Broadcom Ltd. (+48.2%), Home Depot, Inc. (+44.6%) and Microsoft Corp. (+40.7%) had positive impacts on the portfolio while Hess Corp. (-22.1%), Schlumberger Ltd. (-17.4%) and Allergan PLC (-14.8%) had a negative impact.

Market Outlook

The Index attained an all-time closing high of 2690.16 on December 18, 2017, and it closed 2017 not far from that level. This year was the ninth positive year in a row (inclusive of dividends) for the Index. For those nine years the market has risen 258.8% cumulatively which represents a 15.3% compound annual growth rate. For the last five years, the Index was up 15.8% on a compound annual basis. And from the market's low point on March 9, 2009, the market is up approximately 295.2% cumulatively and 16.9% annually. As these numbers show, it has been quite a rally and we are constantly asking ourselves if it can continue. We have said that since 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. That has been happening. Earnings for the first three quarters of 2017 were solidly higher year over year.

Expectations for the fourth quarter earnings season and 2018 are for the positive growth trend to continue. We believe that companies have learned how to operate well in the low (gross domestic product) growth environment and that some of the bigger restraints to total earnings growth (e.g. lower oil prices, stronger dollar) have faded. 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. Absent a global recession, in our view, revenues should move higher and companies will continue to be vigilant on controlling costs thereby keeping margins at or near current high levels.

Our position is essentially unchanged. We believe that despite some uncertainties surrounding geo-politics, possible future actions by the Fed and the Trump Administration's possible actions regarding trade, 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 above long-term averages, near-record positive sentiment towards stocks and interest rates possibly moving higher, moves higher in the Index could likely be more muted going forward with the increased likelihood of periods of price declines. No matter the outcome of these issues, we will continue to manage the Fund with the objective of providing a high level of current income and gains and, to a lesser extent capital appreciation over the market cycle.

¹ 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 of less than one year. Past performance is not indicative of future results.

First Trust Enhanced Equity Income Fund (FFA)**Portfolio of Investments****December 31, 2017**

Shares/			
Units	Description		Value
COMMON STOCKS 92.6%			
Aerospace & Defense 1.9%			
33,000	Raytheon Co.	\$	6,199,050
Air Freight & Logistics 1.9%			
24,500	FedEx Corp.		6,113,730
Banks 10.1%			
275,000	Bank of America Corp. (a)		8,118,000
52,500	First Republic Bank		4,548,600
94,000	JPMorgan Chase & Co. (a)		10,052,360
200,000	KeyCorp (a)		4,034,000
28,000	SVB Financial Group (b)		6,545,560
			33,298,520
Beverages 5.0%			
37,500	Anheuser-Busch InBev S.A./N.V., ADR (a)		4,183,500
20,000	Constellation Brands, Inc., Class A		4,571,400
65,000	PepsiCo, Inc. (a)		7,794,800
			16,549,700
Biotechnology 2.6%			
42,500	Celgene Corp. (a) (b)		4,435,300
58,000	Gilead Sciences, Inc.		4,155,120
			8,590,420
Capital Markets 1.7%			
110,000	Charles Schwab (The) Corp.		5,650,700
Chemicals 2.3%			
75,000	DowDuPont, Inc. (a)		5,341,500
20,000	PPG Industries, Inc. (a)		2,336,400

		7,677,900
	Communications Equipment 3.0%	
170,000	Cisco Systems, Inc. (a)	6,511,000
22,500	Palo Alto Networks, Inc. (b)	3,261,150
		9,772,150
	Containers & Packaging 0.8%	
40,000	WestRock Co. (a)	2,528,400
	Diversified Telecommunication Services 1.4%	
120,000	AT&T, Inc. (a)	4,665,600
	Electric Utilities 2.2%	
100,000	Exelon Corp.	3,941,000
110,000	PPL Corp. (a)	3,404,500
		7,345,500
	Energy Equipment & Services 2.1%	
55,000	Helmerich & Payne, Inc.	3,555,200
50,000	Schlumberger, Ltd. (a)	3,369,500
		6,924,700
	Food & Staples Retailing 1.8%	
32,000	Costco Wholesale Corp.	5,955,840
	Food Products 1.1%	
45,000	Kraft Heinz (The) Co. (a)	3,499,200

First Trust Enhanced Equity Income Fund (FFA)**Portfolio of Investments (Continued)**

December 31, 2017

Shares/			
Units	Description		Value
COMMON STOCKS (Continued)			
Health Care Providers & Services 2.1%			
31,600	UnitedHealth Group, Inc. (a)		\$ 6,966,536
Hotels, Restaurants & Leisure 3.0%			
100,000	Carnival Corp.		6,637,000
50,000	Six Flags Entertainment Corp. (a)		3,328,500
			9,965,500
Household Durables 1.1%			
120,000	Newell Brands, Inc. (a)		3,708,000
Industrial Conglomerates 2.6%			
135,000	General Electric Co. (a)		2,355,750
40,000	Honeywell International, Inc.		6,134,400
			8,490,150
Insurance 3.6%			
45,000	Arthur J. Gallagher & Co. (a)		2,847,600
39,000	Chubb, Ltd. (a)		5,699,070
30,000	Prudential Financial, Inc.		3,449,400
			11,996,070
Life Sciences Tools & Services 2.0%			
35,000	Thermo Fisher Scientific, Inc. (a)		6,645,800
Media 4.1%			
88,000	CBS Corp., Class B (a)		5,192,000
115,000	Cinemark Holdings, Inc. (a)		4,004,300
105,000	Comcast Corp., Class A (a)		4,205,250
			13,401,550

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Oil, Gas & Consumable Fuels 4.0%

50,000	Chevron Corp.	6,259,500
50,000	Hess Corp.	2,373,500
63,000	Occidental Petroleum Corp. (a)	4,640,580
		13,273,580

Pharmaceuticals 5.2%

110,000	Merck & Co., Inc. (a)	6,189,700
235,000	Pfizer, Inc. (a)	8,511,700
35,000	Zoetis Inc. (a)	2,521,400
		17,222,800

Road & Rail 1.0%

28,000	JB Hunt Transport Services, Inc. (a)	3,219,440
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Semiconductors & Semiconductor Equipment 7.0%

95,000	Applied Materials, Inc.	4,856,400
21,000	Broadcom Ltd. (a)	5,394,900
150,000	Intel Corp. (a)	6,924,000
140,000	Micron Technology, Inc. (a) (b)	5,756,800
		22,932,100

Software 8.5%

40,000	Activision Blizzard Inc. (a)	2,532,800
17,000	Adobe Systems, Inc. (b)	2,979,080
20,000	Electronic Arts Inc. (b)	2,101,200
170,000	Microsoft Corp. (a)	14,541,800

See Notes to Financial Statements

Page 7

First Trust Enhanced Equity Income Fund (FFA)**Portfolio of Investments (Continued)**

December 31, 2017

Shares/			
Units	Description		Value
COMMON STOCKS (Continued)			
Software (Continued)			
125,000	Oracle Corp. (a)	\$	5,910,000
			28,064,880
Specialty Retail 1.7%			
30,000	Home Depot (The), Inc.		5,685,900
Technology Hardware, Storage & Peripherals 5.4%			
105,000	Apple, Inc. (a)		17,769,150
Tobacco 3.4%			
60,000	Altria Group, Inc. (a)		4,284,600
66,000	Philip Morris International, Inc. (a)		6,972,900
			11,257,500
	Total Common Stocks		305,370,366
	(Cost \$237,084,105)		
REAL ESTATE INVESTMENT TRUSTS 3.3%			
Equity Real Estate Investment Trusts 2.4%			
45,000	Crown Castle International Corp. (a)		4,995,450
40,000	Lamar Advertising Co., Class A (a)		2,969,600
			7,965,050
Mortgage Real Estate Investment Trusts 0.9%			
90,000	Blackstone Mortgage Trust, Inc., Class A		2,896,200
	Total Real Estate Investment Trusts		10,861,250
	(Cost \$9,548,094)		
EXCHANGE-TRADED FUNDS 0.9%			

Capital Markets 0.9%		
11,000	SPDR® S&P 500® ETF Trust	2,935,460
(Cost \$2,859,533)		

COMMON STOCKS BUSINESS DEVELOPMENT COMPANIES - 0.8%		
Capital Markets 0.8%		
180,000	Ares Capital Corp. (a)	2,829,600
(Cost \$3,116,652)		

MASTER LIMITED PARTNERSHIPS 0.8%		
Oil, Gas & Consumable Fuels 0.8%		
100,000	Enterprise Products Partners, L.P. (a)	2,651,000
(Cost \$1,360,790)		

Shares	Description	Stated Rate	Stated Maturity(c)	Value
CONVERTIBLE PREFERRED SECURITIES 1.3%				
Health Care Equipment & Supplies 0.6%				
35,000	Becton Dickinson and Co., Series A	6.13%	05/01/20	2,026,500

First Trust Enhanced Equity Income Fund (FFA)**Portfolio of Investments (Continued)**

December 31, 2017

Shares	Description	Stated Rate	Stated Maturity(c)	Value
CONVERTIBLE PREFERRED SECURITIES (Continued)				
	Oil, Gas & Consumable Fuels	0.7%		
40,000	Hess Corp.	8.00%	02/01/19	\$ 2,315,200
	Total Convertible Preferred Securities			4,341,700
	(Cost \$4,326,569)			
	Total Investments	99.7%		328,989,376
	(Cost \$258,295,743) (d)			

Number of Contracts	Description	Notional Amount	Exercise Price	Expiration Date	Value
CALL OPTIONS WRITTEN (0.1)%					
75	Adobe Systems, Inc.	\$ 1,314,300	\$ 190.00	Jan 2018	(1,350)
500	Bank of America Corp.	1,476,000	31.00	Jan 2018	(8,000)
300	Charles Schwab (The) Corp.	1,541,100	54.00	Jan 2018	(10,500)
50	Constellation Brands, Inc., Class A	1,142,850	240.00	Jan 2018	(10,550)
100	Costco Wholesale Corp.	1,861,200	192.50	Jan 2018	(8,000)
75	FedEx Corp.	1,871,550	250.00	Jan 2018	(30,225)
350	Micron Technology, Inc.	1,439,200	46.00	Jan 2018	(9,800)
350	Micron Technology, Inc.	1,439,200	48.00	Jan 2018	(4,900)
350	Microsoft Corp.	2,993,900	87.50	Jan 2018	(16,450)
325	Oracle Corp.	1,536,600	52.50	Jan 2018	(325)
150	S&P 500 [®] Index (e)	40,104,150	2,685.00	Jan 2018	(178,500)
325	S&P 500 [®] Index (e)	86,892,325	2,710.00	Jan 2018	(115,050)
150	S&P 500 [®] Index (e)	40,104,150	2,725.00	Jan 2018	(27,000)
75	SVB Financial Group	1,753,275	240.00	Jan 2018	(23,813)
100	UnitedHealth Group, Inc.	2,204,600	230.00	Jan 2018	(13,000)
	Total Call Options Written				(457,463)
	(Premiums received \$863,767)				
	Net Other Assets and Liabilities				1,302,613
	0.4%				

Net Assets 100.0%

\$ 329,834,526

- (a) All or a portion of these securities are pledged to cover index call options written.
- (b) Non-income producing security.
- (c) Stated maturity represents the mandatory conversion date.
- (d) Aggregate cost for federal income tax purposes was \$258,107,636. As of December 31, 2017, the aggregate gross unrealized appreciation for all investments in which there was an excess of value over tax cost was \$77,031,648 and the aggregate gross unrealized depreciation for all investments in which there was an excess of tax cost over value was \$6,607,371. The net unrealized appreciation was \$70,424,277. The amounts presented are inclusive of derivative contracts.
- (e) 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

See Notes to Financial Statements

Page 9

First Trust Enhanced Equity Income Fund (FFA)**Portfolio of Investments (Continued)****December 31, 2017****Valuation Inputs**

A summary of the inputs used to value the Fund's investments as of December 31, 2017 is as follows (see Note 3A - Portfolio Valuation in the Notes to Financial Statements):

ASSETS TABLE

	Total Value at 12/31/2017	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Common Stocks*	\$ 305,370,366	\$ 305,370,366	\$	\$
Real Estate Investment Trusts*	10,861,250	10,861,250		
Exchange-Traded Funds*	2,935,460	2,935,460		
Common Stocks - Business Development Companies*	2,829,600	2,829,600		
Master Limited Partnerships*	2,651,000	2,651,000		
Convertible Preferred Securities*	4,341,700	4,341,700		
Total Investments	\$ 328,989,376	\$ 328,989,376	\$	\$

LIABILITIES TABLE

	Total Value at 12/31/2017	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Call Options Written	\$ (457,463)	\$ (423,150)	\$ (34,313)	\$

* See Portfolio of Investments for industry breakout.

All transfers in and out of the Levels during the period are assumed to occur on the last day of the period at their current value. There were no transfers between Levels at December 31, 2017.

First Trust Enhanced Equity Income Fund (FFA)**Statement of Assets and Liabilities****December 31, 2017****ASSETS:**

Investments, at value (Cost \$258,295,743)	\$ 328,989,376
Cash	1,181,391
Dividends receivable	505,875
Prepaid expenses	3,098
Total Assets	330,679,740

LIABILITIES:

Options written, at value (Premiums received \$863,767)	457,463
Payables:	
Investment advisory fees	283,529
Audit and tax fees	43,523
Printing fees	27,470
Administrative fees	15,526
Custodian fees	7,607
Transfer agent fees	5,300
Legal fees	3,423
Financial reporting fees	771
Trustees fees and expenses	26
Other liabilities	576
Total Liabilities	845,214

NET ASSETS	\$ 329,834,526
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NET ASSETS consist of:

Paid-in capital	\$ 263,794,231
Par value	199,732
Accumulated net investment income (loss)	681,322
Accumulated net realized gain (loss) on investments and written options	(5,940,696)
Net unrealized appreciation (depreciation) on investments and written options	71,099,937

NET ASSETS	\$ 329,834,526
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NET ASSET VALUE, per Common Share (par value \$0.01 per Common Share)	\$ 16.51
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Number of Common Shares outstanding (unlimited number of Common Shares has been authorized)	19,973,164
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See Notes to Financial Statements

Page 11

First Trust Enhanced Equity Income Fund (FFA)**Statement of Operations****For the Year Ended December 31, 2017****INVESTMENT INCOME:**

Dividends (net of foreign withholding tax of \$35,266)	\$ 7,555,401
Interest	1,545
Total investment income	7,556,946

EXPENSES:

Investment advisory fees	3,219,617
Administrative fees	157,472
Printing fees	96,692
Audit and tax fees	43,728
Transfer agent fees	32,012
Custodian fees	29,034
Trustees fees and expenses	16,892
Legal fees	15,109
Financial reporting fees	9,250
Other	37,733
Total expenses	3,657,539

NET INVESTMENT INCOME (LOSS)	3,899,407
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NET REALIZED AND UNREALIZED GAIN (LOSS):

Net realized gain (loss) on:	
Investments	20,998,589
Written options	(2,982,422)
Net realized gain (loss)	18,016,167
Net increase from payment by the sub-advisor	17,250
Net change in unrealized appreciation (depreciation) on:	
Investments	26,135,629
Written options	(277,830)
Net change in unrealized appreciation (depreciation)	25,857,799
NET REALIZED AND UNREALIZED GAIN (LOSS)	43,891,216

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 47,790,623
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First Trust Enhanced Equity Income Fund (FFA)**Statements of Changes in Net Assets**

	Year Ended 12/31/2017	Year Ended 12/31/2016
OPERATIONS:		
Net investment income (loss)	\$ 3,899,407	\$ 3,744,905
Net realized gain (loss)	18,016,167	11,586,388
Net increase from payment by the sub-advisor	17,250	
Net change in unrealized appreciation (depreciation)	25,857,799	8,568,630
Net increase (decrease) in net assets resulting from operations	47,790,623	23,899,923
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income	(4,539,880)	(3,566,425)
Net realized gain	(17,530,466)	(9,587,119)
Return of capital		(6,020,694)
Total distributions to shareholders	(22,070,346)	(19,174,238)
Total increase (decrease) in net assets	25,720,277	4,725,685
NET ASSETS:		
Beginning of period	304,114,249	299,388,564
End of period	\$ 329,834,526	\$ 304,114,249
Accumulated net investment income (loss) at end of period	\$ 681,322	\$ 1,333,882
COMMON SHARES:		
Common Shares at end of period *	19,973,164	19,973,164

* On September 15, 2016, the Fund commenced a share repurchase program. The program originally expired on March 15, 2017, but the Board of Trustees of the Fund has subsequently authorized the continuation of the Fund's share repurchase program until March 15, 2018. From September 15, 2016 through December 31, 2017, the Fund has not repurchased any Common Shares. The Fund expects to continue the share repurchase program until the earlier of (i) the repurchase of 998,658 Common Shares or (ii) March 15, 2018.

First Trust Enhanced Equity Income Fund (FFA)**Financial Highlights**

For a Common Share outstanding throughout each period

	Year Ended December 31,				
	2017	2016	2015	2014 (a)	2013
Net asset value, beginning of period	\$ 15.23	\$ 14.99	\$ 15.95	\$ 15.24	\$ 13.27
Income from investment operations:					
Net investment income (loss)	0.20	0.19	0.20	0.24	0.21
Net realized and unrealized gain (loss)	2.19	1.01	(0.22)	1.39	2.66
Total from investment operations	2.39	1.20	(0.02)	1.63	2.87
Distributions paid to shareholders from:					
Net investment income	(0.23)	(0.18)	(0.60)	(0.92)	(0.90)
Net realized gain	(0.88)	(0.48)	(0.34)		
Return of capital		(0.30)			
Total distributions paid to Common Shareholders	(1.11)	(0.96)	(0.94)	(0.92)	(0.90)
Net asset value, end of period	\$ 16.51	\$ 15.23	\$ 14.99	\$ 15.95	\$ 15.24
Market value, end of period	\$ 16.19	\$ 13.51	\$ 13.20	\$ 14.34	\$ 13.32
Total return based on net asset value					
(b)	16.53% (c)	9.18%	0.72%	11.63%	23.11%
Total return based on market value					
(b)	28.82%	9.98%	(1.35)%	14.83%	20.60%
Ratios to average net assets/supplemental data:					
Net assets, end of period (in 000 s)	\$ 329,835	\$ 304,114	\$ 299,389	\$ 318,640	\$ 304,297
Ratio of total expenses to average net assets	1.14%	1.13%	1.12%	1.18%	1.19%
Ratio of net investment income (loss) to average net assets	1.21%	1.27%	1.33%	1.54%	1.45%
Portfolio turnover rate	36%	32%	45%	44%	40%

(a) On February 20, 2014, the Fund's Board of Trustees approved an interim and new sub-advisory agreement with Chartwell Investment Partners LLC (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 of less than one year. Past performance is not indicative of future results.
- (c) The Fund received a reimbursement from Chartwell in the amount of \$17,250, which represents less than \$0.01 per share. Since the Fund was reimbursed, there was no effect on the Fund's total return.

Notes to Financial Statements

First Trust Enhanced Equity Income Fund (FFA)

December 31, 2017

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 (SEC) under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund trades under the ticker symbol FFA on the New York Stock Exchange (NYSE).

The Fund's investment objective is to provide a high level of current income and gains and, to a lesser extent, capital appreciation. The Fund pursues its investment objective by investing in a diversified portfolio of equity securities. Under normal market conditions, the Fund pursues an integrated investment strategy in which the Fund invests substantially all of its managed assets in a diversified portfolio of common stocks of U.S. corporations and U.S. dollar-denominated equity securities of non-U.S. issuers, in each case that are traded on U.S. securities exchanges, and on an ongoing and consistent basis writes (sells) covered call options on a portion of the Fund's managed assets.

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. Managed Distribution Policy

The Board of Trustees of the Fund has approved a managed distribution policy for the Fund (the Plan) in reliance on exemptive relief received from the SEC which permits the Fund to make periodic distributions of long-term capital gains more frequently than otherwise permitted with respect to its common shares subject to certain conditions. Under the Plan, the Fund currently intends to pay a quarterly distribution in the amount of \$0.285 per share. A portion of this quarterly distribution may include realized capital gains. This may result in a reduction of the long-term capital gain distribution necessary at year end by distributing realized capital gains throughout the year. The annual distribution rate is independent of the Fund's performance during any particular period but is expected to correlate with the Fund's performance over time. Accordingly, you should not draw any conclusions about the Fund's investment performance from the amount of any distribution or from the terms of the Plan. The Board of Trustees may amend or terminate the Plan at any time without prior notice to shareholders.

3. Significant Accounting Policies

The Fund is considered an investment company and follows accounting and reporting guidance under Financial Accounting Standards Board 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 the financial statements. The preparation of the 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, convertible preferred stocks, and other equity securities listed on any national or foreign exchange (excluding The Nasdaq 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.

Notes to Financial Statements (Continued)

First Trust Enhanced Equity Income Fund (FFA)

December 31, 2017

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

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

Certain securities may not be able to be priced by pre-established pricing methods. Such securities may be valued by the Fund's Board of Trustees or its delegate, the Advisor's Pricing Committee, at fair value. These securities generally include, but are not limited to, restricted securities (securities which may not be publicly sold without registration under the Securities Act of 1933, as amended) for which a third-party pricing service is unable to provide a market price; securities whose trading has been formally suspended; a security whose market or fair value price is not available from a pre-established pricing source; a security with respect to which an event has occurred that is likely to materially affect the value of the security after the market has closed but before the calculation of the Fund's NAV or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by the third-party 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 third-party pricing services;
- 6) relationships among various securities;
- 7) information obtained by contacting the issuer, analysts, or the appropriate stock exchange;
- 8) an analysis of the issuer's financial statements; and
- 9) the existence of merger proposals or tender offers that might affect the value of the security.

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

Level 1 Level 1 inputs are quoted prices in active markets for identical 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.

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.

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, 2017, 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

Notes to Financial Statements (Continued)**First Trust Enhanced Equity Income Fund (FFA)****December 31, 2017**

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 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 canceled pursuant to a closing transaction. If the price of the underlying equity security exceeds the option's exercise price, it is likely that the option holder will exercise the option. If an option written (sold) by the Fund is exercised, the Fund would be obligated to deliver the underlying equity security to the option holder upon payment of the strike price. In this case, the option premium received by the Fund will be added to the amount realized on the sale of the underlying security for purposes of determining gain or loss and is included in Net realized gain (loss) on investments on the Statement of Operations. 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 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 on the accrual basis, including the amortization of premiums and accretion of discounts.

Distributions received from the Fund's investments in REITs may be comprised of return of capital, capital gains, and income. The actual character of the amounts received during the year are not known until after the REIT's fiscal year end. The Fund records the character of distributions received from the REITs during the year based on estimates available. The characterization of distributions received by a Fund may be subsequently revised based on information received from the REITs after their tax reporting periods conclude.

Distributions received from the Fund's investments in MLPs generally are comprised of return of capital and investment income. The Fund records estimated return of capital and investment income based on historical information available from each MLP. These estimates may subsequently be revised based on information received from the MLPs after their tax reporting periods are concluded.

Notes to Financial Statements (Continued)

First Trust Enhanced Equity Income Fund (FFA)

December 31, 2017

For the year ended December 31, 2017, distributions of \$314,288 received from MLPs have been reclassified as return of capital. The cost basis of 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 year ended December 31, 2017, primarily as a result of the difference between book and tax treatments of income and gains on various investment securities held by the Fund, have been reclassified at year end to reflect a decrease in accumulated net investment income (loss) of \$12,087, a decrease in accumulated net realized gain (loss) on investments and written options of \$150,910 and an increase to paid-in-capital of \$162,997. Net assets were not affected by this reclassification.

The tax character of distributions paid by the Fund during the fiscal years ended December 31, 2017 and 2016 was as follows:

Distributions paid from:	2017	2016
Ordinary income	\$ 6,872,737	\$ 3,415,478
Capital gain	15,197,609	9,738,066
Return of capital		6,020,694

As of December 31, 2017, the distributable earnings and net assets on a tax basis were as follows:

Undistributed ordinary income	\$ 60,632
Undistributed capital gains	

Total undistributed earnings	60,632
Accumulated capital and other losses	
Net unrealized appreciation (depreciation)	70,424,277
Total accumulated earnings (losses)	70,484,909
Other	(4,644,346)
Paid-in capital	263,993,963
Total net assets	\$ 329,834,526

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 and 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 beginning 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 for 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, 2017, the Fund had no pre- or post-enactment capital loss carryforwards for federal income tax purposes.

The Fund is subject to certain limitations under the U.S. tax rules on the use of capital loss carryforwards and net unrealized built-in losses. These limitations apply when there has been a 50% change in ownership.

Notes to Financial Statements (Continued)

First Trust Enhanced Equity Income Fund (FFA)

December 31, 2017

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 2014, 2015, 2016, and 2017 remain open to federal and state audit. As of December 31, 2017, management has evaluated the application of these standards to the Fund, and has determined that no provision for income tax is required in the Fund's financial statements for uncertain tax positions.

F. Expenses

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

G. New and Amended Financial Reporting Rules and Forms

On October 13, 2016, the SEC adopted new rules and forms, and amended existing rules and forms. The new and amended rules and forms are intended to modernize the reporting of information provided by funds and to improve the quality and type of information that funds provide to the SEC and investors. In part, the new and amended rules and forms amend Regulation S-X and require standardized, enhanced disclosures about derivatives in a fund's financial statements, as well as other amendments. The compliance date for the amendments of Regulation S-X was August 1, 2017, which resulted in additional disclosure for derivative instruments within the Portfolio of Investments. The new form types and other rule amendments will be effective for the First Trust funds, including the Fund, for reporting periods beginning on and after June 1, 2018. Management is evaluating the new form types and other rule amendments that are effective on and after June 1, 2018 to determine the impact to the Fund.

4. 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 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.

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.

During the year ended December 31, 2017, the Fund received a payment from the Sub-Advisor of \$17,250 in connection with a trade error.

BNY Mellon Investment Servicing (US) Inc. (BNYM IS) serves as the Fund's transfer agent in accordance with certain fee arrangements. 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 administrator, fund accountant, and custodian in accordance with certain fee arrangements. As administrator and fund accountant, BNYM 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 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.

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 equally among each fund in the First Trust Fund Complex. 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. Independent 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.

5. Purchases and Sales of Securities

The cost of purchases and proceeds from sales of securities, excluding short-term investments, for the year ended December 31, 2017, were \$116,014,290 and \$136,707,465, respectively.

Notes to Financial Statements (Continued)

First Trust Enhanced Equity Income Fund (FFA)

December 31, 2017

6. Derivative Transactions

The following table presents the types of derivatives held by the Fund at December 31, 2017, 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	
		Statement of Assets and Liabilities	Location	Statement of Assets and Liabilities	Location
Written Options	Equity Risk			Options written, at value	\$457,463

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, 2017, on derivative instruments, as well as the primary underlying risk exposure associated with each instrument.

Statement of Operations Location

Equity Risk Exposure

Net realized gain (loss) on written options	\$ (2,982,422)
Net change in unrealized appreciation (depreciation) on written options	(277,830)

During the year ended December 31, 2017, the premiums for written options opened were \$14,010,337, and the premiums for written options closed, exercised and expired were \$14,360,754.

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

7. 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.

8. 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 were no subsequent events requiring recognition or disclosure in the financial statements that have not already been disclosed.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Trustees of First Trust Enhanced Equity Income Fund:

Opinion on the Financial Statements and Financial Highlights

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, 2017, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the periods presented, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, and the results of its operations and its cash flows 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 periods presented, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance