FIRST TRUST HIGH INCOME LONG/SHORT FUND Form N-CSRS July 05, 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 <u>811-22442</u>

First Trust High Income Long/Short 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: October 31

Date of reporting period: April 30, 2018

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

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

### Item 1. Report to Stockholders.

The Report to Shareholders is attached herewith.

First Trust High Income Long/Short Fund (FSD) Semi-Annual Report For the Six Months Ended April 30, 2018

**Table of Contents** First Trust High Income Long/Short Fund (FSD) Semi-Annual Report April 30, 2018 Shareholder Letter At a Glance Portfolio Commentary Portfolio of Investments Statement of Assets and Liabilities 15 **Statement of Operations** 16 Statements of Changes in Net Assets Statement of Cash Flows 18 Financial Highlights 19 Notes to Financial Statements 20 **Additional Information** 28

#### 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 MacKay Shields LLC ("MacKay" or the "Sub-Advisor") and their respective representatives, taking into account the information currently available to them. Forward-looking statements include all statements that do not relate solely to current or historical fact. For example, forward-looking statements include the use of words such as "anticipate," "estimate," "intend," "expect," "believe," "plan," "may," "should," "would" or other words that convey uncertainty of future events or outcomes. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of First Trust High Income Long/Short Fund (the "Fund") to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. When evaluating the information included in this report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of the Advisor and/or Sub-Advisor and their respective representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

#### Performance and Risk Disclosure

There is no assurance that the Fund will achieve its investment objectives. 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 a relevant market benchmark. It is important to keep in mind that the opinions expressed by personnel of First Trust and MacKay 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.

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Shareholder Letter

First Trust High Income Long/Short Fund (FSD)

Semi-Annual Letter from the Chairman and CEO

April 30, 2018

Dear Shareholders,

First Trust is pleased to provide you with the semi-annual report for the First Trust High Income Long/Short Fund which contains detailed information about your investment for the period ended April 30, 2018, 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.

As you are no doubt aware, 2017 was a very strong year for both the U.S. and global markets. The three major U.S. indices – the S&P 500 Index, the Dow Jones Industrial Average and the Nasdaq Composite – posted their best performance since 2013. And there was more good news for Wall Street as the year ended and analysts collected stock market data:

- The S&P 500<sup>®</sup> Index did something it had never previously done, finishing 2017 with 12 months of gains;
- The Dow Jones Industrial Average achieved a milestone as well, closing above 24,000 for the first time ever on November 30;
- The Nasdaq Composite set a record by having 11 months of gains in 2017 (June was the only down month, and by just 0.86%); and
- The MSCI AC World Index (containing constituents from 47 countries) ended 2017 at an all-time high and was up 22% at year-end.

As 2017 ended, President Trump signed the "Tax Cuts and Jobs Act of 2017" tax reform bill. As 2018 began, there was much enthusiasm for this tax reform package and the potential increase in take-home pay for many Americans, as well as the reduction in the federal corporate tax rate from 35% to 21%. Early in the year, many investors were also watching the Federal Reserve (the "Fed") and its signaled intent to continue raising interest rates at a gradual pace. Based on strong job growth and the economic outlook in the U.S., the Fed did, in fact, raise interest rates on March 21, 2018.

For the entire first quarter of 2018, increased volatility was the norm. The S&P 500® Index was off to a strong start in January as it returned over 7.5% from January 2 to January 26. February, however, was a different story. Early in the month, the Dow Jones Industrial Average plunged 567 points and sank into "correction" territory (defined as a drop of 10% from the index's high) and in just two weeks, was down more than 3,200 points. However, as February came to a close, the Dow Jones Industrial Average was back on track and up from the lows experienced earlier in the month. Volatility continued in March and April with the Dow Jones Industrial Average ending April with a small gain. Across the globe, the first quarter saw the Emerging Market and Developing Market countries, as well as Europe, continue with the strong performances experienced in 2017.

This market volatility is why we believe that one should invest for the long term and be prepared for market movements, which can happen at any time. This can be accomplished by keeping current on your portfolio and investing goals and by speaking regularly with your investment professional. It's 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.

At First Trust, we continue to be optimistic about the U.S. economy and we thank you for giving us the opportunity to be a part of your financial plan. 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 1

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First Trust High Income Long/Short Fund (FSD)

"AT A GLANCE"

As of April 30, 2018 (Unaudited)

Fund Statistics	
Symbol on New York Stock Exchange	FSD
Common Share Price	\$15.11
Common Share Net Asset Value ("NAV")	\$17.26
Premium (Discount) to NAV	(12.46)%
Net Assets Applicable to Common Shares	\$516,966,676
Current Monthly Distribution per Common Share <sup>(1)</sup>	\$0.1050
Current Annualized Distribution per Common Share	\$1.2600
Current Distribution Rate on Common Share Price <sup>(2)</sup>	8.34%
Current Distribution Rate on NAV <sup>(2)</sup>	7.30%
Common Share Price & NAV (weekly closing price)	

Performance				
			Average	e Annual
			Total Re	eturns
	6 Months	s 1 Year	5 Years	Inception
	Ended	Ended	Ended	(9/27/10)
	4/30/18	4/30/18	4/30/18	to 4/30/18
Fund Performance <sup>(3)</sup>				
NAV	-1.00%	3.97%	5.16%	6.86%
Market Value	-6.56%	-4.56%	3.27%	4.37%
Index Performance				

ICE BofAML US High Yield Constrained Index -0.23% 3.22% 4.77% 6.85%

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<sup>(1)</sup> Most recent distribution paid or declared through 4/30/2018. Subject to change in the future.

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 4/30/2018. Subject to change in the future. 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.

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First Trust High Income Long/Short Fund (FSD)

"AT A GLANCE" (Continued)

As of April 30, 2018 (Unaudited)

As of April 30, 2016 (Offaudited)	
Asset Classification	% of Long-Term Investments <sup>(4)</sup>
Corporate Bonds and Notes	74.0%
Foreign Corporate Bonds and Notes	18.5
Capital Preferred Securities	5.7
Senior Floating-Rate Loan Interests	1.0
Mortgage-Backed Securities	0.7
Asset-Backed Securities	0.1
Total	100.0%

	% of
Industry Classification	Long-Term
	Investments <sup>(4)</sup>
Basic Industry	13.2%
Services	9.3
Capital Goods	9.2
Telecommunications	9.1
Healthcare	8.0
Energy	8.0
Technology & Electronics	6.5
Consumer Goods	5.9
Leisure	5.5
Banking	4.6
Media	4.3
Automotive	4.1
Retail	3.0
Financial Services	3.0
Transportation	2.6
Insurance	2.4
Commercial Mortgage-Backed Securities	0.5
Utility	0.5
Collateralized Mortgage Obligations	0.2
Asset-Backed Securities	0.1
Total	100.0%

Country Exposure	•
	Investments <sup>(4)</sup>
United States	81.3%
Canada	5.2
Luxembourg	3.1
Netherlands	2.3
United Kingdom	2.3
Ireland	1.5
Bermuda	0.8
Liberia	0.6

Multinational	0.6
Cayman Islands	0.6
Australia	0.6
Finland	0.4
Mexico	0.3
France	0.2
Jersey	0.2
Total	100.0%

Credit Quality <sup>(5)</sup>	% of Total Fixed-Income Investments <sup>(4)</sup>
BBB- and above	11.8%
BB	55.4
В	28.0
CCC+ and below	4.8
Total	100.0%

- (4) Percentages are based on long positions only. Short positions are excluded.
  - The credit quality and ratings information presented above reflect the ratings assigned by one or more nationally recognized statistical rating organizations (NRSROs), including Standard & Poor's Ratings Group, a division of the McGraw Hill Companies, Inc., Moody's Investors Service, Inc., Fitch Ratings or a comparably rated NRSRO. For
- (5) situations in which a security is rated by more than one NRSRO and the ratings are not equivalent, the highest rating is used. Sub-investment grade ratings are those rated BB+/Ba1 or lower. Investment grade ratings are those rated BBB-/Baa3 or higher. The credit ratings shown relate to the creditworthiness of the issuers of the underlying securities in the Fund, and not to the Fund or its shares. Credit ratings are subject to change.

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Portfolio Commentary

First Trust High Income Long/Short Fund (FSD)

Semi-Annual Report

April 30, 2018 (Unaudited)

Advisor

First Trust Advisors L.P. ("First Trust") is the investment advisor to the First Trust High Income Long/Short 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

MacKay Shields LLC is a registered investment advisor founded in 1938, and is Sub-Advisor to the Fund. The Fund trades under the ticker symbol FSD on the New York Stock Exchange. As of April 30, 2018, MacKay had approximately \$110.7 billion in assets under management.

Portfolio Management Team

Dan Roberts, PhD – Executive Managing Director, Head of Global Fixed Income Division and Chief Investment Officer

Louis N. Cohen, CFA – Senior Managing Director, Global Fixed Income Division

Joseph Cantwell - Managing Director, Global Fixed Income Division

Matthew Jacob - Managing Director, Global Fixed Income Division

Shu-Yang Tan, CFA – Managing Director, Global Fixed Income Division

Market Recap

This report covers the Fund for the six-month period ending April 30, 2018.

Initially, risky assets -- including U.S. stocks and corporate bonds -- benefitted from investors' optimism about the Republican tax plan, an increase in oil prices, and a positive global economic backdrop. However, subsequently volatile equity markets, bond exchange-traded funds ("ETFs") outflows, potential trade wars and tariffs, and increased Federal borrowing needs (due to the revised tax code) weighed on "risk markets". February 2018 outflows from bond ETFs were noteworthy. For instance, the market cap of iShares iBoxx \$ High Yield Corporate Bond ETF ("HYG") contracted by some 17% and SPDR® Bloomberg Barclays High Yield Bond ETF withered about 37% by mid-February.

Tightening by the Federal Reserve (the "Fed"), burgeoning wage pressures and concerns about future inflation coupled with increased supply contributed to higher yields on government debt. The U.S. Treasury Department announced that net borrowing in the first quarter of 2018 reached \$488 billion or \$47 billion more than had been expected. Furthermore, the Treasury projects \$75 billion of net new debt issuance from April through June of 2018. The Fed raised overnight rates as expected throughout the six-month period and doubled the pace of its balance sheet reduction program. Consequently, yields on U.S. Treasuries rose with the front-end of the yield curve sustaining the most damage. The yield on the two-year note lofted 89 basis points ("bps") while the ten-year yield increased by 57 bps and the thirty-year bond by only 24 bps. Moreover, the ten-year bond approached 3.00% resulting in the widest spread to German Bunds since 1989. The 3-Month London Interbank Offered Rate ("LIBOR") rose to 2.36%.

The pace of U.S. economic activity slackened somewhat in the first quarter of 2018; gross domestic product ("GDP") came in at a respectable 2.3% (down from 2.9% from the final quarter of 2017) as consumers spent less on clothing, cars, and footwear. High frequency wage and employment data contributed to a growing consensus that the U.S. is at, or near, full employment and that wage pressures are not transitory. The Bureau of Labor Statistics reported that compensation grew by 2.7%, and initial jobless claims dropped to the lowest level since 1969. Unemployment reached 4.1%, and the core personal consumption expenditures ("PCE"), excluding food and energy, price index jumped 1.9% -close to the Fed's 2.0% target. We believe that the likely trajectory of short-term rates is gradually higher.

Other central banks were in the news as well. Although the European Central Bank ("ECB") started to trim its corporate bond buying program from €60 billion to €30 billion in January of 2018, the central bank indicated that it intends to keep its main rate at zero for "an extended period, and well past the horizon of net asset purchases." Initially robust economic activity in Europe and the United Kingdom, however, surprised modestly on the downside. Mario Draghi, the president of the ECB, noted "a lack of momentum that is pretty broad-based across countries and all sectors." He continued to caution that "risks related to global factors, including the threat of increased protectionism, have become

more prominent." British GDP grew by a mere 0.1% in the first quarter of 2018 due, in part, to colder and snowier winter weather. The Bank of England governor, Mark Carney, also cited uncertainty regarding post-Brexit trade with the European Union ("EU") as a potential source of economic headwinds. The economic slackening in both the EU and the United Kingdom point to more dovish central bank activity in the near-term.

Performance Analysis

After relatively smooth sailing in the latter part of 2017, global capital markets experienced significant volatility during the first four months of 2018, and high-yield ("HY") bonds were not immune from that volatility. Given that the early 2018 equity market sell-off

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Portfolio Commentary (Continued)

First Trust High Income Long/Short Fund (FSD)

Semi-Annual Report

April 30, 2018 (Unaudited)

was broadly described as a "risk-off" event, many have assumed that must be the case for HY bonds as well. However, our analysis indicates that the recent performance of U.S. HY bonds is more nuanced – and more aptly described as "rates off" rather than "risk-off". The reaction of U.S. HY bond markets differed from that of the Treasury and equity markets in a number of subtle, yet important, ways. Higher risk issues generated positive returns in the face of rising rates, while lower risk issues posted negative returns.

Although CCC and lower names posted significant positive returns, overall U.S. high-yield bond returns were negative during the period. The Energy (1.43%), Transportation (0.83%), Financial Services (0.79%), and Healthcare (0.67%) sectors were the strongest performers in the widely watched ICE BofAML US High Yield Constrained Index, whereas Automotive (-3.38%), Consumer Goods (-2.49%), Banking (-2.23%), and Media (-1.77%) lagged the benchmark. New issuance remained strong despite intermittently unsettled markets, and refinancing continued to represent a sizeable portion of new issuance during the period.

Many of the sectors which contributed to the Fund's outperformance in 2017 reversed in early 2018, but we believe this is temporary. Credit market performance in the first quarter of 2018 -- January and February especially -- is not sustainable in our view. Given the near historical tights on spreads and the rise in idiosyncratic risk and the risk associated with disruption, we believe that managing away from uncompensated risks is warranted. Specifically, we are avoiding disrupted sectors such as Retail, Wireline - Telecom, and Healthcare - Hospitals and maintain our relative caution on credit (overweight BBB, BB) while reducing our exposure to some longer duration bonds. In other cases, we expect our ongoing longer duration holdings to become "rising stars" and be upgraded to investment grade in the near future.

Turning to performance, the Fund returned -1.00%¹ on a NAV basis and returned -6.56%¹ on a share price basis for the six-month period ending April 30, 2018, underperforming its benchmark, the ICE BofAML US High Yield Constrained Index², which returned -0.23% for the same period. Within the Fund, lower quality issuers experiencing disruption outperformed and this detracted from results; these sectors included wireline telecom, energy, and healthcare facilities where the Fund is underweight. Note that these are the same underweights that benefitted the Fund in 2017. Additionally, certain economically sensitive sectors where we are primarily overweight (steel, gaming, building materials and chemicals), which we believed should have benefited from fiscal stimulus, lagged. Less cyclical sectors that usually outperform in periods of volatility and where the Fund is overweight (Food and Packaging) did not perform well during the period. Alternatively, the Fund's underweight to Cable and Satellite and overweight to Pharmaceuticals and Autos benefitted results.

During the period, the Fund held a short position in U.S. Treasury bonds, expressed in the belly of the curve, and used the short to reduce the Fund's portfolio's exposure to interest-rate risk, while at the same time purchasing additional high-yield securities to lever up the portfolio. The additional long exposure to high-yield bonds detracted from results as the high-yield market sold off during the quarter.

#### Outlook

We believe geopolitical concerns and central bank policies will likely be the dominant drivers of market sentiment over the near-term. In our opinion, rising interest rates (helped by a hawkish Fed), a flattening yield curve, higher oil prices, increased tension with Iran, and trade wars between the U.S. and China, Mexico and others should collectively keep the markets on their toes during the second quarter of 2018. These risk factors, coupled with softer-than-expected economic growth in the U.S., have temporarily overshadowed a healthy corporate earnings season that we believe should otherwise be a catalyst for improved risk appetites.

As we have observed throughout this economic expansion, many of these risks factors, in our opinion, typically create pockets of price volatility rather than lead to fundamental impairment across the fixed income issuer base. We believe today's environment can still offer attractive buying opportunities for patient investors. Importantly, we acknowledge that investor compensation is still relatively limited at current prices, and therefore chasing yield indiscriminately is not an appropriate strategy. Instead, we reaffirm our less aggressive targeted risk profile across portfolio styles. Downside protection remains paramount in an environment of elevated idiosyncratic risk and disruptive forces at play.

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.

The ICE BofAML US High Yield Constrained Index tracks the performance of U.S. dollar denominated below <sup>2</sup> investment grade corporate debt publicly issued in the U.S. domestic market but caps issuer exposure at 2%. Indexes are unmanaged and an investor cannot invest directly in an index.

This material contains the opinions of the Global Fixed Income team of MacKay Shields LLC but not necessarily those of MacKay Shields LLC. The opinions expressed herein are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and opinions contained herein should not be considered as investment advice or a recommendation of any security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this document may be reproduced in any form, or referred to in any other publication, without express written permission of MacKay Shields LLC. ©2018, MacKay Shields LLC.

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First Trust High Income Long/Short Fund (FSD) Portfolio of Investments

April 30, 2018 (Unaudited)

Principal Value CORPORA	Description TE BONDS AND NOTES - 91.1%	Stated Coupon	Stated Maturity	Value
\$4,025,000	Automotive – 3.3% Dana, Inc. (a)	5 500/	10/15/04	\$4.115.560
\$4,025,000	Gates Global LLC/Gates Global Co. (b)	5.50%	12/13/24	\$4,115,562
2,080,000		6.00%	07/15/22	2,106,208
1,275,000	Goodyear Tire & Rubber (The) Co. (a)	5.00%	05/31/26	1,219,219
3,300,000	Goodyear Tire & Rubber (The) Co.	4.88%	03/15/27	3,097,875
3,399,000	Navistar International Corp. (b)	6.63%	11/01/25	3,543,457
1,970,000	Tenneco, Inc. (a)	5.00%	07/15/26	1,846,875
1,235,000	ZF North America Capital, Inc. (b)	4.75%	04/29/25	1,262,788
,,				17,191,984
	Banking – 1.6% Ally Financial, Inc. (a)			
6,165,000		8.00%	11/01/31	7,522,533
612,000	Ally Financial, Inc. (a)	8.00%	11/01/31	743,580
	Dagia Industry 10.90/			8,266,113
650,000	Basic Industry – 10.8% AK Steel Corp.	7.63%	10/01/21	666,250
1,000,000	AK Steel Corp.	7.50%	07/15/23	1,055,000
2,100,000	AK Steel Corp.	6.38%		1,977,969
2,425,000	Beazer Homes USA, Inc.	8.75%		2,616,575
800,000	Cleveland-Cliffs, Inc. (a)	4.88%	04/01/21	
1,800,000	Cleveland-Cliffs, Inc. (a)	•		
1,800,000	Core & Main L.P. (b)	5.75%	03/01/23	1,742,634
2,720,000	Core & Main E.1. (0)	6.13%	08/15/25	2,679,200
1,000,000	Freeport-McMoRan, Inc.	3.55%	03/01/22	967,500
1,680,000	Freeport-McMoRan, Inc.	3.88%	03/15/23	1,614,900

960,000	Freeport-McMoRan, Inc. (a)	4.55%	11/14/24	931,200
2,445,000	Jeld-Wen, Inc. (b)	4.88%	12/15/27	2,310,525
2,979,000	KB Home	_ 7.50%	09/15/22	3,284,347
1,600,000	Koppers, Inc. (a) (b)	6.00%	02/15/25	1,632,000
4,600,000	Lennar Corp. (b)	8.38%	05/15/18	4,611,500
500,000	Lennar Corp. (b)		11/15/24	
3,180,000	Meritage Homes Corp.			3,295,275
1,000,000	Novelis Corp. (b)	_ 6.25%		1,021,250
	Novelis Corp. (b)			
2,862,000	Olin Corp.	_ 5.88%		2,847,690
2,045,000	Pisces Midco, Inc. (b)			2,009,213
1,250,000	PQ Corp. (a) (b)	_ 8.00%	04/15/26	1,256,625
1,760,000		6.75%	11/15/22	1,867,800
565,000	PQ Corp. (a) (b)	5.75%	12/15/25	560,763
4,570,000	PulteGroup, Inc. (a)	7.88%	06/15/32	5,438,300
2,025,000	Shea Homes L.P./Shea Homes Funding Corp. (a) (b)	6.13%	04/01/25	2,047,781
4,250,000	Standard Industries, Inc. (a) (b)	5.00%	02/15/27	4,107,242
3,765,000	TRI Pointe Group, Inc./TRI Pointe Homes, Inc. (a)	5.88%	06/15/24	3,835,594
	Capital Goods – 8.0%			55,686,667
3,045,000	Ball Corp.	4.00%	11/15/23	2,995,519
2,675,000	Berry Global, Inc. (b)	_ 4.50%	02/15/26	2,561,313
4,100,000	BWAY Holding Co. (a) (b)	5.50%	04/15/24	4,130,750
3,500,000	Crown Americas LLC/Crown Americas Capital Corp. IV (a)	4.50%		3,451,875
4,645,000	KLX, Inc. (a) (b)	5.88%		4,865,637
1,350,000	Orbital ATK, Inc.	5.50%		1,420,875

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2,840,000	Owens-Brockway Glass Container, Inc. (a) (b)	5.00%	01/15/22 2,889,700
5,700,000	Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer LU (a) (b)	5.13%	07/15/23 5,742,750
3,725,000	Sealed Air Corp. (b)	5.50%	09/15/25 3,860,031
3,770,000	Terex Corp. (b)	5.63%	02/01/25 3,755,863
2,660,000	Trident Merger Sub, Inc. (b)	6.63%	11/01/25 2,613,450
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First Trust High Income Long/Short Fund (FSD)

Portfolio of Investments (Continued)

April 30, 2018 (Unaudited)

Principal Value	Description	Stated Coupon	Stated Maturity	Value
CORPORA	TE BONDS AND NOTES (Continued) Capital Goods (Continued)	•	·	
\$2,925,000	Triumph Group, Inc. (a)	4.88%	04/01/21	\$2,851,875
280,000	Triumph Group, Inc.	7.75%	08/15/25	287,700
	Consumer Goods – 6.7%			41,427,338
4,895,000	B&G Foods, Inc.	5.25%	04/01/25	4,491,162
3,245,000	Cott Holdings, Inc. (b)	5.50%	04/01/25	3,228,775
3,920,000	First Quality Finance Co., Inc. (b)	5.00%	07/01/25	3,763,200
3,640,000	Kronos Acquisition Holdings, Inc. (b)	9.00%	08/15/23	3,485,300
2,915,000	Lamb Weston Holdings, Inc. (b)	4.63%		2,904,069
2,000,000	Pilgrim's Pride Corp. (b)	5.75%		1,960,000
1,765,000	Post Holdings, Inc. (b)	5.50%		
	Post Holdings, Inc. (b)	_		1,738,525
3,610,000	Prestige Brands, Inc. (b)	_ 5.00%		3,393,400
3,900,000	Spectrum Brands, Inc.	6.38%	03/01/24	3,939,000
3,910,000		5.75%	07/15/25	3,925,836
2,040,000	US Foods, Inc. (b)	5.88%	06/15/24	2,085,900
	Energy -7.8%			34,915,167
5,100,000	AmeriGas Partners L.P./AmeriGas Finance Corp.	5.88%	08/20/26	5,087,250
1,875,000	Andeavor Logistics L.P./Tesoro Logistics Finance Corp. (a)	5.25%	01/15/25	1,924,219
2,426,000	California Resources Corp. (b)	8.00%	12/15/22	2,098,490
2,060,000	Carrizo Oil & Gas, Inc. (a)	6.25%	04/15/23	2,121,800
2,720,000	Crestwood Midstream Partners L.P./Crestwood Midstream Finance Corp.	6.25%	04/01/23	2,774,400

		_		
1,955,000	Hilcorp Energy I L.P./Hilcorp Finance Co. (b)	5.00%	12/01/24	1,911,012
2,435,000	PDC Energy, Inc.	6.13%	09/15/24	2,508,050
965,000	PDC Energy, Inc. (a) (b)	5.75%	05/15/26	973,444
3,155,000	QEP Resources, Inc.	5.63%	03/01/26	3,032,744
2,245,000	Sanchez Energy Corp.	6.13%	01/15/23	1,632,564
2,020,000	SM Energy Co.	5.63%		1,959,400
1,845,000	Southwestern Energy Co.	4.10%		1,803,488
1,540,000	Southwestern Energy Co.	7.50%		
	Suburban Propane Partners L.P./Suburban Energy Finance Corp.			1,590,050
1,445,000	Suburban Propane Partners L.P./Suburban Energy Finance Corp.	5.75%		1,394,425
1,975,000		5.88%	03/01/27	1,881,187
4,000,000	Targa Resources Partners L.P./Targa Resources Partners Finance Corp. (b)	5.00%	01/15/28	3,710,000
1,380,000	Whiting Petroleum Corp. (a)	5.75%	03/15/21	1,416,225
2,560,000	Whiting Petroleum Corp. (b)	6.63%	01/15/26	2,627,200
				40,445,948
6,855,000	Financial Services – 3.6% Icahn Enterprises L.P./Icahn Enterprises Finance Corp.	6.00%	08/01/20	7,004,953
3,385,000	MSCI, Inc. (b)	5.75%		3,553,234
1,822,000	OneMain Financial Holdings LLC (b)	7.25%		1,886,909
1,395,000	Springleaf Finance Corp. (a)	=		
	Springleaf Finance Corp. (a)	6.00%		1,454,288
4,555,000		7.75%	10/01/21	4,976,337
	Healthcare – 5.9%			18,875,721
3,825,000	Catalent Pharma Solutions, Inc. (b)	4.88%	01/15/26	3,734,156
1,580,000	CHS/Community Health Systems, Inc. (a)	6.88%	02/01/22	865,524
3,400,000	Greatbatch Ltd. (b)	9.13%	11/01/23	3,680,500

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3,905,000	Hologic, Inc. (b)	4.38%	10/15/25 3,768,325
2,670,000	inVentiv Group Holdings, Inc./inVentiv Health, Inc./inVentiv Health Clinical, Inc. (b)	7.50%	10/01/24 2,850,225
See Notes to Page 7	o Financial Statements	_	

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First Trust High Income Long/Short Fund (FSD) Portfolio of Investments (Continued) April 30, 2018 (Unaudited) Principal Stated Stated Description Value Value Coupon Maturity CORPORATE BONDS AND NOTES (Continued) Healthcare (Continued) IQVIA, Inc. (a) (b) \$731,000 4.88% 05/15/23 \$743,793 IQVIA, Inc. (b) 3,000,000 5.00% 10/15/26 2,970,000 MPH Acquisition Holdings LLC (b) 06/01/24 3,747,462 Service Corp International 2,000,000 05/15/24 2,063,000 Teleflex, Inc. 2,750,000 4.63% 11/15/27 2,636,563 West Street Merger Sub, Inc. (b) 3,245,000 6.38% 09/01/25 3,204,437 30,263,985 Leisure -6.1%Boyd Gaming Corp. (a) 2,500,000 04/01/26 2,623,675 6.38% Churchill Downs, Inc. (b) 2,980,000 01/15/28 2.823,550 Eldorado Resorts, Inc. \_ 6.00% 3,500,000 04/01/25 3,486,875 ESH Hospitality, Inc. (b) 4,385,000 5.25% 05/01/25 4,297,300 GLP Capital L.P./GLP Financing II, Inc. 04/15/26 1,696,800 \_\_\_\_\_ 5.38% Hilton Domestic Operating Co., Inc. (b) 4,600,000 05/01/26 4,623,000 Live Nation Entertainment, Inc. (b) 3,120,000 4.88% 11/01/24 3,061,500 MGM Resorts International (a) 4,825,000 6.75% 10/01/20 5,138,625 Scientific Games International, Inc. 3,410,000 10.00% 12/01/22 3,688,086 31,439,411 Media -3.8%Clear Channel Worldwide Holdings, Inc., Series B (a) 2,000,000 7.63% 03/15/20 2,012,500 Clear Channel Worldwide Holdings, Inc., Series B 2,841,000 6.50% 11/15/22 2,922,679 1,250,000 CSC Holdings LLC (a) (b) 6.63% 10/15/25 1,292,188

2,325,000	CSC Holdings LLC (a) (b)	5.50%	04/15/27	2,237,347
5,830,000	Dish DBS Corp. (a)	6.75%	06/01/21	5,815,425
2,115,000	Lamar Media Corp.	5.75%	02/01/26	2,194,312
3,150,000	Sirius XM Radio Inc. (b)			3,102,750
, ,				19,577,201
3,270,000	Retail – 3.2% Dollar Tree, Inc.	5 75%	03/01/23	3,412,081
5,445,000	Haneshrands Inc (b)	4.63%		5,281,650
3,443,000	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	4.03%	03/13/24	3,261,030
1,320,000	(a) (b)	5.00%	06/01/24	1,323,300
3,300,000	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC (b)	5.25%	06/01/26	3,324,750
2,975,000	Murphy Oil USA, Inc. (a)	6.00%	08/15/23	3,082,844
	Services – 9.5%			16,424,625
4,000,000	Advanced Disposal Services, Inc. (a) (b)	5.63%	11/15/24	4,050,000
3,175,000	Aramark Services, Inc. (a) (b)	5.00%	02/01/28	3,099,594
2,125,000	CoreCivic Inc (a)		10/15/22	2,156,875
1,090,000	GEO (The) Group Inc. (a)	5.88%	10/15/24	1,090,000
2,385,000	GEO (The) Group, Inc. (a)	6.00%	04/15/26	2,361,866
	H&E Equipment Services, Inc.			2,458,300
2,654,000	Hana Dantala Ina (h)	7.50%		2,826,510
1,458,000	Herc Rentals Inc (b)			
	Iron Mountain, Inc. (b)			1,581,201
4,199,000	Lon Monatoin Inc. (b)	4.88%		3,973,304
1,845,000	KAR Auction Services, Inc. (a) (b)			1,745,831
4,615,000	SarviceMaster (The) Co. LLC (a) (b)	5.13%	06/01/25	4,488,087
3,805,000	Tempo Acquisition LLC/Tempo Acquisition Finance Corp. (b)	<ul><li>5.13%</li><li>6.75%</li></ul>		3,715,582 3,622,625
3,030,000	rempo Acquisition LLC/ rempo Acquisition finance Corp. (b)	0.13%	00/01/23	3,622,625

1,400,000 United Rentals North America, Inc. (a)	5.50%	07/15/25 1,440,250
2,900,000 United Rentals North America, Inc. (a)	5.88%	09/15/26 3,034,125
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First Trust High Income Long/Short Fund (FSD)

Portfolio of Investments (Continued)

April 30, 2018 (Unaudited)

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Principal Value	Description	Stated	Stated Maturity	Value
	TE BONDS AND NOTES (Continued)	Coupon	wiatarrey	
	Services (Continued)			
\$2,250,000	United Rentals North America, Inc.	4.88%	01/15/28	\$2,137,500
3,650,000	Waste Pro USA, Inc. (b)	5.50%	02/15/26	3,621,530
1,975,000	Wrangler Buyer Corp. (b)	6.00%	10/01/25	1,955,250
				49,358,430
	Technology & Electronics -7.0%			
3,195,000	CDK Global, Inc.	4.88%	06/01/27	3,083,175
590,000	CDW LLC/CDW Finance Corp.	5.50%	12/01/24	
	CDW LLC/CDW Finance Corp.	_		
145,000	EDW ELECTOR T mance corp.	5.00%	09/01/25	145,174
3,700,000	CommScope Technologies LLC (a) (b)	5.00%	03/15/27	3,552,000
2,800,000	CommScope, Inc. (b)	5.00%	06/15/21	2,831,500
3,996,000	Dell International LLC/EMC Corp. (b)	8.35%	07/15/46	4,935,298
4,030,000	First Data Corp. (a) (b)	7.00%	12/01/23	4,226,986
2,038,000	First Data Corp. (a) (b)	5.00%	01/15/24	2,060,928
2,870,000	Match Group, Inc. (a)	6.38%	06/01/24	3,038,613
4,015,000	NCR Corp. (a)	6.38%	12/15/23	4,165,562
3,019,000	PTC, Inc.	6.00%	05/15/24	3,169,950
3,825,000	Qorvo, Inc. (a)	7.00%	12/01/25	4,174,031
				35,997,195
	Telecommunications – 10.0%			33,771,173
2,960,000	CenturyLink, Inc., Series P (a)	7.60%	09/15/39	2,516,000
2,700,000		7.00%	07/13/37	2,310,000
4,420,000	CyrusOne L.P./CyrusOne Finance Corp. (a)	5.38%	03/15/27	4,431,050
3,025,000	Equinix, Inc. (a)	5.88%	01/15/26	3,138,438

2,500,000	Equinix, Inc.	5.38%	05/15/27	2,550,000
1,130,000	Frontier Communications Corp.	10.50%	09/15/22	999,711
4,380,000	Frontier Communications Corp. (b)	8.50%	04/01/26	4,270,500
2,956,000	Hughes Satellite Systems Corp. (a)	5.25%	08/01/26	2,900,575
300,000	Level 3 Financing, Inc.	6.13%	01/15/21	304,125
3,070,000	Level 3 Financing, Inc.	5.38%	01/15/24	3,046,975
2,900,000	Level 3 Financing, Inc.	5.25%	03/15/26	2,812,130
2,850,000	Qualitytech L.P./QTS Finance Corp. (b)	4.75%	11/15/25	2,700,375
6,045,000	Sprint Capital Corp.	8.75%	03/15/32	6,940,416
570,000	Sprint Communications, Inc. (a)	9.25%	04/15/22	658,350
885,000	Sprint Corp. (a)	7.63%	03/01/26	934,781
6,295,000	T-Mobile USA, Inc. (a)	6.00%		6,538,931
2,925,000	T-Mobile USA, Inc.	6.00%		3,071,250
3,675,000	Zayo Group LLC/Zayo Capital, Inc. (b)	5.75%		3,658,021
-,-,-,-,-			V = , = V = ,	51,471,628
2,000,000	Transportation – 3.2% American Airlines Group, Inc.	6.13%	06/01/18	2,005,000
146,917	Continental Airlines 2003-ERJ1 Pass Through Trust	7.88%	07/02/18	
	Continental Airlines 2005-ERJ1 Pass Through Trust (a)			
968,875	United Continental Holdings, Inc.	9.80%		1,039,724
2,000,000		6.00%	12/01/20	2,109,600
4,822,427	US Airways 2000-3C Pass Through Trust	8.39%	03/01/22	5,280,558
5,775,000	XPO Logistics, Inc. (a) (b)	6.50%	06/15/22	5,984,344
	TL'11. 0.60			16,567,980
3,420,000	Utility – 0.6% Calpine Corp. (a)	5.75%	01/15/25	3,146,742
-, -= 0,000	Total Corporate Bonds and Notes		J 10, 20	471,056,135

(Cost \$470,461,399) See Notes to Financial Statements Page 9

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5,100,000 (a) (b)

535,000

First Trust High Income Long/Short Fund (FSD) Portfolio of Investments (Continued) April 30, 2018 (Unaudited) **Principal** Value Stated Stated Value Description (Local Coupon Maturity (US Dollars) Currency) FOREIGN CORPORATE BONDS AND NOTES - 22.8% Automotive -0.7%Dana Financing Luxembourg Sarl (USD) (a) (b) 650,000 5.75% 04/15/25 \$661,375 LKQ European Holdings B.V. (EUR) (b) 2,565,000 3.63% 04/01/26 3,101,256 3,762,631 Banking -0.5%Royal Bank of Scotland Group PLC (USD) 2,400,000 5.13% 05/28/24 2,440,539 Basic Industry - 5.5% ArcelorMittal (USD) (a) 6,392,000 7.25% 10/15/39 7,606,480 Cemex SAB de CV (USD) (b) 1,700,000 7.75% 04/16/26 1,868,300 FMG Resources (August 2006) Pty Ltd. (USD) (b) 219,741 9.75% 03/01/22 242,292 FMG Resources (August 2006) Pty Ltd. (USD) (b) 3,340,000 5.13% 05/15/24 3,310,775 James Hardie International Finance DAC (USD) (b) 1,900,000 5.00% 01/15/28 1,852,500 MMC Norilsk Nickel OJSC via MMC Finance DAC (USD) (b) 1,490,000 6.63% 10/14/22 1,581,394 SPCM S.A. (USD) (a) (b) 1,625,000 4.88% 09/15/25 1,577,794 Stora Enso OYJ (USD) (b) 2,200,000 7.25% 04/15/36 2,678,500 Teck Resources Ltd. (USD) 2,505,000 6.00% 08/15/40 2,623,988 Teck Resources Ltd. (USD) 1,795,000 6.25% 07/15/41 1,911,675 Trinseo Materials Operating SCA/Trinseo Materials Finance, Inc. 2,975,000 (USD) (b) 5.38% 09/01/25 2,937,812 28,191,510 Capital Goods - 2.7% Ardagh Packaging Finance PLC/Ardagh Holdings USA, Inc. (USD)

Ardagh Packaging Finance PLC/Ardagh Holdings USA, Inc. (USD) (b) 6.00%

05/15/24 5,399,625

02/15/25 542,356

7.25%

	Bombardier, Inc. (USD) (b)			
890,000		6.00%	10/15/22	890,000
4,888,000	Bombardier, Inc. (USD) (b)	6.13%	01/15/23	4,942,990
2,280,000	Titan Acquisition Ltd./Titan Co-Borrower LLC (USD) (b)	7.75%	04/15/26	2,277,150
	G			14,052,121
2,925,000	Consumer Goods – 0.5% Minerva Luxembourg S.A. (USD) (b)	6.50%	09/20/26	2,775,094
050,000	Energy – 2.0% Gazprom OAO Via Gaz Capital S.A. (USD) (b)	0.620	04/20/24	1 200 055
950,000		8.63%	04/28/34	1,209,055
4,350,000	Petrobras Global Finance B.V. (USD) (a)	6.88%	01/20/40	4,197,750
2,120,000	Petrobras Global Finance B.V. (USD)	7.25%	03/17/44	2,110,354
3,350,000	Weatherford International Ltd. (USD)	4.50%	04/15/22	2,981,500
	Healthcare – 2.9%			10,498,659
2,275,000	Endo Dac./Endo Finance LLC/Endo Finco, Inc. (USD) (a) (b)	6.00%	02/01/25	1,609,563
4,000,000	Valeant Pharmaceuticals International, Inc. (USD) (b)	5.50%	03/01/23	3,630,000
5,319,000	Valeant Pharmaceuticals International, Inc. (USD) (a) (b)	5.88%	05/15/23	4,906,777
3,724,000	Valeant Pharmaceuticals International, Inc. (USD) (a) (b)	6.13%	04/15/25	3,372,901
1,320,000	Valeant Pharmaceuticals International, Inc. (USD) (b)	9.00%	12/15/25	1,341,450
				14,860,691
	Insurance – 1.0% Aviva PLC (GBP) (c)			
1,800,000		6.13%	11/14/36	2,875,148
2,220,000	Oil Insurance Ltd., 3 Mo. LIBOR + 2.98% (USD) (a) (b) (d)	5.29%	(e)	2,153,400
				5,028,548
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First Trust High Income Long/Short Fund (FSD)

Description

Portfolio of Investments (Continued)

April 30, 2018 (Unaudited)

Princ	ipal
Volue	

Value (Local	Description	Stated Coupon	Stated Maturity	Value (US Dollars)
Currency) FOREIGN CO	ORPORATE BONDS AND NOTES (Continued)			
3,205,000	Leisure – 0.8% Royal Caribbean Cruises Ltd. (USD) (a)	7.50%	10/15/27	\$3,923,490
3,695,000	Media – 1.5% UPCB Finance IV Ltd. (USD) (b)	5.38%	01/15/25	3,630,337
2,800,000	Virgin Media Finance PLC (GBP)	6.38%		4,056,429
				7,686,766
2,720,000	Retail -0.5% 1011778 BC ULC/New Red Finance, Inc. (USD) (a) (b)	4.25%	05/15/24	2,594,200
700,000	Services – 1.9% Darling Global Finance B.V. (EUR) (b)	3.63%	05/15/26	858.092
2,540,000	GFL Environmental, Inc. (USD) (b)	5.63%		2,555,875
630,000	GFL Environmental, Inc. (USD) (b)	5.38%	03/01/23	625,275
3,940,000	Ritchie Bros. Auctioneers, Inc. (USD) (b)	5.38%	01/15/25	3,930,150
1,985,000	Travelport Corporate Finance PLC (USD) (b)	6.00%		2,034,625
				10,004,017
2,500,000	Technology & Electronics – 1.1% NXP B.V./NXP Funding LLC (USD) (a) (b)	4.63%	06/01/23	2,523,438
3,060,000	Sensata Technologies UK Financing Co., PLC (USD) (a) (b)	6.25%	02/15/26	3,196,476
	Telecommunications – 1.2%			5,719,914
3,540,000	Telecom Italia Capital S.A. (USD) (a)	7.72%	06/04/38	4,283,400
2,300,000	VEON Holdings B.V. (USD) (b)	4.95%	06/16/24	2,187,967
		— <u>-</u>		6,471,367
	Total Foreign Corporate Bonds and Notes			118,009,547
	(Cost \$113,691,766)			•

Par Amount (Local Currency)		Stated Rate	Stated Maturity	Value (US Dollars)
CAPITAL PRI	EFERRED SECURITIES -7.1%			
4,935,000	Automotive - 0.9% General Motors Financial Co., Inc., Series A (USD) (c)	5.75%	(e)	4,878,247
2,940,000	Banking - 3.6% Bank of America Corp., Series DD (USD) (c)	6.30%	(e)	3,119,928
2,940,000	-	0.30%	(6)	3,119,926
4,475,000	Citigroup, Inc., Series M (USD) (c)	6.30%	(e)	4,580,163
2,775,000	Dresdner Funding Trust I (USD) (a) (b)	8.15%	06/30/31	3,544,535
5,370,000	Goldman Sachs Group (The), Inc., Series P (USD) (a) (c)	_ 5.00%	(e)	5,172,062
900,000	HBOS Capital Funding L.P. (GBP) (c)	6.46%	(e)	1,270,892
795,000	RBS Capital Trust II (USD) (c)	6.43%	(e)	914,250
				18,601,830
3,210,000	Capital Goods - 0.6% Textron Financial Corp., 3 Mo. LIBOR + 1.74% (USD) (b) (d)	3.57%	02/15/42	2,969,250
6.050.000	Insurance – 2.0% Hartford Financial Services Group (The), Inc., 3 Mo. LIBOR +	2.068	02/12/17	6.716.400
6,950,000	2.13% (USD) (a) (b) (d)	3.96%	02/12/47	6,716,480
See Notes to Fi	inancial Statements			

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	Income Long/Short Fund (FSD) stments (Continued)			
Par	,	Stated	Stated	Value
Amount	Description	Rate	Maturity	(US Dollars)
(Local Currency)		Rute	wiacarrey	(CS Donais)
CAPITAL PREF	FERRED SECURITIES (Continued)			
	Insurance (Continued) Lincoln National Corp., 3 Mo. LIBOR + 2.36% (USD) (a) (d)			
3,500,000	Elifcolii (Vational Corp., 5 Mo. Elbox + 2.50% (OSD) (a) (d)	4.24%	05/17/66	\$3,386,250
				10,102,730
	Total Capital Preferred Securities			
				36,552,057
	(Cost \$35,589,085)			
Principal	Description	Rate (f)	Stated	Value
Value		Kate (1)	Maturity (g)	varue
SENIOR FLOAT	ΓING-RATE LOAN INTERESTS – 1.2%			
	Healthcare – 1.2% Ortho-Clinical Term Loan B3, 1 Mo. LIBOR + 3.75%, 1.00%			
\$6,058,468	Floor	5.63%	06/30/21	6,096,333
\$0,030,400	11001	3.03%	00/30/21	0,090,333
	(Cost \$6,033,053)			
Principal		Stated	Stated	X7 1
Value	Description	Coupon	Maturity	Value
MORTGAGE-B	ACKED SECURITIES -0.9%	-		
	Collateralized Mortgage Obligations - 0.2%			
	Wells Fargo Mortgage Backed Securities			
1,217,104	Series 2006-AR7 Trust, Class 2A4 (h)	4.13%	05/25/36	1,245,926
,	C			,
	Commercial Mortgage-Backed Securities – 0.7% Securitized Asset Backed Receivables LLC Trust			
	Series 2006-FR4, Class A2A, 1 Mo. LIBOR + 0.08% (d)			
7,771,252	Series 2000 FR1, Class 11211, F1110. Elbor 1 0.00 /c (d)	1.98%	08/25/36	3,415,504
	Total Mortgage-Backed Securities			
				4,661,430
	(Cost \$6,179,718)			
ASSET-BACKE	D SECURITIES - 0.1%			
	Keycorp Student Loan Trust,			
554,738	Series 2000-A, Class A2, 3 Mo. LIBOR + 0.32% (d)	2.26%	05/25/29	552,748
334,730		2.2070	03/23/27	332,740
	(Cost \$521,869)			
	Total Investments – 123.2%			636,928,250
	(Cost \$622.476.800) (;)			
IIS GOVEDNA	(Cost \$632,476,890) (i) MENT BONDS SOLD SHORT - (18.3)%			
	United States Treasury Note			
(101,950,000)		1.38%	09/30/23	(94,542,740)

(Proceeds \$98,822,755)

ONDS SOLD SHORT – (1.8)% Energy – (0.9)%			
Noble Energy, Inc.	4.15%	12/15/21	(2,441,831)
Noble Energy, Inc.	3.90%	11/15/24	(2,093,271)
Madia (0.0)0/			(4,535,102)
Netflix, Inc.	4.38%	11/15/26	(4,834,705)
Total Corporate Bonds Sold Short			(9,369,807)
	Noble Energy, Inc.  Noble Energy, Inc.  Media – (0.9)%  Netflix, Inc.	Energy – (0.9)%  Noble Energy, Inc.  4.15%  Noble Energy, Inc.  3.90%  Media – (0.9)%  Netflix, Inc.  4.38%	Energy – (0.9)% Noble Energy, Inc.  4.15% 12/15/21  Noble Energy, Inc.  3.90% 11/15/24  Media – (0.9)% Netflix, Inc.  4.38% 11/15/26

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(Proceeds \$9,150,271)

#### **Table of Contents**

First Trust High Income Long/Short Fund (FSD)

Portfolio of Investments (Continued)

April 30, 2018 (Unaudited)

Principal Value Description Stated Stated Coupon Maturity Value

FOREIGN CORPORATE BONDS SOLD SHORT - (1.2)%

Media -(1.2)%

\$(6,500,000) Altice France S.A. (USD) (b) 7.38% 05/01/26 \$(6,321,250)

(Proceeds \$6,511,046)

Total Investments Sold Short – (21.3)% (110,233,797)

(Proceeds \$114,484,072)

Outstanding Loan – (4.1)%

(20,945,562)

Net Other Assets and Liabilities – 2.2%

11.217.785

Net Assets – 100.0%

\$516,966,676

#### Forward Foreign Currency Contracts

Cattlamant		Amount	Amount	Purchase	Sale	Unrealized		
Settlement	Counterparty	Allioulit	Amount	Value as of	Value as of	Appreciation/		
Date		Purchased	Sold	4/30/2018	4/30/2018	(Depreciation)		
08/01/18	JPM	USD4,037,674	EUR 3,297,000	\$ 4,037,674	\$ 4,010,307	\$ 27,367		
08/01/18	JPM	USD 8,542,318	GBP 6,102,000	8,542,318	8,438,720	103,598		
Net Unrealized Appreciation (Depreciation) \$130,965								

Counterparty

Abbreviations

JPMJPMorgan Chase

See Note 2D – Forward Foreign Currency Contracts in the Notes to Financial Statements.

- (a) This security or a portion of this security is segregated as collateral for investments sold short.
  - This security, sold within the terms of a private placement memorandum, is exempt from registration upon resale 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. Pursuant to procedures adopted by the Fund's Board of
- (b) Trustees, this security has been determined to be liquid by MacKay Shields LLC, the Fund's sub-advisor. Although market instability can result in periods of increased overall market illiquidity, liquidity for each security is determined based on security specific factors and assumptions, which require subjective judgment. At April 30, 2018, securities noted as such amounted to \$323,246,289 of total investments and \$(6,321,250) of total investments sold short, or 62.5% and (1.2)% of net assets, respectively.
- (c) Fixed-to-floating or fixed-to-variable rate security. The interest rate shown reflects the fixed rate in effect at April 30, 2018. At a predetermined date, the fixed rate will change to a floating rate or a variable rate.
- (d) Floating or variable rate security.
- (e) Perpetual maturity.
- (f)

Senior Floating-Rate Loan Interests ("Senior Loans") in which the Fund invests pay interest at rates which are periodically predetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the lending rate offered by one or more major European banks, such as the LIBOR, (ii) the prime rate offered by one or more United States banks or (iii) the certificate of deposit rate. Certain Senior Loans are subject to a LIBOR floor that establishes a minimum LIBOR rate.

- Senior Loans generally are subject to mandatory and/or optional prepayment. As a result, the actual remaining maturity of Senior Loans may be substantially less than the stated maturities shown.
- (h) Collateral Strip Rate security. Interest is based on the weighted net interest rate of the investment's underlying collateral. The interest rate resets periodically.
  - Aggregate cost for financial reporting purposes approximates the aggregate cost for federal income tax purposes. As of April 30, 2018, the aggregate gross unrealized appreciation for all investments in which there was an excess
- (i) of value over tax cost was \$22,913,329 and the aggregate gross unrealized depreciation for all investments in which there was an excess of tax cost over value was \$14,080,729. The net unrealized appreciation was \$8,832,600. The amounts presented are inclusive of investments sold short and derivative contracts.

EUR Euro
GBP British Pound Sterling
LIBOR London Interbank Offered Rate
USD United States Dollar
See Notes to Financial Statements
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#### **Table of Contents**

First Trust High Income Long/Short Fund (FSD)

Portfolio of Investments (Continued)

April 30, 2018 (Unaudited)

#### Valuation Inputs

A summary of the inputs used to value the Fund's investments as of April 30, 2018 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

#### **ASSETS TABLE**

ASSETS TABLE	Total Value at 4/30/2018	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Corporate Bonds and Notes*	\$ 471,056,135	\$ —	\$ 471,056,135	\$ —
Foreign Corporate Bonds and Notes*	118,009,547	_	118,009,547	
Capital Preferred Securities*	36,552,057	_	36,552,057	
Senior Floating-Rate Loan Interests*	6,096,333	_	6,096,333	_
Mortgage-Backed Securities	4,661,430	_	4,661,430	_
Asset-Backed Securities	552,748	_	552,748	
Total Investments	636,928,250	_	636,928,250	_
Forward Foreign Currency Contracts	130,965	_	130,965	_
Total	\$ 637,059,215	<b>\$</b> —	\$ 637,059,215	\$
LIABILITIES TABLE				
	Total Value at 4/30/2018	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
U.S. Government Bonds Sold Short	\$ (94,542,740)	)\$ —	\$ (94,542,740)	)\$ —
Corporate Bonds Sold Short*	(9,369,807)	_	(9,369,807)	_
Foreign Corporate Bonds Sold Short*	(6,321,250)		(6,321,250)	
Total	_\$ (110,233,79	7\$—	\$ (110,233,79	7\$—

<sup>\*</sup>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 April 30, 2018.

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### **Table of Contents**

First Trust High Income Long/Short Fund (FSD)

Statement of Assets and Liabilities

April 30, 2018 (Unaudited)

ASSETS:

Investments, at value

(Cost \$632,476,890)	\$ 636,928,250
Cash	
Foreign currency (Cost \$136,482)	132,046
Unrealized appreciation on forward foreign currency contracts	130,965
Receivables: Interest	9,751,949
Investment securities sold	
Due from broker	
Prepaid expenses	
Total Assets	649,976,683
LIABILITIES: Borrowings	20,945,562
Investments sold short, at value (proceeds \$114,484,072)	110,233,797
Payables: Investment securities purchased	845,319
Interest expense on investments sold short	438,176
Investment advisory fees	425,540
Administrative fees	
Audit and tax fees	
Printing fees	18,364
Custodian fees	17,290
Legal fees	9,426

Transfer agent fees	4,093
Trustees' fees and expenses	_1,450
Financial reporting fees	
Other liabilities	_1,151
Total Liabilities	_133,010,007
NET ASSETS	\$516,966,676
NET ASSETS consist of: Paid-in capital	_\$ 567,524,206
Par value	
Accumulated net investment income (loss)	_(6,854,070)
Accumulated net realized gain (loss) on investments, forward foreign currency contracts, swap contracts, foreign currency transactions, futures and investments sold short	(52,834,815)
Net unrealized appreciation (depreciation) on investments, forward foreign currency contracts, foreign currency translation and investments sold short	8,831,883
NET ASSETS	\$516,966,676
NET ASSET VALUE, per Common Share (par value \$0.01 per Common Share)	<b>-</b> \$17.26
Number of Common Shares outstanding (unlimited number of Common Shares has been authorized)	29,947,157
See Notes to Financial Statements Page 15	_

#### **Table of Contents**

First Trust High Income Long/Short Fund (FSD)

Statement of Operations

For the Six Months Ended April 30, 2018 (Unaudited)

**INVESTMENT** 

INCOME:

Interest \$ 18,849,268

Other 3,776

Total

investment income

18,853,044

**EXPENSES**:

Investment

advisory fees 2,630,931

Interest expense

on investments sold short

1,036,242

Margin interest

expense 666,834

Administrative

fees 144,857

Printing fees 57,500

Custodian fees 32,192

Audit and tax

fees 28,823

Legal fees 13,504

Transfer agent

fees 12,022

Listing expense 11,974

Trustees' fees

and expenses 8,458

Financial

reporting fees 4,625

EC	igar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-
Other	_ 21,600
Total expenses	4,669,562
NET INVESTMENT INCOME (LOSS)	14,183,482
NET REALIZED AND UNREALIZED GAIN (LOSS): Net realized gain (loss) on: Investments	4,788,139
Forward foreign currency contracts	(434,228)
Foreign currency transactions	90,929
Net realized gain (loss)	4,444,840
Net change in unrealized appreciation (depreciation) on: Investments	(29,949,735)
Forward foreign currency contracts	99,340
Foreign currency translation	(8,253)
Short positions	3,726,832
Net change in unrealized	(26,131,816)

appreciation

## (depreciation)

NET

**REALIZED** 

AND

UNREALIZED (21,686,976)

GAIN (LOSS)

NET

**INCREASE** 

(DECREASE)

IN NET

**ASSETS** \$(7,503,494)

RESULTING

**FROM** 

**OPERATIONS** 

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See Notes to Financial Statements

<u>Table of Contents</u>
First Trust High Income Long/Short Fund (FSD)
Statements of Changes in Net Assets

OPERATIONS:	Six Months Ended 4/30/2018 (Unaudited)	Year Ended 10/31/2017
Net investment income (loss)	_\$ 14,183,482	2 \$ 34,918,617
Net realized gain (loss)	_ 4,444,840	7,455,441
Net change in unrealized appreciation (depreciation)	_	) 21,272,286
Net increase (decrease) in net assets resulting from operations	_(7,503,494)	63,646,344
DISTRIBUTIONS TO SHAREHOLDERS FROM: Net investment income	(21,576,926	) (36,417,879)
Return of capital	_	(11,394,759)
Total distributions to shareholders	(21,576,926)	(47,812,638)
CAPITAL TRANSACTIONS: Purchase of Common Shares pursuant to a tender offer *		(93,689,849)
Repurchase of Common Shares **		(205,540)
Net increase (decrease) in net assets resulting from capital transactions		(93,895,389)
Total increase (decrease) in net assets	(29,080,420	) (78,061,683)
NET ASSETS: Beginning of period	_ 546,047,096	6 624,108,779
End of period	_\$ 516,966,67	76\$ 546,047,096
Accumulated net investment income (loss) at end of period	\$(6,854,070)	\$539,374
CAPITAL TRANSACTIONS were as follows: Common Shares at beginning of period	29,947,157	35,245,603
Common Shares purchased pursuant to a tender offer *		(5,284,792)
Common Shares repurchased **	_ —	(13,654)
Common Shares at end of period	29,947,157	29,947,157

On June 14, 2017, the Fund commenced a tender offer for up to 15% of its outstanding common shares for cash at a price per share equal to 98% of the net asset value per share determined on the expiration date.

\* The Fund's tender offer expired at 5:00 p.m. New York City time on Thursday, July 13, 2017. Because the Fund's tender offer was oversubscribed, the Fund repurchased 5,284,792 (15%) of its outstanding common shares on a pro-rata basis based on the number of shares properly tendered.

On September 15, 2015, the Fund commenced a share repurchase program. The program originally expired on March 15, 2016, but the Board of Trustees of the Fund has subsequently authorized the continuation of the Fund's share repurchase program until March 15, 2019. For the six months ended April 30, 2018, the fund did not repurchase any of its shares. For the year ended October 31, 2017, the Fund repurchased 13,654 of its shares at a weighted-average discount of 13.69% from net asset value per share. The Fund expects to continue to repurchase its outstanding shares until the earlier of (i) the repurchase of

an additional 978,598 common shares (for an aggregate of 1,802,808), or (ii) March 15, 2019.

See Notes to Financial Statements

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First Trust High Income Long/Short Fund (FSD)

Statement of Cash Flows

For the Six Months Ended April 30, 2018 (Unaudited)

Cash flows from operating activities:

Net increase (decrease) in net assets resulting from operations

\$(7,503,494)

A limeter and the second in the first control of the second contro	Φ(7,505,151)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:  Purchases of investments	
	_(117,223,035)
Borrowed investments sold short	6,511,046
Sales, maturities and paydown of investments	127,776,357
Net amortization/accretion of premiums/discounts on investments	_(13,491)
Net realized gain/loss on investments	_(4,788,139)
Net change in unrealized appreciation/depreciation on investments	29,949,735
Net change in unrealized appreciation/depreciation on forward foreign currency contracts	(99,340)
Net change in unrealized appreciation/depreciation on investments sold short	_(3,726,832)
Changes in assets and liabilities: Increase in interest receivable	_(279,166)
Increase in due from broker	(328,364)
Decrease in miscellaneous receivable	16,998
Increase in prepaid expenses	_(16,327)
Increase in interest payable on investments sold short	135,371
Decrease in due to broker	_(133,785)
Decrease in investment advisory fees payable	_(37,441)
Decrease in audit and tax fees payable	_(24,476)
Increase in legal fees payable	5,932
Decrease in printing fees payable	(20,181)
Decrease in administrative fees payable	(2.124)

(2,124)

Decrease in custodian fees payable	_(1,434)	
Increase in transfer agent fees payable	_126	
Increase in Trustees' fees and expenses payable	84	
Decrease in other liabilities payable	(366)	
Cash provided by operating activities		\$30,197,654
Cash flows from financing activities: Distributions to Common Shareholders from net investment income	_(21,576,926)	
Net repayment of borrowing	_(7,300,149)	
Cash used in financing activities	_	(28,877,075)
Increase in cash and foreign currency (a)	_	1,320,579
Cash and foreign currency at beginning of period	_	344,377
Cash and foreign currency at end of period	_	\$1,664,956
Supplemental disclosure of cash flow information: Cash paid during the period for interest and fees	_ _	\$1,567,705
(a) Includes net change in unrealized appreciation (depreciation) on foreign currency of \$( Page 18 See Notes to Financial Statements	8,253).	

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First Trust High Income Long/Short Fund (FSD)

Financial Highlights

For a Common Share outstanding throughout each period

For a Common Share outstanding throughout each p	Six Months Ended	onths Year Ended October 31,				
	4/30/2018 (Unaudited)	2017	2016	2015	2014	2013
Net asset value, beginning of period	\$ 18.23	\$ 17.71	\$ 17.28	\$ 19.47	\$ 19.63	\$ 19.05
Income from investment operations: Net investment income (loss)	0.47	1.04	1.00	1.11	1.31	1.35
Net realized and unrealized gain (loss)	_(0.72)	0.83	0.44	(2.05)	(0.15)	0.64
Total from investment operations	(0.25)	1.87	1.44	(0.94)	1.16	1.99
Distributions paid to shareholders from: Net investment income	_(0.72)	(1.07)	(1.06)	(1.26)	(1.32)	(1.33)
Return of capital	_	(0.34)	_	_	_	(0.08)
Total distributions paid to Common Shareholders	(0.72)	(1.41)	(1.06)	(1.26)	(1.32)	(1.41)
Common Share repurchases	_	0.00 (a)	0.05	0.01	_	_
Tender offer purchases	_	0.06	_	_	_	_
Net asset value, end of period	\$17.26	\$18.23	\$17.71	\$17.28	\$19.47	\$19.63
Market value, end of period	\$15.11	\$16.91	\$15.52	\$14.96	\$17.19	\$17.62
Total return based on net asset value (b)	(1.00)%	11.98%	10.24%	(3.89)%	6.86%	11.32%
Total return based on market value (b)	_(6.56)%	18.52%	11.58%	(5.76)%	5.12%	1.36%
Ratios to average net assets/supplemental data: Net assets, end of period (in 000's)	_\$ 516,967	\$ 546,04	17\$ 624,10	9\$ 620,30	)9 <b>\$</b> 701,95	55\$ 707,807
Ratio of total expenses to average net assets	_1.77% (c)	1.86%	1.54%	1.66%	1.75%	1.72%
Ratio of total expenses to average net assets excluding interest expense	1.13% (c)	1.19%	1.16%	1.21%	1.26%	1.27%
Ratio of net investment income (loss) to average net assets	5.39% (c)	5.76%	5.92%	6.05%	6.59%	6.93%
Portfolio turnover rate	17%	39%	36%	26%	28%	28%

(a) Amount is less than \$0.01.

Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if

- (b) 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) Annualized.

See Notes to Financial Statements

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Notes to Financial Statements

First Trust High Income Long/Short Fund (FSD)

April 30, 2018 (Unaudited)

## 1. Organization

First Trust High Income Long/Short Fund (the "Fund") is a diversified, closed-end management investment company organized as a Massachusetts business trust on June 18, 2010, 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 FSD on the New York Stock Exchange ("NYSE").

The Fund's primary investment objective is to provide current income. The Fund's secondary objective is capital appreciation. The Fund seeks to achieve its investment objectives by investing, under normal market conditions, a majority of its assets in a diversified portfolio of U.S. and foreign (including emerging markets) high-yield corporate fixed-income securities of varying maturities that are rated below-investment grade at the time of purchase. For purposes of this strategy, "corporate fixed-income securities" include corporate bonds, debentures, notes, commercial paper and other similar types of corporate debt instruments, including instruments issued by corporations with direct or indirect government ownership, as well as asset-backed securities, preferred shares, senior floating-rate loan participations, commitments and assignments ("Senior Loans"), payment-in-kind securities, zero-coupon bonds, bank certificates of deposit, fixed time deposits, bankers' acceptances and derivative instruments that provide the same or similar economic impact as a physical investment in the above securities. Below-investment grade fixed-income securities are commonly referred to as "high-yield" or "junk" bonds and are considered speculative with respect to the issuer's capacity to pay interest and repay principal. As part of its investment strategy, the Fund intends to maintain both long and short positions in securities under normal market conditions. The Fund will take long positions in securities that MacKay Shields LLC ("MacKay" or the "Sub-Advisor") believes offer the potential for attractive returns and that it considers in the aggregate to have the potential to outperform the Fund's benchmark, the ICE BofAML US High Yield Constrained Index (the "Index"). The Fund will take short positions in securities that the Sub-Advisor believes in the aggregate will underperform the Index. The Fund's long positions, either directly or through derivatives, may total up to 130% of the Fund's Managed Assets. The Fund's short positions, either directly or through derivatives, may total up to 30% of the Fund's Managed Assets. "Managed Assets" means the average daily gross asset value of the Fund (which includes the principal amount of any borrowings), minus the sum of the Fund's liabilities. There can be no assurance that the Fund will achieve its investment objectives. The Fund may not be appropriate for all investors. 2. 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. Domestic debt securities and foreign securities are priced using data reflecting the earlier closing of the principal markets for those securities. 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, dividends declared but unpaid and any borrowings of the Fund), 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: Corporate bonds, notes, capital preferred securities, U.S. government securities, mortgage-backed securities, asset-backed securities and other debt securities are fair valued on the basis of valuations provided by dealers who make markets in such securities or by a third-party pricing service approved by the Fund's Board of Trustees, which may use the following valuation inputs when available:

1) benchmark yields;

 $^{(1)}$ The terms "security" and "securities" used throughout the Notes to Financial Statements include Senior Loans. Page 20

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Notes to Financial Statements (Continued)

First Trust High Income Long/Short Fund (FSD)

April 30, 2018 (Unaudited)

- 2)reported trades;
- 3) broker/dealer quotes;
- 4) issuer spreads;
- 5) benchmark securities;
- 6) bids and offers; and
- 7) reference data including market research publications.

Common 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. 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.

The Senior Loans held in the Fund are not listed on any securities exchange or board of trade. Senior Loans are typically bought and sold by institutional investors in individually negotiated private transactions that function in many respects like an over-the-counter secondary market, although typically no formal market-makers exist. This market, while having grown substantially since its inception, generally has fewer trades and less liquidity than the secondary market for other types of securities. Some Senior Loans have few or no trades, or trade infrequently, and information regarding a specific Senior Loan may not be widely available or may be incomplete. Accordingly, determinations of the market value of Senior Loans may be based on infrequent and dated information. Because there is less reliable, objective data available, elements of judgment may play a greater role in valuation of Senior Loans than for other types of securities. Typically, Senior Loans are fair valued using information provided by a third-party pricing service. The third-party pricing service primarily uses over-the-counter pricing from dealer runs and broker quotes from indicative sheets to value the Senior Loans.

Forward foreign currency contracts are fair valued at the current day's interpolated foreign exchange rate, as calculated using the current day's spot rate, and the thirty, sixty, ninety, and one-hundred eighty day forward rates provided by a third-party pricing service.

Fixed income and other debt securities having a remaining maturity of sixty days or less when purchased are fair valued at cost adjusted for amortization of premiums and accretion of discounts (amortized cost), provided the Advisor's Pricing Committee has determined that the use of amortized cost is an appropriate reflection of fair value given market and issuer-specific conditions existing at the time of the determination. Factors that may be considered in determining the appropriateness of the use of amortized cost include, but are not limited to, the following:

- 1) the credit conditions in the relevant market and changes thereto;
- 2) the liquidity conditions in the relevant market and changes thereto;
- 3) the interest rate conditions in the relevant market and changes thereto (such as significant changes in interest rates);
- 4) issuer-specific conditions (such as significant credit deterioration); and
- any other market-based data the Advisor's Pricing Committee considers relevant. In this regard, the Advisor's Pricing
- 5)Committee may use last-obtained market-based data to assist it when valuing portfolio securities using amortized cost.