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FIRST TRUST HIGH INCOME LONG/SHORT FUND  
Form N-CSR  
January 08, 2016

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT  
COMPANIES

Investment Company Act file number 811-22442  
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First Trust High Income Long/Short Fund  
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(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  
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(Name and address of agent for service)

registrant's telephone number, including area code: 630-765-8000  
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Date of fiscal year end: October 31  
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Date of reporting period: October 31, 2015  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

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

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ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

FIRST TRUST

First Trust  
High Income  
Long/Short Fund  
(FSD)

ANNUAL REPORT  
FOR THE YEAR ENDED  
OCTOBER 31, 2015

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
ANNUAL REPORT  
OCTOBER 31, 2015

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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

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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 <http://www.ftportfolios.com> or speak with your financial advisor. Investment returns, net asset value and common share price will fluctuate and Fund shares, when sold, may be worth more or less than their original cost.

### 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 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

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
ANNUAL LETTER FROM THE CHAIRMAN AND CEO  
OCTOBER 31, 2015

Dear Shareholders:

Thank you for your investment in First Trust High Income Long/Short Fund (the "Fund").

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First Trust Advisors L.P. ("First Trust") is pleased to provide you with the annual report which contains detailed information about your investment for the 12 months ended October 31, 2015, including a market overview and a performance analysis for the period. We encourage you to read this report and discuss it with your financial advisor.

U.S. markets, fueled by accelerating growth and an accommodating Federal Reserve, enjoyed a prosperous year in 2014. However, most of 2015 has been volatile. Economic and global factors, such as the continued conflict in the Middle East, a sharp decline in oil prices and terrorism around the world, have impacted U.S. and global markets. Another factor that has weighed upon U.S. markets for most of the year is the fact that many economists had predicted that the Federal Reserve would begin to raise interest rates in 2015, which has still not happened.

As I have written previously, First Trust believes investors should maintain perspective about the markets and have realistic expectations about their investments. Markets will always go up and down, but we believe that having a long-term investment horizon and being invested in quality products can help you reach your goals.

Thank you for giving First Trust the opportunity to be a part of your investment plan. We value the relationship and will continue to focus on our disciplined investment approach and long-term perspective to help investors reach their financial goals.

Sincerely,

/s/ James A. Bowen

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

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
"AT A GLANCE"  
OCTOBER 31, 2015 (UNAUDITED)

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### FUND STATISTICS

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|   |               |
|---|---------------|
| Symbol on NYSE  | FSD           |
| Common Share Price  | \$14.96       |
| Common Share Net Asset Value ("NAV")                        | \$17.28       |
| Premium (Discount) to NAV                                   | (13.43)%      |
| Net Assets Applicable to Common Shares                      | \$620,308,654 |
| Current Monthly Distribution per Common Share (1)           | \$0.1000      |
| Current Annualized Distribution per Common Share            | \$1.2000      |
| Current Distribution Rate on Closing Common Share Price (2) | 8.02%         |
| Current Distribution Rate on NAV (2)                        | 6.94%         |

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### COMMON SHARE PRICE & NAV (WEEKLY CLOSING PRICE)

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|                    |     |
|--------------------|-----|
| Common Share Price | NAV |
|--------------------|-----|

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|       |         |         |
|-------|---------|---------|
| 10/14 | \$17.19 | \$19.47 |
|       | 17.01   | 19.30   |
|       | 16.86   | 19.26   |
|       | 16.66   | 19.18   |
| 11/14 | 16.79   | 19.15   |
|       | 16.39   | 18.88   |
|       | 15.65   | 18.35   |
|       | 16.13   | 18.61   |
| 12/14 | 16.19   | 18.72   |
|       | 16.03   | 18.64   |
|       | 16.18   | 18.62   |
|       | 16.09   | 18.43   |
|       | 16.22   | 18.50   |
| 1/15  | 16.14   | 18.51   |
|       | 16.14   | 18.64   |
|       | 16.37   | 18.72   |
|       | 16.35   | 18.79   |
| 2/15  | 16.60   | 18.90   |
|       | 16.28   | 18.73   |
|       | 16.26   | 18.61   |
|       | 16.39   | 18.60   |
| 3/15  | 16.35   | 18.65   |
|       | 16.34   | 18.59   |
|       | 16.46   | 18.73   |
|       | 16.53   | 18.72   |
| 4/15  | 16.66   | 18.76   |
|       | 16.44   | 18.63   |
|       | 16.44   | 18.64   |
|       | 16.40   | 18.63   |
|       | 16.42   | 18.64   |
| 5/15  | 16.37   | 18.67   |
|       | 16.00   | 18.44   |
|       | 15.69   | 18.40   |
|       | 15.87   | 18.41   |
| 6/15  | 15.64   | 18.35   |
|       | 15.62   | 18.19   |
|       | 15.51   | 18.12   |
|       | 15.58   | 18.12   |
|       | 14.94   | 17.94   |
| 7/15  | 15.10   | 18.05   |
|       | 14.85   | 17.80   |
|       | 14.76   | 17.69   |
|       | 14.46   | 17.53   |
| 8/15  | 14.46   | 17.58   |
|       | 14.48   | 17.50   |
|       | 14.45   | 17.55   |
|       | 14.47   | 17.44   |
| 9/15  | 14.46   | 17.19   |
|       | 13.75   | 16.78   |
|       | 14.74   | 17.23   |
|       | 14.84   | 17.23   |
|       | 14.72   | 17.31   |
| 10/15 | 14.96   | 17.28   |

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 PERFORMANCE  
 -----

| Average Annual Total Return |               |                     |
|-----------------------------|---------------|---------------------|
| 1 Year Ended                | 5 Years Ended | Inception (9/27/10) |
| 10/31/15                    | 10/31/15      | to 10/31/15         |

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|                            |        |       |       |
|----------------------------|--------|-------|-------|
| FUND PERFORMANCE (3)       |        |       |       |
| NAV                        | -3.89% | 5.74% | 6.13% |
| Market Value               | -5.76% | 2.28% | 2.24% |
| INDEX PERFORMANCE          |        |       |       |
| BofA Merrill Lynch US High |        |       |       |
| Yield Constrained Index    | -2.03% | 6.00% | 6.50% |

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| INDUSTRY CLASSIFICATION               | % OF LONG-TERM INVESTMENTS |
|---------------------------------------|----------------------------|
| Basic Industry                        | 11.5%                      |
| Healthcare                            | 10.4                       |
| Capital Goods                         | 9.1                        |
| Banking                               | 7.5                        |
| Telecommunications                    | 7.3                        |
| Automotive                            | 7.3                        |
| Energy                                | 6.6                        |
| Media                                 | 5.6                        |
| Transportation                        | 5.5                        |
| Leisure                               | 5.3                        |
| Insurance                             | 5.1                        |
| Technology & Electronics              | 4.4                        |
| Financial Services                    | 4.2                        |
| Services                              | 3.2                        |
| Consumer Goods                        | 3.2                        |
| Commercial Mortgage-Backed Securities | 1.2                        |
| Utility                               | 1.2                        |
| Retail                                | 0.6                        |
| Collateralized Mortgage Obligations   | 0.6                        |
| Asset-Backed Securities               | 0.2                        |
| Real Estate                           | 0.0*                       |
| Total                                 | 100.0%                     |

| COUNTRY EXPOSURE | % OF TOTAL INVESTMENTS |
|------------------|------------------------|
| United States    | 82.1%                  |
| Luxembourg       | 4.5                    |
| Canada           | 2.7                    |
| Netherlands      | 2.3                    |
| Jersey           | 1.5                    |
| Cayman Islands   | 1.2                    |
| Ireland          | 1.0                    |
| Liberia          | 1.0                    |
| Germany          | 0.8                    |
| United Kingdom   | 0.8                    |
| Finland          | 0.7                    |
| France           | 0.6                    |
| Bermuda          | 0.5                    |
| Sweden           | 0.3                    |
| Total            | 100.0%                 |

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| ASSET CLASSIFICATION                | % OF LONG-TERM INVESTMENTS |
|-------------------------------------|----------------------------|
| Corporate Bonds and Notes           | 69.3%                      |
| Foreign Corporate Bonds and Notes   | 14.3                       |
| Capital Preferred Securities        | 11.0                       |
| Senior Floating-Rate Loan Interests | 3.2                        |
| Mortgage-Backed Securities          | 1.7                        |
| Asset-Backed Securities             | 0.2                        |
| Common Stocks                       | 0.2                        |
| Warrants                            | 0.1                        |
| Total                               | 100.0%                     |

| CREDIT QUALITY (4) | % OF LONG FIXED-INCOME INVESTMENTS |
|--------------------|------------------------------------|
| BBB- and above     | 14.9%                              |
| BB                 | 46.7                               |
| B                  | 28.3                               |
| CCC+ and below     | 9.6                                |
| NR                 | 0.5                                |
| Total              | 100.0%                             |

\* Amount is less than 0.1%.

- (1) Most recent distribution paid or declared through 10/31/2015. Subject to change in the future.
- (2) Distribution rates are calculated by annualizing the most recent distribution paid or declared through the report date and then dividing by Common Share price or NAV, as applicable, as of 10/31/2015. Subject to change in the future.
- (3) Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per share for net asset value returns and changes in Common Share price for market value returns. Total returns do not reflect sales load and are not annualized for periods less than one year. Past performance is not indicative of future results.
- (4) 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 situations in which a security is rated by more than one NRSRO and the ratings are not equivalent, the highest ratings are 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

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
ANNUAL REPORT  
OCTOBER 31, 2015

SUB-ADVISOR

MacKay Shields LLC is a registered investment adviser founded in 1938, and is Sub-Advisor to First Trust High Income Long/Short Fund. The Fund trades under the ticker symbol FSD on the New York Stock Exchange. As of October 31, 2015, MacKay had approximately \$91.8 billion in assets under management.

PORTFOLIO MANAGEMENT TEAM

DAN ROBERTS, PHD - EXECUTIVE MANAGING DIRECTOR, HEAD OF GLOBAL FIXED INCOME DIVISION AND ITS CHIEF INVESTMENT OFFICER  
LOUIS N. COHEN, CFA - SENIOR MANAGING DIRECTOR, GLOBAL FIXED INCOME DIVISION  
MICHAEL KIMBLE, CFA - SENIOR MANAGING DIRECTOR, GLOBAL FIXED INCOME DIVISION  
TAYLOR WAGENSEIL - SENIOR MANAGING DIRECTOR, GLOBAL FIXED INCOME DIVISION

MARKET RECAP

This report covers the Fund for the 12-month period ended October 31, 2015.

Risk-based assets faced a number of strong headwinds over the period covered by this report. Uncertainty over the rapid decline of energy and commodities prices, the prospects for slower global growth particularly in China, the renewed debt crisis in Greece, as well as the timing of a U.S. Federal Reserve (the "Fed") rate hike all dominated market sentiment throughout the last year. This had a negative impact on risk-based assets. During this period, the S&P 500(R) Index, which tracks large-capitalization U.S. equities, was the best-performing risk sector, returning 5.20%. U.S. Treasuries benefitted from nervous investors trying to avert risk; the BofA Merrill Lynch 10 Year U.S. Treasury Index returned 3.57%. International equities, as measured by the MSCI EAFE Index, returned a modest 0.37%. However, U.S. high-yield bonds delivered negative returns. The BofA Merrill Lynch US High Yield Constrained Index declined 2.03%.

Global markets were highly focused on the direction of oil prices during the course of the reporting period, as West Texas Intermediate crude oil ("WTI") fell sharply from \$80.54 per barrel as of October 31, 2014, to \$46.59 as of October 31, 2015. Energy and related other sectors have been under severe pressure due to the unexpected drop in oil and commodity prices. WTI has deteriorated on an overabundance of supply both domestically and abroad coupled with surprising resilience in shale oil production in North America in the face of lower oil prices, when compared to the peaks seen in 2014. It is worth noting that the decline in oil prices since 2014 is expected to benefit global consumers by approximately \$2 trillion annually.

Concerns about China also added pressure to global markets. Economic weakness in China prompted officials to devalue its currency; this surprise move fueled a panic-like sell-off in risk assets globally during the liquidity-starved month of August. We can say with some confidence, however, that the negative impact of a decline in China's rate of growth is likely to be most acute for countries and companies with deeper economic ties to that country. The U.S. economy, on the



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other hand, is relatively independent of economic developments in China, other than via the transmission mechanism of (lower) commodity prices, which should have a largely positive impact on the broader U.S. economy. We do not believe that the China slowdown story and imbalances in the emerging markets will be sufficient to derail the U.S. or core European economies. With regard to Europe, we have seen, and continue to see, positive signs of modest improvements. Also, the threat of a "Grexit" scenario was diminished during the summer following a last hour emergency funding deal for Greece from the European Central Bank ("ECB").

Anxieties around the timing of a U.S. interest rate hike added to market anxiety, which did not abate when the Fed passed on a rate hike on September 17, 2015. Although Fed inaction was largely reflected in the pricing of Fed funds futures, queasy markets reacted poorly to the Fed's inaction. The Fed cited global financial conditions yet hinted at a hike before year-end. As far as U.S. economic data, the labor market has improved, the housing market is gaining momentum, and consumer spending behavior remains healthy.

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PORTFOLIO COMMENTARY (CONTINUED)  
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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
ANNUAL REPORT  
OCTOBER 31, 2015

### PERFORMANCE ANALYSIS

The Fund underperformed its benchmark, the BofA Merrill Lynch US High Yield Constrained Index<sup>1</sup>, on a total gross return<sup>2</sup> and net asset value ("NAV") basis for the 12-month period ended October 31, 2015. The Fund declined 3.89% on an NAV basis, compared with the benchmark, which lost 2.03% during the period. The underperformance of the Fund largely resulted from natural resource bonds including those of energy, coal, and steel producers. At an issuer level, energy names, Linn Energy LLC, Basic Energy Services, Inc., CHC Helicopter S.A., as well as Intelsat Luxembourg S.A. and AK Steel Corp., were among the laggards (as measured by contribution to nominal returns). The top performers included HCA, Inc., Reynolds Group Issuer, Inc., First Data Corp., General Motors Co. and US Airways Group, Inc. During the period, riskier higher-yielding positions within the energy and emerging markets sectors were reduced.

The Fund's short position in U.S. Treasury futures was closed during the recent year. However, the Fund continued to short the two-year U.S. Treasury in the cash markets to reduce the portfolio's exposure to interest rate risk, while at the same time purchasing additional high-yield securities that would otherwise be unavailable on an unlevered basis. During the recent year, two-year US Treasury rates increased 23 basis points. However, the combination of a weak period for high-yield investments, as well as carry costs associated with the Treasury short, offset the contribution from the rise in interest rates.

We still believe that the overall high-yield market is fairly priced on a spread, or yield basis, and reflects the anticipated rise in defaults in the energy and metals/mining arena. In fact, we believe investor angst, as reflected in declining prices and widening spreads of the summer months, may be overcompensating for fundamentals. It is important to note that the U.S.

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high-yield market is highly bifurcated, with the two troubled sectors representing approximately 77% of total defaults year-to-date, according to JP Morgan. It is worth noting that even with the heightened risk in these sectors, the overall default rate remains at an impressively low 2.3% for the trailing 12 months, according to Moody's.

Given this bifurcation, we believe that the high-yield market, in general, remains a good value, both in the context of future defaults and the relative stability of industries not afflicted by the volatility in energy and commodities prices. The nearly 80% of the market that does not derive earnings from the commodities complexes actually stands to benefit from the drop in energy prices as does the consuming public, and a majority of the U.S. high-yield market is not directly affected by economic news emanating from Beijing. We continue to closely monitor and assess the likely impact of the problems in the energy and metals/mining sectors, and we expect the default impact on the overall market to remain below the historical long-term average default rate.

At this time, we remain comfortable with our positioning in the Fund.

### OUTLOOK

We believe that the U.S. economy is growing at a moderate pace and is likely to continue to improve. Certainly, the pace of the current expansion has been modest and longer than normal, resulting in an extended period of low inflation and low interest rates. We believe that the current domestic economic environment remains favorable for credit. We expect credit spreads to tighten over the remainder of the economic expansion given our macro-economic view.

While recent developments in the energy and metals/mining sectors are important, we believe these developments are now largely priced into the market. We are also comfortable with the potentially limited impact of the China slowdown directly on the U.S. economy and the U.S. issuer base. While the U.S. does, indeed, import significantly from China, exports to China are a small fraction of our economic activity. Most companies in the U.S. high-yield universe have little or no direct exposure to China.

Outside of the U.S. market, we see developing Asia - especially Taiwan and Korea - as having deep manufacturing ties with Beijing, and therefore we believe that region will remain under pressure for the near-term. The rise in idiosyncratic risk in Russia, Turkey, South Africa, and Brazil also compounds the near-term problems although a number of Eastern European names are not impacted. Developed Europe, however, we believe will benefit from the drop in the euro (improving exports) and energy prices, although the China slowdown will present some drag to companies and countries that export to China.

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- 1 The BofA Merrill Lynch US High Yield Constrained Index tracks the performance of U.S. dollar denominated below 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.
- 2 Total return is based on the combination of reinvested dividends, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per Common Share for net asset value returns and changes in Common Share price for market value returns. Total returns do not reflect sales load and are not annualized for periods less than one year. Past performance is not indicative of future results.

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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 certain information contained herein should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 PORTFOLIO OF INVESTMENTS  
 OCTOBER 31, 2015

| PRINCIPAL<br>VALUE                | DESCRIPTION   | STATED<br>COUPON | STAT<br>MATUR |
|-----------------------------------|---|------------------|---------------|
| CORPORATE BONDS AND NOTES - 74.0% |   |                  |               |
|                                   | Automotive - 5.6%   |                  |               |
| \$ 4,725,000                      | Dana Holding Corp.....  | 5.50%            | 12/15         |
| 1,376,000                         | Ford Motor Co.....  | 9.22%            | 09/15         |
| 553,000                           | Ford Motor Co.....  | 8.90%            | 01/15         |
| 2,000,000                         | Ford Motor Co. (a).....   | 7.75%            | 06/15         |
| 2,480,000                         | Ford Motor Co.....  | 9.98%            | 02/15         |
| 3,960,000                         | Gates Global LLC/Gates Global Co. (b).....  | 6.00%            | 07/15         |
| 1,400,000                         | Goodyear Tire & Rubber (The) Co.....  | 6.50%            | 03/01         |
| 4,396,000                         | Goodyear Tire & Rubber (The) Co. (a).....   | 7.00%            | 05/15         |
| 21,432                            | Motors Liquidation Co. GUC Trust (Transferable) (c).....  | N/A              | N/            |
| 4,720,000                         | MPG Holdco I, Inc. (a).....   | 7.38%            | 10/15         |
| 3,472,000                         | Navistar International Corp. (a).....   | 8.25%            | 11/01         |
| 3,705,000                         | ZF North America Capital, Inc. (b).....   | 4.75%            | 04/29         |
|                                   | Banking - 1.2%  |                  |               |
| 5,335,000                         | Ally Financial, Inc. (a).....   | 8.00%            | 11/01         |
| 612,000                           | Ally Financial, Inc.....  | 8.00%            | 11/01         |
|                                   | Basic Industry - 9.0%   |                  |               |
| 850,000                           | AK Steel Corp.....  | 7.63%            | 05/15         |
| 650,000                           | AK Steel Corp.....  | 7.63%            | 10/01         |
| 4,500,000                         | AK Steel Corp. (a).....   | 8.38%            | 04/01         |
| 2,584,000                         | Aleris International, Inc.....  | 7.63%            | 02/15         |
| 1,804,000                         | Aleris International, Inc.....  | 7.88%            | 11/01         |
| 3,405,000                         | Associated Materials LLC/AMH New Finance, Inc.....  | 9.13%            | 11/01         |
| 1,500,000                         | Axalta Coating Systems US Holdings, Inc./<br>Axalta Coating Systems Dutch Holding B B.V. (b)..... | 7.38%            | 05/01         |
| 4,000,000                         | Beazer Homes USA, Inc. (a).....   | 8.13%            | 06/15         |
| 5,500,000                         | CalAtlantic Group, Inc.....   | 8.38%            | 05/15         |
| 2,470,000                         | Hexion, Inc.....  | 8.88%            | 02/01         |

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|                      |   |       |       |
|----------------------|---|-------|-------|
| 1,873,000            | K Hovnanian Enterprises, Inc. (b)                     | 7.00% | 01/15 |
| 4,160,000            | K Hovnanian Enterprises, Inc. (b)                     | 7.25% | 10/15 |
| 3,479,000            | KB Home (a)   | 7.50% | 09/15 |
| 2,565,000            | Meritage Homes Corp.                                  | 6.00% | 06/01 |
| 1,840,000            | Momentive Performance Escrow Claim (d) (e) (f) (g)    | N/A   | N/    |
| 1,840,000            | Momentive Performance Materials, Inc. (d)             | 4.69% | 04/24 |
| 1,780,000            | PulteGroup, Inc. (a)                                  | 7.63% | 10/15 |
| 4,570,000            | PulteGroup, Inc.                                      | 7.88% | 06/15 |
| 4,465,000            | TRI Pointe Holdings, Inc. (a)                         | 5.88% | 06/15 |
| 4,000,000            | United States Steel Corp.                             | 7.38% | 04/01 |
| 4,000,000            | USG Corp. (b)   | 5.88% | 11/01 |
| Capital Goods - 7.6% |   |       |       |
| 3,595,000            | Ball Corp.  | 4.00% | 11/15 |
| 4,000,000            | Crown Americas LLC/Crown Americas Capital Corp IV (a) | 4.50% | 01/15 |
| 5,445,000            | KLX, Inc. (b)   | 5.88% | 12/01 |

See Notes to Financial Statements

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 OCTOBER 31, 2015

| PRINCIPAL<br>VALUE                    | DESCRIPTION                          | STATED<br>COUPON | STAT<br>MATUR |
|---------------------------------------|--------------------------------------|------------------|---------------|
| CORPORATE BONDS AND NOTES (Continued) |                                      |                  |               |
| Capital Goods (Continued)             |                                      |                  |               |
| \$ 2,595,000                          | Milacron LLC/Mcron Finance Corp. (b) | 7.75%            | 02/15         |
| 1,575,000                             | Orbital ATK, Inc. (b)                | 5.50%            | 10/01         |
| 7,500,000                             | Reynolds Group Issuer, Inc.          | 8.50%            | 05/15         |
| 2,085,000                             | Reynolds Group Issuer, Inc. (a)      | 9.88%            | 08/15         |
| 1,775,000                             | Reynolds Group Issuer, Inc.          | 8.25%            | 02/15         |
| 4,375,000                             | Sealed Air Corp. (b)                 | 5.50%            | 09/15         |
| 4,050,000                             | Terex Corp. (a)                      | 6.00%            | 05/15         |
| 4,540,000                             | TransDigm, Inc.                      | 6.00%            | 07/15         |
| 1,000,000                             | TransDigm, Inc.                      | 6.50%            | 07/15         |
| 4,000,000                             | Triumph Group, Inc.                  | 4.88%            | 04/01         |
| Consumer Goods - 2.0%                 |                                      |                  |               |
| 2,567,000                             | Kraft Heinz Foods Co. (b)            | 4.88%            | 02/15         |
| 2,325,000                             | Pilgrim's Pride Corp. (b)            | 5.75%            | 03/15         |
| 2,240,000                             | Smithfield Foods, Inc.               | 6.63%            | 08/15         |
| 4,585,000                             | Spectrum Brands, Inc. (b)            | 5.75%            | 07/15         |

Energy - 5.6%

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|           |  |       |       |
|-----------|--|-------|-------|
| 455,000   | Basic Energy Services, Inc.....  | 7.75% | 02/15 |
| 4,540,000 | Basic Energy Services, Inc. (a).....   | 7.75% | 10/15 |
| 3,460,000 | Berry Petroleum Co., LLC.....  | 6.75% | 11/01 |
| 2,315,000 | California Resources Corp.....   | 6.00% | 11/15 |
| 3,735,000 | Chesapeake Energy Corp.....  | 5.38% | 06/15 |
| 2,940,000 | CITGO Petroleum Corp. (b).....   | 6.25% | 08/15 |
| 3,170,000 | Crestwood Midstream Partners L.P./<br>Crestwood Midstream Finance Corp. (b)..... | 6.25% | 04/01 |
| 1,290,000 | EP Energy LLC/Everest Acquisition Finance, Inc.....                              | 9.38% | 05/01 |
| 3,000,000 | Ferrellgas L.P./Ferrellgas Finance Corp.....                                     | 6.50% | 05/01 |
| 1,000,000 | Hornbeck Offshore Services, Inc.....   | 5.88% | 04/01 |
| 3,960,000 | Hornbeck Offshore Services, Inc. (a).....  | 5.00% | 03/01 |
| 3,660,000 | Linn Energy LLC/Linn Energy Finance Corp.....                                    | 8.63% | 04/15 |
| 3,715,000 | Linn Energy LLC/Linn Energy Finance Corp.....                                    | 6.50% | 09/15 |
| 3,535,000 | PHI, Inc. (a).....   | 5.25% | 03/15 |
| 1,235,000 | Suburban Propane Partners L.P./<br>Suburban Energy Finance Corp.....             | 5.75% | 03/01 |
| 1,900,000 | Sunoco L.P./Sunoco Finance Corp. (b).....  | 5.50% | 08/01 |
| 1,855,000 | Sunoco L.P./Sunoco Finance Corp. (b).....  | 6.38% | 04/01 |
| 4,325,000 | Whiting Petroleum Corp. (a).....   | 5.75% | 03/15 |
|           | Financial Services - 4.4%  |       |       |
| 6,155,000 | Icahn Enterprises L.P./Icahn Enterprises Finance Corp.....                       | 6.00% | 08/01 |
| 1,190,000 | Icahn Enterprises L.P./Icahn Enterprises Finance Corp.....                       | 5.88% | 02/01 |
| 8,000,000 | Navient Corp.....  | 8.00% | 03/25 |
| 3,850,000 | OneMain Financial Holdings, Inc. (b).....  | 7.25% | 12/15 |
| 2,395,000 | Springleaf Finance Corp.....   | 6.00% | 06/01 |
| 4,555,000 | Springleaf Finance Corp.....   | 7.75% | 10/01 |

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See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 OCTOBER 31, 2015

| PRINCIPAL<br>VALUE                    | DESCRIPTION                                 | STATED<br>COUPON | STAT<br>MATUR |
|---------------------------------------|---|------------------|---------------|
| CORPORATE BONDS AND NOTES (Continued) |   |                  |               |
|                                       | Healthcare - 8.6%                           |                  |               |
| \$ 5,074,000                          | Alere, Inc. (a).....                        | 7.25%            | 07/01         |
| 665,000                               | Alere, Inc.....                             | 6.50%            | 06/15         |
| 8,005,000                             | CHS/Community Health Systems, Inc. (a)..... | 6.88%            | 02/01         |
| 2,500,000                             | DaVita HealthCare Partners, Inc.....        | 5.75%            | 08/15         |
| 3,775,000                             | DaVita HealthCare Partners, Inc.....        | 5.00%            | 05/01         |
| 1,500,000                             | HCA, Inc.....                               | 5.88%            | 05/01         |
| 10,850,000                            | HCA, Inc. (a).....                          | 5.00%            | 03/15         |

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|                 |   |        |       |
|-----------------|---|--------|-------|
| 4,585,000       | Hologic, Inc. (b).....  | 5.25%  | 07/15 |
| 2,115,000       | Kinetic Concepts, Inc./KCI USA, Inc. (a).....                 | 10.50% | 11/01 |
| 6,814,000       | MPH Acquisition Holdings LLC (b).....                         | 6.63%  | 04/01 |
| 5,485,000       | Tenet Healthcare Corp.....                                    | 8.13%  | 04/01 |
| Leisure - 4.5%  |   |        |       |
| 1,475,000       | Isle of Capri Casinos, Inc.....                               | 5.88%  | 03/15 |
| 9,175,000       | MGM Resorts International (a).....                            | 6.75%  | 10/01 |
| 2,760,000       | Mohegan Tribal Gaming Authority.....                          | 9.75%  | 09/01 |
| 4,127,000       | Pinnacle Entertainment, Inc.....                              | 7.75%  | 04/01 |
| 2,765,000       | Scientific Games International, Inc. (b).....                 | 7.00%  | 01/01 |
| 2,175,000       | Scientific Games International, Inc.....                      | 10.00% | 12/01 |
| 4,975,000       | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp. (b).....      | 5.50%  | 03/01 |
| Media - 4.3%    |   |        |       |
| 7,245,000       | CCO Holdings LLC/CCO Holdings Capital Corp.....               | 5.75%  | 01/15 |
| 456,000         | Clear Channel Worldwide Holdings, Inc., Series A.....         | 7.63%  | 03/15 |
| 4,160,000       | Clear Channel Worldwide Holdings, Inc., Series B (a).....     | 7.63%  | 03/15 |
| 541,000         | Clear Channel Worldwide Holdings, Inc., Series B.....         | 6.50%  | 11/15 |
| 6,430,000       | Dish DBS Corp.....  | 6.75%  | 06/01 |
| 559,000         | iHeartCommunications, Inc.....                                | 5.50%  | 12/15 |
| 8,405,000       | iHeartCommunications, Inc.....                                | 9.00%  | 03/01 |
| Retail - 0.6%   |   |        |       |
| 3,845,000       | Dollar Tree, Inc. (b).....                                    | 5.75%  | 03/01 |
| Services - 3.4% |   |        |       |
| 1,095,000       | Ashtead Capital, Inc. (b).....                                | 6.50%  | 07/15 |
| 900,000         | Avis Budget Car Rental LLC/Avis Budget Finance, Inc. (b)..... | 5.13%  | 06/01 |
| 4,415,000       | Avis Budget Car Rental LLC/Avis Budget Finance, Inc.....      | 5.50%  | 04/01 |
| 4,607,000       | Iron Mountain, Inc. (b).....                                  | 6.00%  | 10/01 |
| 4,250,000       | Iron Mountain, Inc.....                                       | 5.75%  | 08/15 |
| 375,000         | United Rentals North America, Inc.....                        | 7.38%  | 05/15 |
| 367,000         | United Rentals North America, Inc.....                        | 7.63%  | 04/15 |
| 3,097,000       | United Rentals North America, Inc.....                        | 6.13%  | 06/15 |
| 1,400,000       | United Rentals North America, Inc.....                        | 5.50%  | 07/15 |

See Notes to Financial Statements

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 OCTOBER 31, 2015

| PRINCIPAL<br>VALUE | DESCRIPTION | STATED<br>COUPON | STAT<br>MATUR |
|--------------------|-------------|------------------|---------------|
|--------------------|-------------|------------------|---------------|

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CORPORATE BONDS AND NOTES (Continued)

|              |   |        |       |
|--------------|---|--------|-------|
|              | Technology & Electronics - 4.7%                           |        |       |
| \$ 3,780,000 | CommScope, Inc. (b).....                                  | 5.00%  | 06/15 |
| 3,896,000    | First Data Corp. (a).....                                 | 10.63% | 06/15 |
| 4,808,000    | First Data Corp. (b).....                                 | 7.00%  | 12/01 |
| 2,950,000    | Freescale Semiconductor, Inc. (b).....                    | 5.00%  | 05/15 |
| 3,385,000    | MSCI, Inc. (b).....                                       | 5.75%  | 08/15 |
| 3,900,000    | NCR Corp.....   | 6.38%  | 12/15 |
| 5,160,000    | Zebra Technologies Corp.....                              | 7.25%  | 10/15 |
|              | Telecommunications - 6.9%                                 |        |       |
| 1,550,000    | Frontier Communications Corp.....                         | 6.25%  | 09/15 |
| 5,700,000    | Frontier Communications Corp. (b).....                    | 11.00% | 09/15 |
| 2,500,000    | Frontier Communications Corp. (a).....                    | 9.00%  | 08/15 |
| 2,411,000    | Hughes Satellite Systems Corp. (a).....                   | 7.63%  | 06/15 |
| 3,805,000    | Level 3 Financing, Inc. (b).....                          | 5.38%  | 01/15 |
| 3,850,000    | Sprint Capital Corp.....                                  | 6.88%  | 11/15 |
| 7,660,000    | Sprint Capital Corp.....                                  | 8.75%  | 03/15 |
| 3,070,000    | Sprint Communications, Inc.....                           | 9.25%  | 04/15 |
| 1,700,000    | T-Mobile USA, Inc. (a).....                               | 6.54%  | 04/28 |
| 7,900,000    | T-Mobile USA, Inc. (a).....                               | 6.00%  | 03/01 |
| 2,428,000    | ViaSat, Inc.....  | 6.88%  | 06/15 |
| 1,500,000    | Windstream Services LLC.....                              | 6.38%  | 08/01 |
|              | Transportation - 4.3%                                     |        |       |
| 3,400,000    | American Airlines Group, Inc. (b).....                    | 4.63%  | 03/01 |
| 3,000,421    | Continental Airlines 2003-ERJ1 Pass Through Trust.....    | 7.88%  | 07/02 |
| 1,820,517    | Continental Airlines 2005-ERJ1 Pass Through Trust.....    | 9.80%  | 04/01 |
| 1,333,382    | Delta Air Lines 2009-1 Series B Pass Through Trust.....   | 9.75%  | 12/17 |
| 2,073,592    | Northwest Airlines 2001-1 Class B Pass Through Trust..... | 7.69%  | 04/01 |
| 1,222,219    | UAL 2009-2B Pass Through Trust (b).....                   | 12.00% | 01/15 |
| 6,194,667    | US Airways 2000-3C Pass Through Trust.....                | 8.39%  | 03/01 |
| 2,000,000    | US Airways Group, Inc.....                                | 6.13%  | 06/01 |
| 4,675,000    | XPO Logistics, Inc. (b).....                              | 6.50%  | 06/15 |
|              | Utility - 1.3%  |        |       |
| 5,660,000    | Calpine Corp.....   | 5.75%  | 01/15 |
| 2,455,000    | NRG Energy, Inc.....                                      | 8.25%  | 09/01 |
|              | TOTAL CORPORATE BONDS AND NOTES.....                      |        |       |
|              | (Cost \$475,435,642)                                      |        |       |

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PORTFOLIO OF INVESTMENTS (CONTINUED)  
OCTOBER 31, 2015

| PRINCIPAL<br>VALUE<br>(LOCAL<br>CURRENCY) | DESCRIPTION   | STATED<br>COUPON | STATED<br>MATURITY |
|---|---|------------------|--------------------|
| FOREIGN CORPORATE BONDS AND NOTES - 15.3% |   |                  |                    |
|   | Automotive - 0.9%   |                  |                    |
| 5,545,000                                 | Schaeffler Finance B.V. (USD) (b) .....   | 4.75%            | 05/15              |
|   | Banking - 0.6%  |                  |                    |
| 3,950,000                                 | Industrial Senior Trust (USD) (b) .....   | 5.50%            | 11/01              |
|   | Basic Industry - 3.3%   |                  |                    |
| 2,648,000                                 | ArcelorMittal (USD) (a) .....   | 7.00%            | 02/25              |
| 8,362,000                                 | ArcelorMittal (USD) .....   | 7.75%            | 10/15              |
| 6,450,000                                 | Novelis, Inc. (USD) (a) .....   | 8.75%            | 12/15              |
| 4,200,000                                 | Stora Enso OYJ (USD) (b) .....  | 7.25%            | 04/15              |
|   | Capital Goods - 1.7%  |                  |                    |
| 3,000,000                                 | Albea Beauty Holdings S.A. (USD) (b) .....                                      | 8.38%            | 11/01              |
| 3,000,000                                 | Ardagh Packaging Finance PLC (EUR) .....  | 9.25%            | 10/15              |
| 900,000                                   | Ardagh Packaging Finance PLC/<br>Ardagh Holdings USA, Inc. (USD) (b) .....      | 6.00%            | 06/30              |
| 2,480,000                                 | Bombardier, Inc. (USD) (b) .....  | 6.00%            | 10/15              |
| 1,290,000                                 | Bombardier, Inc. (USD) (b) .....  | 6.13%            | 01/15              |
|   | Consumer Goods - 0.3%   |                  |                    |
| 1,900,000                                 | Minerva Luxembourg S.A. (USD) (b) .....   | 7.75%            | 01/31              |
|   | Energy - 1.5%   |                  |                    |
| 1,500,000                                 | CGG S.A. (USD) .....  | 6.50%            | 06/01              |
| 5,256,000                                 | CHC Helicopter S.A. (USD) .....   | 9.25%            | 10/15              |
| 970,000                                   | Petrobras Global Finance BV (USD) .....   | 6.25%            | 03/17              |
| 2,120,000                                 | Petrobras Global Finance BV (USD) .....   | 7.25%            | 03/17              |
| 1,700,000                                 | Precision Drilling Corp. (USD) .....  | 6.63%            | 11/15              |
| 1,735,000                                 | Precision Drilling Corp. (USD) .....  | 6.50%            | 12/15              |
|   | Healthcare - 1.6%   |                  |                    |
| 2,625,000                                 | Endo Ltd./Endo Finance LLC/Endo Finco, Inc. (USD) (b) .....                     | 6.00%            | 02/01              |
| 1,315,000                                 | Mallinckrodt International Finance S.A./<br>Mallinckrodt CB LLC (USD) (b) ..... | 5.75%            | 08/01              |
| 5,650,000                                 | Valeant Pharmaceuticals International, Inc. (USD) (b) .....                     | 7.50%            | 07/15              |
| 715,000                                   | Valeant Pharmaceuticals International, Inc. (USD) (b) .....                     | 5.88%            | 05/15              |
|   | Insurance - 0.5%  |                  |                    |
| 3,500,000                                 | Oil Insurance Ltd. (USD) (b) (h) .....  | 3.31%            | (i)                |



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|           |   |       |       |
|-----------|---|-------|-------|
|           | Leisure - 1.1%                          |       |       |
| 5,755,000 | Royal Caribbean Cruises Ltd. (USD)..... | 7.50% | 10/15 |

See Notes to Financial Statements

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 OCTOBER 31, 2015

| PRINCIPAL<br>VALUE<br>(LOCAL<br>CURRENCY)     | DESCRIPTION                                  | STATED<br>COUPON | STAT<br>MATUR |
|---|--|------------------|---------------|
| FOREIGN CORPORATE BONDS AND NOTES (Continued) |  |                  |               |
|   | Media - 1.7%                                 |                  |               |
| 6,280,000                                     | Altice S.A. (USD) (b).....                   | 7.75%            | 05/15         |
| 4,345,000                                     | UPCB Finance IV Ltd. (USD) (b).....          | 5.38%            | 01/15         |
|   | Telecommunications - 0.9%                    |                  |               |
| 5,859,000                                     | Intelsat Luxembourg S.A. (USD).....          | 7.75%            | 06/01         |
| 2,160,000                                     | Intelsat Luxembourg S.A. (USD).....          | 8.13%            | 06/01         |
| 880,000                                       | Telecom Italia Capital S.A. (USD).....       | 7.20%            | 07/18         |
|   | Transportation - 1.2%                        |                  |               |
| 5,250,000                                     | Hapag-Lloyd AG (USD) (b).....                | 9.75%            | 10/15         |
| 2,300,000                                     | Stena AB (USD) (b).....                      | 7.00%            | 02/01         |
|   | TOTAL FOREIGN CORPORATE BONDS AND NOTES..... |                  |               |
|   | (Cost \$105,537,730)                         |                  |               |

| PAR<br>AMOUNT<br>(LOCAL<br>CURRENCY) | DESCRIPTION  | STATED<br>COUPON | STAT<br>MATUR |
|--------------------------------------|--|------------------|---------------|
| CAPITAL PREFERRED SECURITIES - 11.8% |  |                  |               |
|                                      | Banking - 6.3%   |                  |               |
| 1,400,000                            | Barclays PLC (EUR) (j).....                              | 6.50%            | (i)           |
| 4,525,000                            | Capital One Financial Corp., Series E (USD) (j).....     | 5.55%            | (i)           |
| 6,700,000                            | Citigroup, Inc., Series M (USD) (j).....                 | 6.30%            | (i)           |
| 3,250,000                            | Dresdner Funding Trust I (USD) (b).....                  | 8.15%            | 06/30         |
| 5,325,000                            | HBOS Capital Funding L.P. (GBP) (j).....                 | 6.46%            | (i)           |
| 700,000                              | HSBC Bank Capital Funding Sterling 1 L.P. (GBP) (j)..... | 5.84%            | (i)           |

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|            |   |       |       |
|------------|---|-------|-------|
| 3,600,000  | HSBC Holdings PLC (USD) (a) (j).....                  | 6.38% | (i)   |
| 3,000,000  | Mellon Capital III (GBP) (j).....                     | 6.37% | 09/05 |
| 4,095,000  | Wells Fargo & Co., Series S (USD) (j).....            | 5.90% | (i)   |
|            | Capital Goods - 0.5%                                  |       |       |
| 3,760,000  | Textron Financial Corp. (USD) (b) (j).....            | 6.00% | 02/15 |
|            | Insurance - 5.0%                                      |       |       |
| 2,100,000  | American International Group, Inc. (USD) (a) (j)..... | 8.18% | 05/15 |
| 3,175,000  | Chubb (The) Corp. (USD) (j).....                      | 6.38% | 04/15 |
| 3,500,000  | CNP Assurances (EUR) (j).....                         | 5.25% | (i)   |
| 11,000,000 | Glen Meadow Pass-Through Trust (USD) (b) (j).....     | 6.51% | 02/12 |
| 5,000,000  | ING Groep N.V. (GBP) (j).....                         | 5.14% | (i)   |
| 3,500,000  | Lincoln National Corp. (USD) (a) (j).....             | 7.00% | 05/17 |
| 1,800,000  | Lincoln National Corp. (USD) (j).....                 | 6.05% | 04/20 |
|            | TOTAL CAPITAL PREFERRED SECURITIES.....               |       |       |
|            | (Cost \$71,095,272)                                   |       |       |

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See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 OCTOBER 31, 2015

| PRINCIPAL<br>VALUE                         | DESCRIPTION   | RATE (k) | MATURITY |
|--|---|----------|----------|
| SENIOR FLOATING-RATE LOAN INTERESTS - 3.4% |   |          |          |
|  | Automotive - 0.9%                                       |          |          |
| \$ 4,383,343                               | Allison Transmission, Inc. Term Loan B3.....            | 3.50%    | 08/23    |
| 1,743,750                                  | Navistar, Inc. Term Loan B.....                         | 6.50%    | 08/06    |
|  | Consumer Goods - 1.1%                                   |          |          |
| 6,698,000                                  | Aramark Corp. F Term Loan.....                          | 3.25%    | 02/24    |
|  | Healthcare - 1.0%                                       |          |          |
| 6,231,125                                  | Ortho-Clinical Diagnostics S.A., Initial Term Loan..... | 4.75%    | 06/30    |
|  | Real Estate - 0.0%                                      |          |          |
| 181,432                                    | Realogy Group LLC, Extended Synthetic Commitment.....   | 4.44%    | 10/10    |
|  | Transportation - 0.4%                                   |          |          |
| 2,315,000                                  | US Airways Group Term Loan B1.....                      | 3.50%    | 05/23    |
|  | TOTAL SENIOR FLOATING-RATE LOAN INTERESTS.....          |          |          |

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(Cost \$21,439,200)

| PRINCIPAL<br>VALUE                           | DESCRIPTION   | STATED<br>COUPON | STAT<br>MATUR |
|--|---|------------------|---------------|
| MORTGAGE-BACKED SECURITIES - 1.8%            |   |                  |               |
|  | Collateralized Mortgage Obligations - 0.6%  |                  |               |
| 645,484                                      | Morgan Stanley Mortgage Loan Trust<br>Series 2007-6XS, Class 2A1S (h).....                | 0.31%            | 02/25         |
| 1,522,192                                    | Specialty Underwriting & Residential Finance Trust<br>Series 2006-BC4, Class A2B (h)..... | 0.31%            | 09/25         |
| 2,537,659                                    | Wells Fargo Mortgage Backed Securities<br>Series 2006-AR7 Trust, Class 2A4 (h).....       | 2.73%            | 05/25         |
| Commercial Mortgage-Backed Securities - 1.2% |   |                  |               |
| 2,737,207                                    | Ace Securities Corp. Home Equity Loan Trust<br>Series 2007-HE2, Class A2A (h).....        | 0.32%            | 12/25         |
| 1,183,311                                    | Carrington Mortgage Loan Trust<br>Series 2006-NC4, Class A5 (h).....                      | 0.26%            | 10/25         |
| 200,875                                      | HSI Asset Securitization Corp. Trust<br>Series 2007-NC1, Class A1 (h).....                | 0.30%            | 04/25         |
| 679,875                                      | Morgan Stanley ABS Capital I, Inc. Trust<br>Series 2006-HE6, Class A2B (h).....           | 0.30%            | 09/25         |
| 8,812,781                                    | Securitized Asset Backed Receivables LLC Trust<br>Series 2006-FR4, Class A2A (h).....     | 0.28%            | 08/25         |
| 868,186                                      | Soundview Home Loan Trust<br>Series 2006-EQ2, Class A2 (h).....                           | 0.31%            | 01/25         |
| TOTAL MORTGAGE-BACKED SECURITIES.....        |   |                  |               |
| (Cost \$14,099,361)                          |   |                  |               |

See Notes to Financial Statements

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
OCTOBER 31, 2015

| PRINCIPAL<br>VALUE                 | DESCRIPTION  | STATED<br>COUPON | STAT<br>MATUR |
|------------------------------------|--|------------------|---------------|
| ASSET-BACKED SECURITIES - 0.2%     |  |                  |               |
| \$ 1,389,499                       | Keycorp Student Loan Trust<br>Series 2000-A, Class A2 (h)..... | 0.65%            | 05/25         |
| TOTAL ASSET-BACKED SECURITIES..... |  |                  |               |
| (Cost \$1,274,594)                 |  |                  |               |

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| SHARES                        | DESCRIPTION  |
|-------------------------------|--|
| -----                         |  |
| COMMON STOCKS - 0.2%          |  |
|                               | Automotive - 0.2%  |
| 34,350                        | General Motors Co.....   |
|                               | TOTAL COMMON STOCKS.....                                       |
|                               | (Cost \$1,031,183)   |
| WARRANTS - 0.1%               |  |
|                               | Automotive - 0.1%  |
| 48,926                        | General Motors Co., expiring 07/10/19 (g).....                 |
|                               | TOTAL WARRANTS.....  |
|                               | (Cost \$1,008,501)   |
| SHORT-TERM INVESTMENTS - 1.9% |  |
| 11,462,544                    | Dreyfus Government Cash Management - Institutional Shares..... |
|                               | TOTAL SHORT-TERM INVESTMENTS.....                              |
|                               | (Cost \$11,462,544)  |
|                               | TOTAL INVESTMENTS - 108.7%.....                                |
|                               | (Cost \$702,384,027) (m)                                       |

| PRINCIPAL<br>VALUE                        | DESCRIPTION                                  | STATED<br>COUPON | STAT<br>MATUR |
|---|--|------------------|---------------|
| -----                                     |  |                  |               |
| U.S. GOVERNMENT BONDS SOLD SHORT - (6.9%) |  |                  |               |
| \$ (42,700,000)                           | United States Treasury Note.....             | 0.88%            | 02/28         |
|   | TOTAL U.S. GOVERNMENT BONDS SOLD SHORT.....  |                  |               |
|   | (Proceeds \$43,070,300)                      |                  |               |
| CORPORATE BONDS SOLD SHORT - (2.6%)       |  |                  |               |
|   | Consumer Goods - (0.9%)                      |                  |               |
| (5,350,000)                               | ACCO Brands Corp.....                        | 6.75%            | 04/30         |
|   | Energy - (1.7%)                              |                  |               |
| (5,360,000)                               | Rice Energy, Inc.....                        | 6.25%            | 05/01         |
| (6,550,000)                               | Southwestern Energy Co.....                  | 4.95%            | 01/23         |
|   | TOTAL CORPORATE BONDS SOLD SHORT.....        |                  |               |
|   | (Proceeds \$16,926,942)                      |                  |               |
|   | TOTAL INVESTMENTS SOLD SHORT - (9.5%).....   |                  |               |
|   | (Proceeds \$59,997,242)                      |                  |               |
|   | OUTSTANDING LOAN - (0.1%).....               |                  |               |
|   | NET OTHER ASSETS AND LIABILITIES - 0.9%..... |                  |               |
|   | NET ASSETS - 100.0%.....                     |                  |               |

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
OCTOBER 31, 2015

- (a) This security or a portion of this security is segregated as collateral for investments sold short.
- (b) This security, sold within the terms of a private placement memorandum, is exempt from registration upon resale under Rule 144A of the Securities Act of 1933, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. Pursuant to procedures adopted by the Fund's Board of Trustees, this security has been determined to be liquid by MacKay Shields LLC, the Fund's sub-advisor (the "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 October 31, 2015, securities noted as such amounted to \$190,264,384 of total investments or 30.67% of net assets.
- (c) The Fund previously held non-transferable trust units that were originally issued to facilitate distribution of General Motors common stock and warrants pursuant to the General Motors Bankruptcy Plan of Reorganization. The non-transferable trust units existed only for the purpose of receiving residual cash, if any, from the General Motors Bankruptcy. These units were received in exchange for the previously owned General Motors 8.375% Corporate Notes that were scheduled to mature on July 15, 2033. On June 12, 2012, the holders of these units received new transferable General Motors Unsecured Claim (GUC) Trust Units, which were created to hold and administer the common stock and warrants of General Motors Company to be contributed to the GUC Trust under the General Motors Bankruptcy Plan of Reorganization.
- (d) On October 24, 2014, Momentive Performance Materials, Inc. completed a Bankruptcy Plan of Reorganization. As part of the Bankruptcy Plan of Reorganization, the holders of Momentive Performance Materials, Inc. Senior Secured Lien Notes ("Senior Secured Lien Notes") scheduled to mature on October 15, 2020, received new Momentive Performance Materials, Inc. Second Priority Senior Secured Notes maturing on April 24, 2022, in an exchange for the existing Senior Secured Lien Notes, and received an escrow claim, Momentive Performance Escrow Claim. The escrow claim represents a claim on any cash that remains in a Fee Reserve account. It is unknown if any remaining cash held in the Fee Reserve account will be available after future legal and financial costs are paid.
- (e) This security is fair valued by the Advisor's Pricing Committee in accordance with procedures adopted by the Fund's Board of Trustees, and in accordance with the provisions of the Investment Company Act of 1940, as amended. At October 31, 2015, securities noted as such are valued at \$2 or 0.00% of net assets.
- (f) Pursuant to procedures adopted by the Fund's Board of Trustees, this security has been determined to be illiquid by the Fund's Sub-Advisor.
- (g) Non-income producing security.

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- (h) Floating rate security. The interest rate shown reflects the rate in effect at October 31, 2015.
- (i) Perpetual maturity.
- (j) Fixed-to-floating or fixed-to-variable rate security. The interest rate shown reflects the fixed rate in effect at October 31, 2015. At a predetermined date, the fixed rate will change to a floating rate or a variable rate.
- (k) Senior Floating-Rate Loan Interests ("Senior Loans") in which the Fund invests pay interat 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 London Inter-Bank Offered Rate ("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. The interest rate shown reflects the rate in effect at October 31, 2015. When a range of rates is disclosed, the Fund holds more than one contract within the same tranche at varying rates.
- (l) 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 maturitiesshown.
- (m) Aggregate cost for federal income tax purposes is \$701,311,419. As of October 31, 2015, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$21,298,935 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$48,085,525.

### Currency Abbreviations:

EUR Euro  
GBP British Pound Sterling  
USD United States Dollar

See Notes to Financial Statements

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
OCTOBER 31, 2015

### VALUATION INPUTS

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

| ASSETS TABLE |         |  | LEVEL 2     |
|--------------|---------|--|-------------|
| TOTAL        | LEVEL 1 |  | SIGNIFICANT |
| VALUE AT     | QUOTED  |  | OBSERVABLE  |
| 10/31/2015   | PRICES  |  | INPUTS      |

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|   |               |            |            |
|---|---------------|------------|------------|
| Corporate Bonds and Notes:                |               |            |            |
| Automotive.....                           | \$ 34,527,141 | \$ 347,198 | \$ 34,179, |
| Basic Industry.....                       | 55,664,174    | --         | 55,664,    |
| Other Industry Categories*.....           | 369,107,584   | --         | 369,107,   |
| Foreign Corporate Bonds and Notes*.....   | 94,787,993    | --         | 94,787,    |
| Capital Preferred Securities*.....        | 72,848,796    | --         | 72,848,    |
| Senior Floating-Rate Loan Interests*..... | 21,319,204    | --         | 21,319,    |
| Mortgage-Backed Securities:               |               |            |            |
| Collateralized Mortgage Obligations.....  | 3,769,636     | --         | 3,769,     |
| Commercial Mortgage-Backed Securities.... | 7,657,518     | --         | 7,657,     |
| Asset-Backed Securities.....              | 1,345,424     | --         | 1,345,     |
| Common Stocks*.....                       | 1,199,159     | 1,199,159  |            |
| Warrants*.....                            | 835,656       | 835,656    |            |
| Short-Term Investments.....               | 11,462,544    | 11,462,544 |            |
| Total Investments.....                    | 674,524,829   | 13,844,557 | 660,680,   |
| Forward Foreign Currency Contracts**..... | 208,222       | --         | 208,       |
| Total.....                                | 674,733,051   | 13,844,557 | 660,888,   |

LIABILITIES TABLE

|                                       | TOTAL<br>VALUE AT<br>10/31/2014 | LEVEL 1<br>QUOTED<br>PRICES | LEVEL 2<br>SIGNIFICANT<br>OBSERVABLE<br>INPUTS |
|---------------------------------------|---------------------------------|-----------------------------|--|
| U.S. Government Bonds Sold Short..... | \$ (42,887,923)                 | \$ --                       | \$ (42,887,                                    |
| Corporate Bonds Sold Short.....       | (16,326,557)                    | --                          | (16,326,                                       |
| Credit Default Swap***.....           | (1,832,976)                     | --                          | (1,832,  |
| Total.....                            | (61,047,456)                    | --                          | (61,047,                                       |

\* See the Portfolio of Investments for industry breakout.

\*\* See the Forward Foreign Currency Contracts table for contract and currency detail.

\*\*\* See the Credit Default Swap Contracts Outstanding for contract detail.

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See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
OCTOBER 31, 2015

The following table presents the activity of the Fund's investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period presented.

BEGINNING BALANCE AT OCTOBER 31, 2014

|  |      |
|--|------|
| Corporate Bonds and Notes.....         | \$ 2 |
| Net Realized Gain (Loss).....          | --   |
| Net Change in Unrealized Appreciation/ |      |

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|                                    |       |
|------------------------------------|-------|
| Depreciation.....                  | --    |
| Purchases.....                     | --    |
| Sales.....                         | --    |
| Transfers In.....                  | --    |
| Transfers Out.....                 | --    |
| ENDING BALANCE AT OCTOBER 31, 2015 |       |
| Corporate Bonds and Notes.....     | 2     |
|                                    | ----- |
| Total Level 3 holdings.....        | \$ 2  |
|                                    | ===== |

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

There was no net change in unrealized appreciation (depreciation) from Level 3 investments held as of October 31, 2015.

FORWARD FOREIGN CURRENCY CONTRACTS: (see Note 2D - Forward Foreign Currency Contracts in the Notes to Financial Statements):

| FORWARD FOREIGN CURRENCY CONTRACTS              |              |                    |                |                                       |                                   |
|---|--------------|--------------------|----------------|---------------------------------------|-----------------------------------|
| SETTLEMENT DATE                                 | COUNTERPARTY | AMOUNT PURCHASED + | AMOUNT SOLD +  | PURCHASE VALUE AS OF OCTOBER 31, 2015 | SALE VALUE AS OF OCTOBER 31, 2015 |
| 11/24/15  | JPM          | USD 8,568,629      | EUR 7,621,000  | \$ 8,568,629                          | \$ 8,382,962                      |
| 11/24/15  | JPM          | USD 22,961,393     | GBP 14,882,000 | 22,961,393                            | 22,938,838                        |
| Net Unrealized Appreciation (Depreciation)..... |              |                    |                |                                       |                                   |

+ Please see Portfolio of Investments for currency descriptions.

Counterparty Abbreviations:  
JPM JPMorgan Chase

CREDIT DEFAULT SWAP CONTRACTS OUTSTANDING

| REFERENCE ENTITY                     | PROTECTION | BUY/SELL COUNTERPARTY      | NOTIONAL AMOUNT | PAY/RECEIVE FIXED RATE | EXPIRATION DATE |
|--------------------------------------|------------|----------------------------|-----------------|------------------------|-----------------|
| Markit iTRAXX Europe Crossover Index | Buy        | Morgan Stanley & Co., Inc. | \$18,000,000    | 5.00%                  | 12/20/20        |

See Notes to Financial Statements

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STATEMENT OF ASSETS AND LIABILITIES  
OCTOBER 31, 2015

ASSETS:

Investments, at value

(Cost \$702,384,027)

Foreign currency (Cost \$415,947)

Unrealized appreciation on forward foreign currency contracts

Restricted cash

Receivables:

Interest

Investment securities sold

Prepaid expenses

Total Assets

LIABILITIES:

Borrowings

Investments sold short, at value (proceeds \$59,997,242)

Payables:

Investment securities purchased

Investment advisory fees

Common Shares repurchased

Interest on investments sold short

Administrative fees

Audit and tax fees

Printing fees

Custodian fees

Variation margin on swaps

Legal fees

Transfer agent fees

Trustees' fees and expenses

Financial reporting fees

Other liabilities

Total Liabilities

NET ASSETS

NET ASSETS CONSIST OF:

Paid-in capital

Par value

Accumulated net investment income (loss)

Accumulated net realized gain (loss) on investments, forward foreign currency contracts, swap contracts, foreign currency transactions, futures and investments sold short

Net unrealized appreciation (depreciation) on investments, forward foreign currency contracts, swap contracts, foreign currency translation, futures and investments sold short

NET ASSETS

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

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

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED OCTOBER 31, 2015

INVESTMENT INCOME:

Interest.....  
Dividends.....  
Other.....

Total investment income.....

EXPENSES:

Investment advisory fees.....  
Interest expense on investments sold short.....  
Margin interest expense.....  
Short sale fees.....  
Administrative fees.....  
Printing fees.....  
Custodian fees.....  
Audit and tax fees.....  
Transfer agent fees.....  
Trustees' fees and expenses.....  
Legal fees.....  
Financial reporting fees.....  
Other.....

Total expenses.....

NET INVESTMENT INCOME (LOSS).....

NET REALIZED AND UNREALIZED GAIN (LOSS):

Net realized gain (loss) on:  
Investments.....  
Forward foreign currency contracts.....  
Swap contracts.....  
Foreign currency transactions.....  
Futures.....  
Shorts.....

Net realized gain (loss).....

Net change in unrealized appreciation (depreciation) on:

Investments.....  
Forward foreign currency contracts.....  
Swap contracts.....  
Foreign currency translation.....  
Futures.....  
Short positions.....

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

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

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

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
STATEMENTS OF CHANGES IN NET ASSETS

|  | YEAR<br>ENDED<br>10/31/2015 |
|--|-----------------------------|
|  | -----                       |
| OPERATIONS:  |                             |
| Net investment income (loss).....  | \$ 39,955,9                 |
| Net realized gain (loss).....  | (19,247,5                   |
| Net change in unrealized appreciation (depreciation).....                      | (54,704,8                   |
|  | -----                       |
| Net increase (decrease) in net assets resulting from operations.....           | (33,996,4                   |
|  | -----                       |
| DISTRIBUTIONS TO SHAREHOLDERS FROM:  |                             |
| Net investment income.....   | (45,376,6                   |
|  | -----                       |
| Total distributions to shareholders.....                                       | (45,376,6                   |
|  | -----                       |
| CAPITAL TRANSACTIONS:  |                             |
| Repurchase of Common Shares*.....  | (2,272,8                    |
|  | -----                       |
| Net increase (decrease) in net assets resulting from capital transactions..... | (2,272,8                    |
|  | -----                       |
| Total increase (decrease) in net assets.....                                   | (81,645,9                   |
|  | -----                       |
| NET ASSETS:  |                             |
| Beginning of period.....   | 701,954,6                   |
|  | -----                       |
| End of period.....   | \$ 620,308,6                |
|  | =====                       |
| Accumulated net investment income (loss) at end of period.....                 | \$ 3,499,3                  |
|  | =====                       |
| CAPITAL TRANSACTIONS WERE AS FOLLOWS:  |                             |
| Common Shares at beginning of period.....                                      | 36,056,1                    |
| Common Shares repurchased*.....  | (153,9                      |
|  | -----                       |
| Common Shares at end of period.....  | 35,902,2                    |
|  | =====                       |

\* On September 15, 2015, the Fund commenced a Share Repurchase Program. The program will continue until the earlier of (i) the repurchase of 1,802,808 common shares, or (ii) six months from implementation of the Fund's Share Repurchase Program. Since September 15, 2015, the Fund repurchased 153,936 of its shares at a weighted-average discount of 14.45% 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

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additional 1,648,872 common shares (for an aggregate of 1,802,808), or  
(ii) March 15, 2016.

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED OCTOBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

|  |              |
|--|--------------|
| Net increase (decrease) in net assets resulting from operations  | \$ (33,996,4 |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities: |              |
| Purchases of investments.....  | (474,810,8   |
| Borrowed investments sold short.....   | 24,619,4     |
| Sales, maturities and paydowns of investments.....   | 587,283,4    |
| Borrowed investments purchased.....  | (123,984,9   |
| Net amortization/accretion of premiums/discounts on investments.....   | 217,1        |
| Net realized gain/loss on investments.....   | 19,755,7     |
| Net realized gain/loss on investments sold short.....  | 1,193,0      |
| Net change in unrealized appreciation/depreciation on forward foreign currency contracts.....  | 1,707,7      |
| Net change in unrealized appreciation/depreciation on investments sold short.....  | (705,5       |
| Net change in unrealized appreciation/depreciation on investments.....   | 53,197,4     |
| Net increase in restricted cash.....   | (602,6       |

CHANGES IN ASSETS AND LIABILITIES:

|   |         |
|---|---------|
| Decrease in due from broker.....                            | 366,8   |
| Decrease in interest receivable.....                        | 3,395,0 |
| Decrease in dividends receivable.....                       | 56,7    |
| Decrease in variation margin on futures receivable.....     | 11,2    |
| Decrease in prepaid expenses.....                           | 1,3     |
| Decrease in interest payable on investments sold short..... | (148,4  |
| Decrease in investment advisory fees payable.....           | (66,3   |
| Decrease in legal fees payable.....                         | (10,9   |
| Decrease in printing fees payable.....                      | (2      |
| Increase in administrative fees payable.....                | 70,1    |
| Decrease in custodian fees payable.....                     | (6,2    |
| Decrease in transfer agent fees payable.....                | (2,5    |
| Decrease in Trustees' fees and expenses payable.....        | (6      |
| Increase in variation margin on swaps payable.....          | 16,1    |
| Increase in other liabilities payable.....                  | 4       |

CASH PROVIDED BY OPERATING ACTIVITIES.....

CASH FLOWS FROM FINANCING ACTIVITIES:

|  |           |
|--|-----------|
| Repurchase of Common Shares.....                                     | (1,938,9  |
| Distributions to Common Shareholders from net investment income..... | (45,376,6 |
| Net proceeds from borrowing.....                                     | (10,040,5 |

CASH USED IN FINANCING ACTIVITIES.....

Increase in cash and foreign currency (a).....  
Cash and foreign currency at beginning of period.....

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CASH AND FOREIGN CURRENCY AT END OF PERIOD.....

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest and fees.....

-----

(a) Includes net change in unrealized appreciation (depreciation) on foreign currency of \$66,526.

See Notes to Financial Statements

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 FINANCIAL HIGHLIGHTS  
 FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD

|   | YEAR ENDED OCTOBER 31, |          |          |         |
|---|------------------------|----------|----------|---------|
|   | 2015                   | 2014     | 2013     | 2012    |
| Net asset value, beginning of period.....   | \$ 19.47               | \$ 19.63 | \$ 19.05 | \$ 17.8 |
| INCOME FROM INVESTMENT OPERATIONS:  |                        |          |          |         |
| Net investment income (loss).....   | 1.11                   | 1.31     | 1.35     | 1.4     |
| Net realized and unrealized gain (loss).....  | (2.05)                 | (0.15)   | 0.64     | 1.4     |
| Total from investment operations.....   | (0.94)                 | 1.16     | 1.99     | 2.8     |
| DISTRIBUTIONS PAID TO SHAREHOLDERS FROM:  |                        |          |          |         |
| Net investment income.....  | (1.26)                 | (1.32)   | (1.33)   | (1.4    |
| Net realized gain.....  | --                     | --       | --       | (0.1    |
| Return of capital.....  | --                     | --       | (0.08)   | --      |
| Total from distributions to<br>Common Shareholders.....                                 | (1.26)                 | (1.32)   | (1.41)   | (1.6    |
| Capital share repurchases.....  | 0.01                   | --       | --       | --      |
| Capital charge resulting from issuance of<br>Common Shares related to over allotment... | --                     | --       | --       | --      |
| Net asset value, end of period.....   | \$ 17.28               | \$ 19.47 | \$ 19.63 | \$ 19.0 |
| Market value, end of period.....  | \$ 14.96               | \$ 17.19 | \$ 17.62 | \$ 18.7 |
| TOTAL RETURN BASED ON NET ASSET VALUE (a)....   | (3.89)%                | 6.86%    | 11.32%   | 17.0    |
| TOTAL RETURN BASED ON MARKET VALUE (a).....   | (5.76)%                | 5.12%    | 1.36%    | 23.6    |

RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA:

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|   |           |           |           |          |
|---|-----------|-----------|-----------|----------|
| Net assets, end of period (in 000's).....                                     | \$620,309 | \$701,955 | \$707,807 | \$686,71 |
| Ratio of total expenses to average net assets.....                            | 1.66%     | 1.75%     | 1.72%     | 1.8      |
| Ratio of total expenses to average net assets excluding interest expense..... | 1.21%     | 1.26%     | 1.27%     | 1.3      |
| Ratio of net investment income (loss) to average net assets.....              | 6.05%     | 6.59%     | 6.93%     | 7.8      |
| Portfolio turnover rate.....  | 26%       | 28%       | 28%       | 2        |

-----

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

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### NOTES TO FINANCIAL STATEMENTS

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
OCTOBER 31, 2015

#### 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 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

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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 BofA Merrill Lynch 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, which is an investment company within the scope of Financial Accounting Standards Board ("FASB") Accounting Standards Update 2013-08, follows accounting and reporting guidance under FASB Accounting Standards Codification Topic 946, "Financial Services-Investment Companies." The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

#### A. PORTFOLIO VALUATION

The net asset value ("NAV") of the Common Shares of the Fund is determined daily, as of the close of regular trading on the NYSE, normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. If the NYSE closes early on a valuation day, the NAV is determined as of that time. 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, U.S. government securities, mortgage-backed securities, asset-backed securities and other debt securities are valued on the basis of valuations provided by dealers who make markets in such securities or by an independent pricing service approved by the Fund's Board of Trustees, which may use the following valuation inputs when available:

- 1) benchmark yields;

2) reported trades;

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1 The terms "security" and "securities" used throughout the Notes to Financial Statements include Senior Loans.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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- 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(R) Stock Market LLC ("NASDAQ") and the London Stock Exchange Alternative Investment Market ("AIM")) are valued at the last sale price on the exchange on which they are principally traded or, for NASDAQ and AIM securities, the official closing price. Securities traded on more than one securities exchange are valued at the last sale price or official closing price, as applicable, at the close of the securities exchange representing the principal market for such securities.

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

Credit default swaps are fair valued using a pricing service or, if the pricing service does not provide a value, by quotes provided by the selling dealer or financial institution.

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



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dealer runs and broker quotes from indicative sheets to value the Senior Loans.

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

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 an independent pricing service.

Fixed income and other debt securities having a remaining maturity of 60 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
- 5) any other market-based data the Advisor's Pricing Committee considers relevant. In this regard, the Advisor's Pricing Committee may use last-obtained market-based data to assist it when valuing portfolio securities using amortized cost.

Certain securities may not be able to be priced by pre-established pricing methods. Such securities may be valued by the Fund's Board of Trustees or its delegate, the Advisor's Pricing Committee, at fair value. These securities generally include, but are not limited to, restricted securities (securities which may not be publicly sold without registration under the Securities Act of 1933, as amended) for which a pricing service is unable to provide a market price; securities whose trading has been formally suspended; a security whose market or fair value price is not available from a pre-established pricing source; a security with respect to which an event has occurred that is likely to materially affect the value of the security after the market has closed but before the calculation of the Fund's NAV or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by the pricing service, does not reflect the security's fair value. As a general principle, the current fair value of a security would appear to be the amount which the owner might

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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 fundamental business data relating to the issuer;
- 2) an evaluation of the forces which influence the market in which these securities are purchased and sold;
- 3) the type, size and cost of a security;
- 4) the financial statements of the borrower/issuer;
- 5) the credit quality and cash flow of the borrower/issuer, based on the Sub-Advisor's or external analysis;
- 6) the information as to any transactions in or offers for the security;
- 7) the price and extent of public trading in similar securities (or equity securities) of the issuer/borrower, or comparable companies;
- 8) the coupon payments;
- 9) the quality, value and salability of collateral, if any, securing the security;
- 10) the business prospects of the borrower/issuer, including any ability to obtain money or resources from a parent or affiliate and an assessment of the borrower's/issuer's management;
- 11) the prospects for the borrower's/issuer's industry, and multiples (of earnings and/or cash flows) being paid for similar businesses in that industry;
- 12) the borrower's/issuer's competitive position within the industry;
- 13) the borrower's/issuer's ability to access additional liquidity through public and/or private markets; and
- 14) other relevant factors.

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

- o Level 1 - Level 1 inputs are quoted prices in active markets for identical investments. An active market is a market in which transactions for the investment occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- o Level 2 - Level 2 inputs are observable inputs, either directly or indirectly, and include the following:
  - o Quoted prices for similar investments in active markets.
  - o Quoted prices for identical or similar investments in markets that are non-active. A non-active market is a market where there are few transactions for the investment, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
  - o Inputs other than quoted prices that are observable for the investment (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default

rates)

- o Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- o Level 3 - Level 3 inputs are unobservable inputs. Unobservable inputs may reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the investment.

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

#### B. 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 is recorded daily on the accrual basis. Amortization of premiums and accretion of discounts are recorded using the effective interest method.

Securities purchased on a when-issued, delayed-delivery or forward purchase commitment basis may have extended settlement periods. The value of the security so purchased is subject to market fluctuations during this period. The Fund maintains liquid assets with a current value at least equal to the amount of its when-issued, delayed-delivery or forward purchase commitments until payment is made. At October 31, 2015, the Fund had no when-issued, delayed-delivery or forward purchase commitments.

#### C. UNFUNDED LOAN COMMITMENTS

The Fund may enter into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrower's discretion. The Fund did not have any unfunded delayed draw loan commitments as of October 31, 2015.

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#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
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#### D. FORWARD FOREIGN CURRENCY CONTRACTS

The Fund is subject to foreign currency risk in the normal course of pursuing its investment objectives. Forward foreign currency contracts are agreements between two parties ("Counterparties") to exchange one currency for another at a future date and at a specified price. The Fund uses forward foreign currency contracts to facilitate transactions in foreign securities and to manage the Fund's foreign currency exposure. These contracts are valued daily, and the Fund's net equity therein, representing unrealized gain or loss on the contracts

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as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in "Unrealized appreciation/(depreciation) on forward foreign currency contracts" on the Statement of Assets and Liabilities. When the forward contract is closed, the Fund records a realized gain or loss equal to the difference between the proceeds from (or the cost of) the closing transaction and the Fund's basis in the contract. This realized gain or loss is included in "Net realized gain (loss) on forward foreign currency contracts" on the Statement of Operations. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates. Due to the risks, the Fund could incur losses in excess of the net unrealized value shown on the Forward Foreign Currency Contracts table in the Portfolio of Investments. In the event of default by the Counterparty, the Fund will provide notice to the Counterparty of the Fund's intent to convert the currency held by the Fund into the currency that the Counterparty agreed to exchange with the Fund. If a Counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Fund may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. The Fund may obtain only limited recovery or may obtain no recovery in such circumstances.

### E. FOREIGN CURRENCY

The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the exchange rates prevailing at the end of the period. Purchases and sales of investments and items of income and expense are translated on the respective dates of such transactions. Unrealized gains and losses on assets and liabilities, other than investments in securities, which result from changes in foreign currency exchange rates have been included in "Net change in unrealized appreciation (depreciation) on foreign currency translation" on the Statement of Operations. Unrealized gains and losses on investments in securities which result from changes in foreign exchange rates are included with fluctuations arising from changes in market price and are shown in "Net change in unrealized appreciation (depreciation) on investments" on the Statement of Operations. Net realized foreign currency gains and losses include the effect of changes in exchange rates between trade date and settlement date on investment security transactions, foreign currency transactions and interest and dividends received and are shown in "Net realized gain (loss) on foreign currency transactions" on the Statement of Operations. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial purchase settlement date and subsequent sale trade date is included in "Net realized gain (loss) on investments" on the Statement of Operations.

### F. FUTURES CONTRACTS

The Fund purchases or sells (i.e., is long or short) futures contracts to hedge against changes in interest rates (interest rate risk). Futures contracts are agreements between the Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and at a specified date. Depending on the terms of the contract, futures contracts are settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. Open futures contracts can also be closed out prior to settlement by entering into an offsetting transaction in a matching futures contract. If the Fund is not able to enter into an offsetting transaction, the Fund will continue to be required to maintain margin deposits on the futures contract. When the contract is closed or expires, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed or expired. This gain or loss is included in "Net realized gain (loss) on futures" on the Statement of Operations.

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Upon entering into a futures contract, the Fund must deposit funds, called margin, with its custodian in the name of the clearing broker equal to a specified percentage of the current value of the contract. Open futures contracts are marked to market daily with the change in value recognized as a component of "Net change in unrealized appreciation (depreciation) on futures" on the Statement of Operations. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are included in "Variation margin payable or receivable" on the Statement of Assets and Liabilities.

If market conditions change unexpectedly, the Fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. The use of futures contracts involves the risk of imperfect correlation in movements in the price of the futures contracts, interest rates and the underlying instruments. The Fund did not hold any futures contracts as of October 31, 2015.

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD) OCTOBER 31, 2015

##### G. SHORT SALES

Short sales are utilized for investment and risk management purposes and are transactions in which securities or other instruments (such as options, forwards, futures or other derivative contracts) are sold that are not currently owned in the Fund's portfolio. When the Fund engages in a short sale, the Fund must borrow the security sold short and deliver the security to the counterparty. Short selling allows the Fund to profit from a decline in a market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The Fund will pay a fee or premium to borrow the securities sold short and is obligated to repay the lenders of the securities. Any dividends or interest that accrues on the securities during the period of the loan are due to the lenders. A gain, limited to the price at which the security was sold short, or a loss, unlimited in size, will be recognized upon the termination of the short sale; which is effected by the Fund purchasing the security sold short and delivering the security to the lender. Any such gain or loss may be offset, completely or in part, by the change in the value of the long portion of the Fund's portfolio. The Fund is subject to the risk that it may be unable to reacquire a security to terminate a short position except at a price substantially in excess of the last quoted price. Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to the Fund.

The Fund has established an account with Pershing, LLC ("Pershing") for the purpose of purchasing or borrowing securities on margin. At October 31, 2015, the Fund had \$578,615 in borrowings associated with investments sold short and are shown in "Borrowings" on the Statement of Assets and Liabilities and \$59,214,480 of investments sold short and are shown in "Investments sold short, at value" on the Statement of Assets and Liabilities. Interest is charged on

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these balances at a rate equal to the Federal Funds rate plus 75 basis points and is charged on payable credit margin balances at a rate equal to the Federal Funds rate less 40 basis points. At October 31, 2015, the Fund had a debit margin balance with an interest rate of 0.80%. For the year ended October 31, 2015, margin interest expense was \$1,171,483, as shown on the Statement of Operations. For the year ended October 31, 2015, the average margin balance and interest rate were \$132,614,048 and 0.87%, respectively.

### H. CREDIT DEFAULT SWAPS

The Fund may enter into credit default swap contracts ("CDS") for investment purposes or to manage credit risk. A CDS is an agreement between two parties ("Counterparties") to exchange the credit risk of an issuer. Swap agreements may be privately negotiated in the OTC market as a bilateral contract or centrally cleared.

A buyer of a CDS is said to buy protection by paying a fixed payment over the life of the agreement and in some situations an upfront payment to the seller of the CDS. If a defined credit event occurs (such as payment default or bankruptcy), the Fund as a protection buyer would cease paying its fixed payment, the Fund would deliver eligible bonds issued by the reference entity to the seller, and the seller would pay the full notional value, or the "par value," of the referenced obligation to the Fund. A seller of a CDS is said to sell protection and thus would receive a fixed payment over the life of the agreement and an upfront payment, if applicable. If a credit event occurs, the Fund as a protection seller would cease to receive the fixed payment stream, the Fund would pay the buyer "par value" or the full notional value of the referenced obligation, and the Fund would receive the eligible bonds issued by the reference entity. In turn, these bonds may be sold in order to realize a recovery value. Alternatively, the seller of the CDS and its Counterparty may agree to net the notional amount and the market value of the bonds and make a cash payment equal to the difference to the buyer of protection. If no credit event occurs, the Fund receives the fixed payment over the life of the agreement. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the CDS. In connection with these agreements, cash and securities may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default under the swap agreement or bankruptcy/insolvency of a party to the swap agreement. In the event of a default by the Counterparty, the Fund will seek withdrawal of this collateral and may incur certain costs exercising its right with respect to the collateral. If a Counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Fund may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. The Fund may obtain only limited recovery or may obtain no recovery in such circumstances.

Upon entering into a centrally cleared swap, the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on the size and risk profile of the particular swap. Cash deposited is segregated and included in "restricted cash" on the Statement of Assets and Liabilities. The daily change in valuation of centrally cleared swaps is included in "variation margin on swaps payable" in the Statement of Assets and Liabilities. Payments received from (paid to) the Counterparty, including at termination, are recorded as "net realized gain (loss) on swap contracts" on the Statement of Operations.

Credit default swap contracts are marked to market daily based upon quotations from brokers, market makers or an independent pricing service and the change in value, if any, is recorded as unrealized appreciation (depreciation). For a credit default swap contract sold by the Fund, payment of the agreed upon amount

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made by the Fund in the event of default of the referenced debt obligation is recorded as the cost of the reference debt obligation purchased/received.

Restricted cash in the amount of \$658,466, as shown on the Statement of Assets and Liabilities, is associated with collateral at the broker as of October 31, 2015.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
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### I. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS

Level dividend distributions are declared and paid monthly to Common Shareholders after the payment of interest and/or dividends in connection with leverage. The level dividend rate may be modified by the Board of Trustees from time to time. If, for any monthly distribution, net investment company taxable income, if any (which term includes net short-term capital gain), is less than the amount of the distribution, the difference will generally be a tax-free return of capital distributed from the Fund's assets. Distributions of any net long-term 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 capital gains are determined in accordance with U.S. 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 fiscal year ended October 31, 2015, resulting in book and tax accounting differences, have been reclassified at year end to reflect an increase in accumulated net investment income (loss) by \$5,155,738, a decrease in accumulated net realized gain (loss) on investments by \$5,014,672 and a decrease to paid-in capital of \$141,066. Net assets were not affected by this reclassification.

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

| Distributions paid from: | 2015          | 2014          |
|--------------------------|---------------|---------------|
| Ordinary income.....     | \$ 45,376,676 | \$ 47,413,849 |
| Capital gains.....       | --            | --            |
| Return of capital.....   | --            | --            |

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

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|   |               |
|---|---------------|
| Undistributed ordinary income.....              | \$ 2,881,549  |
| Undistributed capital gains.....                | --            |
|   | -----         |
| Total undistributed earnings.....               | 2,881,549     |
| Accumulated capital and other losses.....       | (38,074,082)  |
| Net unrealized appreciation (depreciation)..... | (26,685,270)  |
|   | -----         |
| Total accumulated earnings (losses).....        | (61,877,803)  |
| Other.....                                      | (332,084)     |
| Paid-in capital.....                            | 682,518,541   |
|   | -----         |
| Net assets.....                                 | \$620,308,654 |
|   | =====         |

J. INCOME AND OTHER TAXES

The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended, which includes distributing substantially all of its net investment income and net realized gains to shareholders. Accordingly, no provision has been made for federal or state income taxes. However, due to the timing and amount of distributions, the Fund may be subject to an excise tax of 4% of the amount by which approximately 98% of the Fund's taxable income exceeds the distributions from such taxable income for the calendar year.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses arising in taxable years after December 22, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward 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 October 31, 2015, the Fund had no pre-enactment net capital losses for federal income tax purposes. At October 31, 2015 the Fund had post-enactment net capital losses for federal income tax purposes of \$38,074,082 to be carried forward indefinitely.

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.

The Fund is subject to accounting standards that establish a minimum threshold for recognizing, and a system for measuring, the benefits of a tax position taken or expected to be taken in a tax return. Taxable years ending 2012, 2013, 2014 and 2015 remain open to federal and state audit. As of October 31, 2015, management has evaluated the application of these standards to the Fund and has determined that no provision for income tax is required in the Fund's financial statements for uncertain tax positions.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
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### K. EXPENSES

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

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

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

MacKay serves as the Fund's sub-advisor and manages the Fund's portfolio subject to First Trust's supervision. The Sub-Advisor receives a portfolio management fee at an annual rate of 0.50% of Managed Assets that is paid by First Trust from its investment advisory fee.

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

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

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

#### 4. PURCHASES AND SALES OF SECURITIES

Cost of purchases and proceeds from sales of investments, excluding short-term investments, for the year ended October 31, 2015, were \$197,272,412 and \$310,353,870, respectively.

#### 5. DERIVATIVES TRANSACTIONS

The following table presents the types of derivatives held by the Fund at October 31, 2015, the primary underlying risk exposure and the location of these

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instruments as presented on the Statement of Assets and Liabilities.

| DERIVATIVE INSTRUMENT              | RISK EXPOSURE | ASSET DERIVATIVES   |            | STATEMENT OF ASSETS AND LIABILITIES LOCATION | FAIR VALUE | STATEMENT OF ASSETS AND LIABILITIES LOCATION                  |
|------------------------------------|---------------|---|------------|--|------------|---|
|                                    |               | STATEMENT OF ASSETS AND LIABILITIES LOCATION                  | FAIR VALUE |  |            |   |
| Forward foreign currency contracts | Currency Risk | Unrealized appreciation on forward foreign currency contracts | \$ 208,222 |  |            | Unrealized appreciation on forward foreign currency contracts |
| Credit default swaps               | Credit Risk   | Variation margin on swaps receivable                          | --         |  |            | Variation margin on swaps payable                             |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
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The following table presents the amount of net realized gain (loss) and change in net unrealized appreciation (depreciation) recognized for the year ended October 31, 2015, on derivative instruments, as well as the primary underlying risk exposure associated with each instrument.

STATEMENT OF OPERATIONS LOCATION

|  |              |
|--|--------------|
| INTEREST RATE RISK   |              |
| Net realized gain (loss) on futures  | \$ (312,488) |
| Net change in unrealized appreciation (depreciation) on futures                            | 110,038      |
| CURRENCY RISK  |              |
| Net realized gain (loss) on forward foreign currency contracts                             | 7,621,724    |
| Net change in unrealized appreciation (depreciation) on forward foreign currency contracts | (1,707,705)  |
| CREDIT RISK  |              |
| Net unrealized gain (loss) on swap contracts   | (120,123)    |
| Net change in unrealized appreciation (depreciation) on swap contracts                     | (681,792)    |

During the year ended October 31, 2015, the notional values of forward foreign currency contracts opened and closed were \$487,895,688 and \$616,599,530, respectively.

During the year ended October 31, 2015, the notional values of futures contracts opened and closed were \$101,028,985 and \$140,440,197, respectively.

The average volume of credit default swap contracts was \$7,903,846 for the year

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ended October 31, 2015.

The Fund does not have the right to offset financial assets and financial liabilities related to forward foreign currency contracts, futures contracts and swap contracts on the Statement of Assets and Liabilities.

### 6. INDEMNIFICATION

The Fund has a variety of indemnification obligations under contracts with its service providers. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

### 7. SUBSEQUENT EVENT

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 the following subsequent events:

On November 19, 2015, the Fund declared a distribution of \$0.1000 per share to Common Shareholders of record on December 3, 2015, payable December 10, 2015.

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
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TO THE BOARD OF TRUSTEES AND SHAREHOLDERS OF FIRST TRUST HIGH INCOME LONG/SHORT FUND:

We have audited the accompanying statement of assets and liabilities of First Trust High Income Long/Short Fund (the "Fund"), including the portfolio of investments, as of October 31, 2015, and 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, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over

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financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2015 by correspondence with the Fund's custodian, brokers, and agent banks; when replies were not received from brokers and agent banks, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the First Trust High Income Long/Short Fund as of October 31, 2015, 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 five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
December 22, 2015

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### ADDITIONAL INFORMATION

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#### FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD) OCTOBER 31, 2015 (UNAUDITED)

#### DIVIDEND REINVESTMENT PLAN

If your Common Shares are registered directly with the Fund or if you hold your Common Shares with a brokerage firm that participates in the Fund's Dividend Reinvestment Plan (the "Plan"), unless you elect, by written notice to the Fund, to receive cash distributions, all dividends, including any capital gain distributions, on your Common Shares will be automatically reinvested by BNY Mellon Investment Servicing (US) Inc. (the "Plan Agent"), in additional Common Shares under the Plan. If you elect to receive cash distributions, you will receive all distributions in cash paid by check mailed directly to you by the Plan Agent, as the dividend paying agent.

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

- (1) If Common Shares are trading at or above net asset value ("NAV") at the time of valuation, the Fund will issue new shares at a price equal to the greater of (i) NAV per Common Share on that date or (ii) 95% of the market price on that date.
- (2) If Common Shares are trading below NAV at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase Common Shares in the open market, on the NYSE or elsewhere, for the participants' accounts. It is possible that the

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market price for the Common Shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Shares issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase Common Shares in the open market within 30 days of the valuation date except where temporary curtailment or suspension of purchases is necessary to comply with federal securities laws. Interest will not be paid on any uninvested cash payments.

You may elect to opt-out of or withdraw from the Plan at any time by giving written notice to the Plan Agent, or by telephone at (866) 340-1104, in accordance with such reasonable requirements as the Plan Agent and the Fund may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan, and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions.

The Plan Agent maintains all Common Shareholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common Shares in your account will be held by the Plan Agent in non-certificated form. The Plan Agent will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to the Fund. Any proxy you receive will include all Common Shares you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in Common Shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. Capital gains and income are realized although cash is not received by you. Consult your financial advisor for more information.

If you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above.

The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Trustees the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained by writing BNY Mellon Investment Servicing (US) Inc., 301 Bellevue Parkway, Wilmington, Delaware 19809.

### PROXY VOTING POLICIES AND PROCEDURES

A description of the policies and procedures that the Fund uses to determine how to vote proxies and information on how the Fund voted proxies relating to portfolio investments during the most recent 12-month period ended June 30 is available (1) without charge, upon request, by calling (800) 988-5891; (2) on the Fund's website located at <http://www.ftportfolios.com>; and (3) on the Securities and Exchange Commission's ("SEC") website located at <http://www.sec.gov>.

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ADDITIONAL INFORMATION (CONTINUED)  
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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
OCTOBER 31, 2015 (UNAUDITED)

PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Qs are available (1) by calling (800) 988-5891; (2) on the Fund's website located at <http://www.ftportfolios.com>;

(3) on the SEC's website at <http://www.sec.gov>; and (4) for review and copying at the SEC's Public Reference Room ("PRR") in Washington, DC. Information regarding the operation of the PRR may be obtained by calling (800) SEC-0330.

TAX INFORMATION

Of the ordinary income (including short-term capital gain) distributions made by the Fund during the year ended October 31, 2015, none qualify for the corporate dividends received deduction available to corporate shareholders or as qualified dividend income.

NYSE CERTIFICATION INFORMATION

In accordance with Section 303A-12 of the New York Stock Exchange ("NYSE") Listed Company Manual, the Fund's President has certified to the NYSE that, as of April 29, 2015, he was not aware of any violation by the Fund of NYSE corporate governance listing standards. In addition, the Fund's reports to the SEC on Forms N-CSR, N-CSRS and N-Q contain certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's public disclosure in such reports and are required by Rule 30a-2 under the 1940 Act.

SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

The Joint Annual Meeting of Shareholders of the Common Shares of Macquarie/First Trust Global Infrastructure/Utilities Dividend & Income Fund, First Trust Energy Income and Growth Fund, First Trust Enhanced Equity Income Fund, First Trust/Aberdeen Global Opportunity Income Fund, First Trust Mortgage Income Fund, First Trust Strategic High Income Fund II, First Trust/Aberdeen Emerging Opportunity Fund, First Trust Specialty Finance and Financial Opportunities Fund, First Trust Dividend and Income Fund, First Trust High Income Long/Short Fund, First Trust Energy Infrastructure Fund, First Trust MLP and Energy Income Fund, First Trust Intermediate Duration Preferred & Income Fund and First Trust New Opportunities MLP & Energy Fund was held on April 20, 2015 (the "Annual Meeting"). At the Annual Meeting, Richard E. Erickson and Thomas R. Kadlec were elected by the Common Shareholders of the First Trust High Income Long/Short Fund as Class II Trustees for a three-year term expiring at the Fund's annual meeting of shareholders in 2018. The number of votes cast in favor of Mr. Erickson was 31,308,535, the number of votes against was 1,142,882 and the number of broker non-votes was 3,604,742. The number of votes cast in favor of Mr. Kadlec was 31,322,678, the number of votes against was 1,128,739 and the number of broker non-votes was 3,604,742. James A. Bowen, Robert F. Keith and

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Niel B. Nielson are the other current and continuing Trustees.

### RISK CONSIDERATIONS

Risks are inherent in all investing. The following summarizes some, but not all, of the risks that should be considered for the Fund. For additional information about the risks associated with investing in the Fund, please see the Fund's prospectus and statement of additional information, as well as other Fund regulatory filings.

**INVESTMENT AND MARKET RISK:** An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal invested. An investment in Common Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Common Shares at any point in time may be worth less than the original investment, even after taking into account the reinvestment of Fund dividends and distributions. Security prices can fluctuate for several reasons including the general condition of the securities markets, or when political or economic events affecting the issuers occur. When the Advisor or Sub-Advisor determines that it is temporarily unable to follow the Fund's investment strategy or that it is impractical to do so (such as when a market disruption event has occurred and trading in the securities is extremely limited or absent), the Fund may take temporary defensive positions.

**BELOW-INVESTMENT GRADE SECURITIES RISK:** The Fund invests in below-investment grade securities. The market values for high-yield securities tend to be very volatile, and these securities are less liquid than investment grade debt securities. For these reasons, an investment in the Fund is subject to the following specific risks: (a) increased price sensitivity to changing interest rates and to a deteriorating economic environment; (b) greater risk of loss due to default or declining credit quality; (c) adverse issuer specific events are more likely to render the issuer unable to make interest and/or principal payments; and (d) a negative perception of the high-yield market may depress the price and liquidity of high-yield securities.

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ADDITIONAL INFORMATION (CONTINUED)  
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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
OCTOBER 31, 2015 (UNAUDITED)

**DISTRESSED SECURITIES RISK:** The Fund may invest in securities issued by companies in a bankruptcy reorganization proceeding, subject to some other form of a public or private debt restructuring or otherwise in default or in significant risk of default in the payment of interest or repayment of principal or trading at prices substantially below other below-investment grade debt securities of companies in similar industries. Distressed securities frequently do not produce income while they are outstanding. The Fund may be required to incur certain extraordinary expenses in order to protect and recover its investment. Therefore, to the extent the Sub-Advisor seeks capital appreciation through investment in distressed securities, the ability to achieve current income may be diminished.

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**ECONOMIC CONDITIONS RISK:** Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high-yield issuer to make principal payments and interest payments than an investment grade issuer. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. Under adverse market or economic conditions, the secondary market for high-yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer and these securities may become illiquid. As a result, the Sub-Advisor could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded.

**FIXED-INCOME SECURITIES RISK:** Debt securities, including high-yield securities, are subject to certain risks, including: (i) issuer risk, which is the risk that the value of fixed-income securities may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services or, in the case of asset-backed issuers, a decline in the value and/or cash flows of the underlying assets; (ii) reinvestment risk, which is the risk that income from the Fund's portfolio will decline if the proceeds from matured, traded or called bonds are reinvested at market interest rates that are below the portfolio's current earnings rate; (iii) prepayment risk, which is the risk that during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the reinvestment in lower yielding securities; and (iv) credit risk, which is the risk that a security in the Fund's portfolio will decline in price or the issuer fails to make interest payments when due because the issuer of the security experiences a decline in its financial status.

**INTEREST RATE RISK:** The Fund's portfolio is also subject to interest rate risk. Interest rate risk is the risk that fixed-income securities will decline in value because of changes in market interest rates. Investments in debt securities with long-term maturities may experience significant price declines if long-term interest rates increase.

**SHORT SELLING RISK:** Short selling allows the Fund to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. If a security sold short increases in price, the Fund may have to cover its short position at a higher price than the short sale price, resulting in a loss. The Fund may have substantial short positions and must borrow those securities to make delivery to the buyer. The Fund may not be able to borrow a security that it needs to deliver or it may not be able to close out a short position at an acceptable price and may have to sell related long positions before it had intended to do so. Thus, the Fund may not be able to successfully implement its short sale strategy due to limited availability of desired securities or for other reasons. Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to the Fund. Because losses on short sales arise from increases in the value of the security sold short, such losses are theoretically unlimited. The use of short sales in combination with long positions in the Fund's portfolio in an attempt to improve performance or reduce overall portfolio risk may not be successful and may result in greater losses or lower positive returns than if the Fund held only long positions. It is possible that the Fund's long securities positions will decline in value at the same time that the value of its short securities positions increase, thereby increasing potential losses to the Fund.

By investing the proceeds received from selling securities short, the Fund could be deemed to be employing a form of leverage, which creates special risks. The use of leverage may increase the Fund's exposure to long securities positions and make any change in the Fund's NAV greater than it would be without the use



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of leverage. This could result in increased volatility of returns. There is no guarantee that any leveraging strategy the Fund employs will be successful during any period in which it is employed.

CURRENCY RISK: The value of securities denominated or quoted in foreign currencies may be adversely affected by fluctuations in the relative currency exchange rates and by exchange control regulations. The Fund's investment performance may be negatively affected by a devaluation of a currency in which the Fund's investments are denominated or quoted. Further, the Fund's investment performance may be significantly affected, either positively or negatively, by currency exchange rates because the U.S. dollar value of securities denominated or quoted in another currency will increase or decrease in response to changes in the value of such currency in relation to the U.S. dollar. While certain of the Fund's non-U.S. dollar-denominated securities may be hedged into U.S. dollars, hedging may not alleviate all currency risks.

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ADDITIONAL INFORMATION (CONTINUED)  
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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
OCTOBER 31, 2015 (UNAUDITED)

### ADVISORY AND SUB-ADVISORY AGREEMENTS

#### BOARD CONSIDERATIONS REGARDING APPROVAL OF CONTINUATION OF INVESTMENT MANAGEMENT AGREEMENT AND SUB-ADVISORY AGREEMENT

The Board of Trustees of First Trust High Income Long/Short Fund (the "Fund"), including the Independent Trustees, unanimously approved the continuation of the Investment Management Agreement (the "Advisory Agreement") between the Fund and First Trust Advisors L.P. (the "Advisor") and the Investment Sub Advisory Agreement (the "Sub Advisory Agreement" and together with the Advisory Agreement, the "Agreements") among the Fund, the Advisor and MacKay Shields LLC (the "Sub-Advisor"), at a meeting held on June 16, 2015. The Board determined that the continuation of the Agreements is in the best interests of the Fund in light of the extent and quality of the services provided and such other matters as the Board considered to be relevant in the exercise of its reasonable business judgment.

To reach this determination, the Board considered its duties under the Investment Company Act of 1940, as amended (the "1940 Act"), as well as under the general principles of state law in reviewing and approving advisory contracts; the requirements of the 1940 Act in such matters; the fiduciary duty of investment advisors with respect to advisory agreements and compensation; the standards used by courts in determining whether investment company boards have fulfilled their duties; and the factors to be considered by the Board in voting on such agreements. At meetings held on April 20, 2015 and June 16, 2015, the Board, including the Independent Trustees, reviewed materials provided by the Advisor and the Sub-Advisor responding to requests for information from counsel to the Independent Trustees that, among other things, outlined the services provided by the Advisor and the Sub-Advisor (including the relevant personnel responsible for these services and their experience); the advisory and sub-advisory fees for the Fund as compared to fees charged to other clients of

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the Advisor and the Sub-Advisor and as compared to fees charged to a peer group of funds selected by Management Practice, Inc. ("MPI"), an independent source (the "MPI Peer Group"); expenses of the Fund as compared to expense ratios of the funds in the MPI Peer Group; performance information for the Fund; the nature of expenses incurred in providing services to the Fund and the potential for economies of scale, if any; financial data on the Advisor and the Sub-Advisor; any fall out benefits to the Advisor and the Sub-Advisor; and information on the Advisor's and the Sub-Advisor's compliance programs. The Board reviewed initial materials with the Advisor at a special meeting held on April 20, 2015, at which the Independent Trustees and their counsel met separately to discuss the information provided by the Advisor and the Sub-Advisor. Following the April meeting, independent legal counsel on behalf of the Independent Trustees requested certain clarifications and supplements to the materials provided, and those were considered at an executive session of the Independent Trustees and independent legal counsel held prior to the June 16, 2015 meeting, as well as at the meeting. The Board applied its business judgment to determine whether the arrangements between the Fund and the Advisor and among the Fund, the Advisor and the Sub-Advisor are reasonable business arrangements from the Fund's perspective as well as from the perspective of shareholders. The Board considered that shareholders chose to invest or remain invested in the Fund knowing that the Advisor and the Sub-Advisor manage the Fund.

In reviewing the Agreements, the Board considered the nature, extent and quality of services provided by the Advisor and the Sub-Advisor under the Agreements. With respect to the Advisory Agreement, the Board considered that the Advisor is responsible for the overall management and administration of the Fund and reviewed the services provided by the Advisor to the Fund, including the oversight of the Sub-Advisor. The Board noted the compliance program that had been developed by the Advisor and considered that it includes a robust program for monitoring the Sub-Advisor's compliance with the 1940 Act and the Fund's investment objectives and policies. The Board considered the significant asset growth of the First Trust Fund Complex and the Advisor's concomitant investment in infrastructure and personnel dedicated to the First Trust funds. With respect to the Sub-Advisory Agreement, the Board noted the background and experience of the Sub-Advisor's portfolio management team. The Board reviewed the materials provided by the Sub-Advisor and considered the services that the Sub-Advisor provides to the Fund, including the Sub-Advisor's day-to-day management of the Fund's investments. In light of the information presented and the considerations made, the Board concluded that the nature, extent and quality of services provided to the Fund by the Advisor and the Sub-Advisor under the Agreements have been and are expected to remain satisfactory and that the Sub-Advisor, under the oversight of the Advisor, has managed the Fund consistent with its investment objectives and policies.

The Board considered the advisory and sub-advisory fees paid under the Agreements. The Board considered the advisory fees charged by the Advisor to similar funds and other non-fund clients, noting that the Advisor does not provide advisory services to other funds with investment objectives and policies similar to the Fund's, but does provide services to certain separately managed accounts that may have investment objectives and policies similar to the Fund's. The Board noted that the Advisor charges a lower advisory fee rate to the separately managed accounts, as well as the Advisor's statement that the nature of the services provided to the separately managed accounts is not comparable to those provided to the Fund. The Board considered the sub-advisory fee and how it relates to the Fund's overall advisory fee structure and noted that the sub-advisory fee is paid by the Advisor from its advisory fee. The Board also considered information provided by the Sub-Advisor as to the fees it charges to other similar clients, noting that the sub-advisory fee rate is generally lower than the fee rate charged by the Sub-Advisor to other similar clients. In addition, the Board reviewed data prepared by MPI showing the advisory fee and expense ratio of the Fund as compared to the advisory fees and expense ratios of the MPI Peer Group. The Board

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ADDITIONAL INFORMATION (CONTINUED)

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
OCTOBER 31, 2015 (UNAUDITED)

discussed with representatives of the Advisor the limitations in creating a relevant peer group for the Fund, including that (i) the Fund is unique in its composition, which makes assembling peers with similar strategies and asset mix difficult; (ii) peer funds may use different amounts and types of leverage with different costs associated with them or may use no leverage, noting that the Fund uses non-traditional leverage by shorting bonds and reinvesting the proceeds; and (iii) most of the peer funds do not employ an advisor/sub-advisor management structure. The Board took these limitations into account in considering the peer data. In reviewing the peer data, the Board noted that the Fund's advisory fee, based on average net assets, was slightly above the median of the MPI Peer Group.

The Board also considered performance information for the Fund, noting that the performance information included the Fund's quarterly performance report, which is part of the process that the Board has established for monitoring the Fund's performance and portfolio risk on an ongoing basis. The Board determined that this process continues to be effective for reviewing the Fund's performance. In addition to the Board's ongoing review of performance, the Board also reviewed data prepared by MPI comparing the Fund's performance for periods ended December 31, 2014 to the performance of the MPI Peer Group and to a benchmark index. In reviewing the Fund's performance as compared to the performance of the MPI Peer Group, the Board took into account the limitations described above with respect to creating a relevant peer group for the Fund. The Board also considered data from MPI on the Fund's annual distribution rate as of December 31, 2014 as compared to the MPI Peer Group and the Fund's leverage costs versus the leverage costs of applicable funds in the MPI Peer Group. The Board considered information provided by the Advisor on the Fund's leverage as well, including that leverage was accretive to the Fund's total return in 2014. In addition, the Board compared the Fund's premium/discount over the past eight quarters to the average and median premium/discount over the same period of a peer group selected by the Advisor, as well as data on the average premium/discount for 2014 for the funds in the MPI Peer Group, and considered factors that may impact a fund's premium/discount.

On the basis of all the information provided on the fees, expenses and performance of the Fund, the Board concluded that the advisory and sub-advisory fees were reasonable and appropriate in light of the nature, extent and quality of services provided by the Advisor and the Sub-Advisor under the Agreements.

The Board noted that the Advisor has made and continues to make significant investments in personnel and infrastructure and considered whether fee levels reflect any economies of scale for the benefit of shareholders. The Board determined that due to the Fund's closed-end structure, the potential for realization of economies of scale as Fund assets grow was not a material factor to be considered. The Board also considered the costs of the services provided and profits realized by the Advisor from serving as investment advisor to the

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Fund for the twelve months ended December 31, 2014, as well as product-line profitability data for the same period, as set forth in the materials provided to the Board. The Board noted the inherent limitations in the profitability analysis, and concluded that the pre-tax profits estimated to have been realized by the Advisor in connection with the management of the Fund were not unreasonable. In addition, the Board considered fall-out benefits described by the Advisor that may be realized from its relationship with the Fund, including the Advisor's compensation for fund reporting services pursuant to a separate Fund Reporting Services Agreement.

The Board noted the Sub-Advisor's expenses in providing investment services to the Fund and considered the Sub-Advisor's statement that it will not experience significant economies of scale based on the current level of assets of the Fund and the level of other assets under the management of the portfolio management team. The Board considered that the sub advisory fee rate was negotiated at arm's length between the Advisor and the Sub-Advisor, an unaffiliated third party. The Board also considered data provided by the Sub-Advisor as to the profitability of the Sub-Advisory Agreement to the Sub-Advisor. The Board noted the inherent limitations in the profitability analysis and concluded that the profitability analysis for the Advisor was more relevant, although the estimated profitability of the Sub-Advisory Agreement appeared to be not unreasonable in light of the services provided to the Fund. The Board considered fall-out benefits that may be realized by the Sub-Advisor from its relationship with the Fund, noting that the Sub-Advisor did not identify any material fall-out benefits.

Based on all of the information considered and the conclusions reached, the Board, including the Independent Trustees, unanimously determined that the terms of the Agreements continue to be fair and reasonable and that the continuation of the Agreements is in the best interests of the Fund. No single factor was determinative in the Board's analysis.

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 BOARD OF TRUSTEES AND OFFICERS  
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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 OCTOBER 31, 2015 (UNAUDITED)

| NAME, ADDRESS,<br>DATE OF BIRTH AND<br>POSITION WITH THE FUND   | TERM OF OFFICE<br>AND LENGTH OF<br>SERVICE (2)     | PRINCIPAL OCCUPATIONS<br>DURING PAST 5 YEARS  |
|---|--|---|
| -----<br>INDEPENDENT TRUSTEES<br>-----  |  |   |
| Richard E. Erickson, Trustee<br>c/o First Trust Advisors L.P.<br>120 East Liberty Drive,<br>Suite 400 | o Three Year Term<br><br>o Since Fund<br>Inception | Physician; President, Wheaton Orthopedic<br>Limited Partner, Gundersen Real<br>Estate Limited Partnership; Member,<br>Sportsmed LLC |

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Wheaton, IL 60187  
D.O.B.: 04/51

Thomas R. Kadlec, Trustee  
c/o First Trust Advisors L.P.  
120 East Liberty Drive,  
Suite 400  
Wheaton, IL 60187  
D.O.B.: 11/57

- o Three Year Term
- o Since Fund Inception

President (March 2010 to Present), Senior Vice President and Chief Financial Officer (May 2007 to March 2010), ADM Investor Services, Inc. (Futures Commission Merchant)

Robert F. Keith, Trustee  
c/o First Trust Advisors L.P.  
120 East Liberty Drive,  
Suite 400  
Wheaton, IL 60187  
D.O.B.: 11/56

- o Three Year Term
- o Since Fund Inception

President (2003 to Present), Hibs Enterprises (Financial and Management Consulting)

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

- o Three Year Term
- o Since Fund Inception

Managing Director and Chief Operating Officer (January 2015 to Present), Pella Harapan Educational Foundation (Educational Products and Services); President and Chief Executive Officer (June 2012 to September 2014), Servant Interactive LLC (Educational Products and Services); President and Chief Executive Officer (June 2012 to September 2014), Learning LLC (Educational Products and Services); President (June 2002 to June 2012), Covenant College

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INTERESTED TRUSTEE

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

- o Three Year Term
- o Since Fund Inception

Chief Executive Officer (December 2010 to Present), President (until December 2010), First Trust Advisors L.P. and First Trust Portfolios L.P.; Chairman of the Board of Directors, BondWave LLC (Software Development Company/ Investment Advisor) and Stonebridge Advisors LLC (Investment Advisor)

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

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 BOARD OF TRUSTEES AND OFFICERS (CONTINUED)  
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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
 OCTOBER 31, 2015 (UNAUDITED)

| NAME, ADDRESS<br>AND DATE OF BIRTH  | POSITION AND OFFICES<br>WITH FUND                                     | TERM OF OFFICE AND<br>LENGTH OF SERVICE   | P   |
|---|---|---|---|
| -----<br>OFFICERS (3)<br>-----  |   |   |   |
| Mark R. Bradley<br>120 East Liberty Drive,<br>Suite 400<br>Wheaton, IL 60187<br>D.O.B.: 11/57     | President and Chief<br>Executive Officer                              | o Indefinite Term<br><br>o Since January 2012   | Chief Operating<br>and Chief Finan<br>L.P. and First<br>Financial Offic<br>Development Com<br>Stonebridge Adv |
| James M. Dykas<br>120 East Liberty Drive,<br>Suite 400<br>Wheaton, IL 60187<br>D.O.B.: 01/66      | Treasurer, Chief Financial<br>Officer and Chief<br>Accounting Officer | o Indefinite Term<br><br>o Since January 2012   | Controller (Jan<br>Senior Vice Pre<br>Present), First<br>and First Trust                                      |
| W. Scott Jardine<br>120 East Liberty Drive,<br>Suite 400<br>Wheaton, IL 60187<br>D.O.B.: 05/60    | Secretary and Chief<br>Legal Officer                                  | o Indefinite Term<br><br>o Since Fund Inception   | General Counsel<br>First Trust Por<br>General Counsel<br>Development Com<br>of Stonebridge                    |
| Daniel J. Lindquist<br>120 East Liberty Drive,<br>Suite 400<br>Wheaton, IL 60187<br>D.O.B.: 02/70 | Vice President  | o Indefinite Term<br><br>o Since Fund Inception   | Managing Direct<br>Senior Vice Pre<br>July 2012), Fir<br>First Trust Por                                      |
| Kristi A. Maher<br>120 East Liberty Drive,<br>Suite 400<br>Wheaton, IL 60187<br>D.O.B.: 12/66     | Chief Compliance Officer<br>and Assistant Secretary                   | o Indefinite Term<br><br>o Chief Compliance<br>Officer Since<br>January 2011<br><br>o Assistant Secretary<br>since Fund Inception | Deputy General<br>L.P. and First  |

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 (3) Officers of the Fund have an indefinite term. The term "officer" means the president, vice president, secretary, treasurer, controller or any other officer who performs a policy making function.

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PRIVACY POLICY

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FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)  
OCTOBER 31, 2015 (UNAUDITED)

PRIVACY POLICY

First Trust values our relationship with you and considers your privacy an important priority in maintaining that relationship.

We are committed to protecting the security and confidentiality of your personal information.

SOURCES OF INFORMATION

We collect nonpublic personal information about you from the following sources:

- o Information we receive from you and your broker-dealer, investment advisor or financial representative through interviews, applications, agreements or other forms;
- o Information about your transactions with us, our affiliates or others;
- o Information we receive from your inquiries by mail, e-mail or telephone; and
- o Information we collect on our website through the use of "cookies". For example, we may identify the pages on our website that your browser requests or visits.

INFORMATION COLLECTED

The type of data we collect may include your name, address, social security number, age, financial status, assets, income, tax information, retirement and estate plan information, transaction history, account balance, payment history, investment objectives, marital status, family relationships and other personal information.

DISCLOSURE OF INFORMATION

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. In addition to using this information to verify your identity (as required under law), the permitted uses may also include the disclosure of such information to unaffiliated companies for the following reasons:

- o In order to provide you with products and services and to effect transactions that you request or authorize, we may disclose your personal information as described above to unaffiliated financial service providers and other companies that perform administrative or other services on our behalf, such as transfer agents, custodians and trustees, or that assist us in the distribution of investor materials such as trustees, banks, financial representatives, proxy services, solicitors and printers.
- o We may release information we have about you if you direct us to do

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so, if we are compelled by law to do so, or in other legally limited circumstances (for example to protect your account from fraud).

In addition, in order to alert you to our other financial products and services, we may share your personal information within First Trust.

### PRIVACY ONLINE

We allow third-party companies, including AddThis (a social media sharing service), to collect certain anonymous information when you visit our website. These companies may use non-personally identifiable information during your visits to this and other websites in order to provide advertisements about goods and services likely to be of greater interest to you. These companies typically use a cookie, third party web beacon or pixel tags, to collect this information. To learn more about this behavioral advertising practice, you can visit [www.networkadvertising.org](http://www.networkadvertising.org).

### CONFIDENTIALITY AND SECURITY

With regard to our internal security procedures, First Trust restricts access to your nonpublic personal information to those First Trust employees who need to know that information to provide products or services to you. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

### POLICY UPDATES AND INQUIRIES

As required by federal law, we will notify you of our privacy policy annually. We reserve the right to modify this policy at any time, however, if we do change it, we will tell you promptly. For questions about our policy, or for additional copies of this notice, please go to [www.ftportfolios.com](http://www.ftportfolios.com), or contact us at 1-800-621-1675 (First Trust Portfolios) or 1-800-222-6822 (First Trust Advisors).

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FIRST TRUST

INVESTMENT ADVISOR



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First Trust Advisors L.P.  
120 E. Liberty Drive, Suite 400  
Wheaton, IL 60187

INVESTMENT SUB-ADVISOR  
MacKay Shields LLC  
1345 Avenue of the Americas  
43rd floor  
New York, NY 10105

ADMINISTRATOR,  
FUND ACCOUNTANT &  
TRANSFER AGENT  
BNY Mellon Investment Servicing (US) Inc.  
301 Bellevue Parkway  
Wilmington, DE 19809

CUSTODIAN  
The Bank of New York Mellon  
101 Barclay Street, 20th Floor  
New York, NY 10286

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM  
Deloitte & Touche LLP  
111 S. Wacker Drive  
Chicago, IL 60606

LEGAL COUNSEL  
Chapman and Cutler LLP  
111 W. Monroe Street  
Chicago, IL 60603

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### ITEM 2. CODE OF ETHICS.

- (a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
- (c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.
- (d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's

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principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

As of the end of the period covered by the report, the Registrant's board of trustees has determined that Thomas R. Kadlec and Robert F. Keith are qualified to serve as audit committee financial experts serving on its audit committee and that each of them is "independent," as defined by Item 3 of Form N-CSR.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) Audit Fees (Registrant) -- The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were \$52,000 for the fiscal year ended October 31, 2014 and \$52,000 for the fiscal year ended October 31, 2015.

(b) Audit-Related Fees (Registrant) -- The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item were \$0 for the fiscal year ended October 31, 2014 and \$0 for the fiscal year ended October 31, 2015.

Audit-Related Fees (Investment Adviser) -- The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item were \$0 for the fiscal year ended October 31, 2014 and \$0 for the fiscal year ended October 31, 2015.

(c) Tax Fees (Registrant) -- The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were \$5,200 for the fiscal year ended October 31, 2014 and \$5,200 for the fiscal year ended October 31, 2015. The fees for 2014 and 2015 were for tax return preparation.

Tax Fees (Investment Adviser) -- The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were \$0 for the fiscal year ended October 31, 2014 and \$0 for the fiscal year ended October 31, 2015.

(d) All Other Fees (Registrant) -- The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the Registrant, other than the services reported in paragraphs (a) through (c) of this Item were \$0 for the fiscal year ended October 31, 2014 and \$0 for the fiscal year ended October 31, 2015.

All Other Fees (Investment Adviser) -- The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the Registrant, other than the services reported in paragraphs (a)

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through (c) of this Item were \$0 for the fiscal year ended October 31, 2014 and \$0 for the fiscal year ended October 31, 2015.

(e) (1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c) (7) of Rule 2-01 of Regulation S-X.

Pursuant to its charter and its Audit and Non-Audit Services Pre-Approval Policy, the Audit Committee (the "Committee") is responsible for the pre-approval of all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the Registrant by its independent auditors. The Chairman of the Committee authorized to give such pre-approvals on behalf of the Committee up to \$25,000 and report any such pre-approval to the full Committee.

The Committee is also responsible for the pre-approval of the independent auditor's engagements for non-audit services with the Registrant's adviser (not including a sub-adviser whose role is primarily portfolio management and is sub-contracted or overseen by another investment adviser) and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the Registrant, if the engagement relates directly to the operations and financial reporting of the Registrant, subject to the de minimis exceptions for non-audit services described in Rule 2-01 of Regulation S-X. If the independent auditor has provided non-audit services to the Registrant's adviser (other than any sub-adviser whose role is primarily portfolio management and is sub-contracted with or overseen by another investment adviser) and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the Registrant that were not pre-approved pursuant to the de minimis exception, the Committee will consider whether the provision of such non-audit services is compatible with the auditor's independence.

(e) (2) The percentage of services described in each of paragraphs (b) through (d) for the Registrant and the Registrant's investment adviser of this Item that were approved by the audit committee pursuant to the pre-approval exceptions included in paragraph (c) (7) (i) (c) or paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X are as follows:

(b) 0%  
(c) 0%  
(d) 0%

(f) The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.

(g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for the Registrant's fiscal year ended October 31, 2014 were \$5,200 for the Registrant and \$43,500 for the Registrant's investment adviser and for the Registrant's fiscal year ended October 31, 2015 were \$5,200 for the Registrant and \$12,500 for the Registrant's investment adviser.

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(h) The Registrant's audit committee of its Board of Trustees has determined that the provision of non-audit services that were rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

- (a) The Registrant has a separately designated audit committee consisting of all the independent directors of the Registrant. The members of the audit committee are: Thomas R. Kadlec, Niel B. Nielson, Richard E. Erickson and Robert F. Keith.

### ITEM 6. INVESTMENTS.

- (a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.

- (b)
- (1) Arcelor Mittal
  - (2) None
  - (3) Cusip (03938LAS3)
  - (4) 3,655,000
  - (5) 5/14/15;5/18/15; 6/24/15;8/25/15; 8/26/15
  - (6) Arcelor Mittal-Cusip (03938LAX2) 2,648,000; and Cusip (03938LAP9) 8,362,000
  - (7) The Sudan Accountability and Divestment Act of 2007 (50 U.S.C. 1701)
- (1) Arcelor Mittal
- (2) None
  - (3) Cusip (03938LAP9)
  - (4) 2,000,000
  - (5) 7/16/15
  - (6) Arcelor Mittal-Cusip (03938LAX2) 2,648,000; and Cusip (03938LAP9) 8,362,000
  - (7) The Sudan Accountability and Divestment Act of 2007 (50 U.S.C. 1701)
- (1) Gazprom (GAZ Capital SA)
- (2) None
  - (3) ISIN (XS1038646078)
  - (4) 1,650,000
  - (5) 8/25/15
  - (6) None
  - (7) The Sudan Accountability and Divestment Act of 2007 (50 U.S.C. 1701)
- (1) Gazprom (GAZ Capital SA)
- (2) None
  - (3) Cusip (368266AA0)
  - (4) 1,500,000
  - (5) 8/26/15
  - (6) None

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(7) The Sudan Accountability and Divestment Act of  
2007 (50 U.S.C. 1701)

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Proxy Voting Policies are attached herewith.

### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

(a) (1) IDENTIFICATION OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS AND DESCRIPTION OF ROLE OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS.

INFORMATION PROVIDED AS OF DECEMBER 15, 2015

MacKay Shields LLC ("MacKay Shields" or the "Sub-Advisor") is a registered investment adviser founded in 1938, and serves as the sub-advisor to the Registrant. As of October 31, 2015, MacKay Shields had approximately \$91.8 billion in assets under management.

DAN ROBERTS, PHD, EXECUTIVE MANAGING DIRECTOR, CHIEF INVESTMENT OFFICER AND HEAD AND CHIEF INVESTMENT OFFICER OF GLOBAL FIXED INCOME DIVISION

Mr. Roberts has 39 years of investment experience. During Mr. Roberts' career, he has served as a Chief Investment Officer/Managing Director and head of several fixed-income groups. His regulatory and government experience includes two years at the U.S. Securities and Exchange Commission, serving at The White House with the President's Council of Economic Advisors and as Executive Director (Chief of Staff) of the U.S. Congress Joint Economic Committee. Mr. Roberts holds a BBA and a PhD from University of Iowa. In October 2004, Mr. Roberts joined MacKay Shields when the firm acquired the fixed income assets of Pareto Partners.

LOUIS N. COHEN, CFA, SENIOR MANAGING DIRECTOR, GLOBAL FIXED INCOME DIVISION

Mr. Cohen has 38 years of investment experience. During his career, Mr. Cohen has served as a Core/Core Plus Portfolio Manager and was Co-Chairman of a Credit Committee. He has extensive credit experience, beginning in a Commercial Banking Department. He began to specialize in fixed-income in 1981, and became a fixed-income credit manager at several major firms. With experience in the fixed-income markets since 1978, Mr. Cohen is a past President of the Capital Markets Credit Analyst Society and a member of the New York Society of Security Analysts. Mr. Cohen received his BA and MBA from New York University. He also holds the Chartered Financial Analyst designation. Mr. Cohen joined MacKay Shields in October 2004 when the firm acquired the fixed income assets of Pareto Partners.

MICHAEL KIMBLE, CFA, SENIOR MANAGING DIRECTOR, GLOBAL FIXED INCOME DIVISION

Mr. Kimble has 32 years of investment experience. During Mr. Kimble's career, he has served as a fixed-income credit analyst, a high-yield bond analyst and a portfolio manager. He has also been Co-Chairman of a Credit Committee. With fixed-income experience since 1984, Mr. Kimble is a member of the Capital Markets Credit Analyst Society, the New York Society of Security Analysts and the New York and Louisiana State Bar Associations. Mr. Kimble received a BA from Columbia University, an MBA from New York University and a JD from Fordham School of Law. He also holds the Chartered Financial Analyst designation. Mr.

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Kimble joined MacKay Shields in October 2004 when the firm acquired the fixed income assets of Pareto Partners.

### TAYLOR WAGENSEIL, SENIOR MANAGING DIRECTOR, GLOBAL FIXED INCOME DIVISION

Mr. Wagenseil has 37 years of investment experience. During his career, Mr. Wagenseil has served as a specialist in troubled loan workouts and recoveries. He headed a High Yield Commercial Paper Research department and has been a managing director of a Financial Restructuring Group. He was a Senior Portfolio Manager for High Yield and High Yield Arbitrage Portfolios. His public service and military experience includes the U.S. Navy (Lieutenant) during the Vietnam War and five years as the Commissioner, Department of Elderly Affairs for the City of Boston. Mr. Wagenseil received a BA from Dartmouth College and an MBA (finance) from the Harvard Business School. Mr. Wagenseil joined MacKay Shields in October 2004 after the firm acquired the fixed income assets of Pareto Partners.

MacKay Shields utilizes a team approach in all aspects of investment management and decision-making. No one portfolio manager is singularly responsible for any particular account. Investment decisions are carried across all portfolios with similar guidelines. While portfolio managers conduct their own industry-specific research, all information is continually shared with the other members of the investment team. Additionally, portfolio managers will cross-train to gain familiarity with other industries.

The portfolio managers within the Global Fixed Income Team generally come to a consensus on the appropriateness of a security for inclusion or removal from the portfolio. On the rare occasions this is not possible, Dan Roberts, as Head of the Team, is ultimately responsible and has final decision-making power.

### (a) (2) OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGERS OR MANAGEMENT TEAM MEMBER AND POTENTIAL CONFLICTS OF INTEREST

INFORMATION PROVIDED AS OF OCTOBER 31, 2015.

| Name of Portfolio<br>Manager or Team Member* | Type of Accounts*                    | Total # of<br>Accounts<br>Managed | Total Assets     | # of Accounts<br>Managed for<br>which Adviser<br>Fee is Based<br>on Performance |
|--|--------------------------------------|-----------------------------------|------------------|---|
| 1. Dan Roberts                               | Registered Investment<br>Companies:  | 11                                | \$7,004,000,000  | 0   |
|  | Other Pooled Investment<br>Vehicles: | 38                                | \$17,797,000,000 | 7   |
|  | Other Accounts:                      | 138                               | \$25,600,000,000 | 4   |
| 2. Louis Cohen                               | Registered Investment<br>Companies:  | 10                                | \$6,817,000,000  | 0   |
|  | Other Pooled Investment<br>Vehicles: | 38                                | \$17,797,000,000 | 7   |
|  | Other Accounts:                      | 138                               | \$25,600,000,000 | 4   |
| 3. Michael Kimble                            | Registered Investment                | 7                                 | \$4,998,000,000  | 0   |

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|    |                         |     |                  |   |
|----|-------------------------|-----|------------------|---|
|    | Companies:              |     |                  |   |
|    | Other Pooled Investment | 38  | \$17,797,000,000 | 7 |
|    | Vehicles:               |     |                  |   |
|    | Other Accounts:         | 138 | \$25,600,000,000 | 4 |
| 4. | Taylor Wagenseil        |     |                  |   |
|    | Registered Investment   | 7   | \$4,818,000,000  | 0 |
|    | Companies:              |     |                  |   |
|    | Other Pooled Investment | 38  | \$17,797,000,000 | 7 |
|    | Vehicles:               |     |                  |   |
|    | Other Accounts:         | 138 | \$25,600,000,000 | 4 |

- \* The Global Fixed Income Team utilizes a team approach in all aspects of investment management and decision-making. No one portfolio manager is singularly responsible for any particular account. Information provided are assets and number of accounts managed by the team.

### POTENTIAL CONFLICTS OF INTERESTS

Most of our clients pay us an investment advisory or management fee that is based on the amount of assets in the clients' accounts. These are commonly referred to as "asset-based fees". Some of our clients pay us fees calculated as a percentage of returns, or as a percentage of the increase in net asset value. These fees may be tied to a client-directed benchmark and may be subject to a loss carry forward. They are commonly referred to as "performance-based fees".

The Global Fixed Income team that manages the Fund provides portfolio management services for other MacKay Shields accounts, including: mutual funds; institutional managed accounts; private commingled funds; and hedge funds. Managing accounts that have a performance-based fee at the same time that we manage accounts that only have an asset-based fee is commonly referred to as "side-by-side management." Except for distinctions based on investment objectives, investment guidelines and cash flow, all accounts are treated the same, regardless of fee structure. This creates a conflict of interest by giving us an incentive to favor those accounts for which we receive a performance-based fee because we will receive a higher fee if their performance exceeds the applicable benchmark. Consistent with its policy not to favor any one client over another, MacKay Shields has the following procedures, among others: (1) trade allocation procedures that provide for the pro rata allocation of investment opportunities among clients in a particular strategy, with certain exceptions; (2) a general prohibition against same day opposite direction transactions; and (3) short sale trade procedures requiring pre-approval of short sales and restricting certain short sales.

The Trade Allocation Policy provides that: (1) no client will be favored over any other client; (2) trades should be pre-allocated, subject to certain exceptions, and allocations should be in writing; and (3) MacKay Shields' Legal/Compliance Department conducts periodic reviews of client account performance as a function of allocation to assure that no account or group of accounts is being preferred systematically in the allocation process. The policy contains a procedure for limited offerings, which provides that in a limited offering, the allocations may be pro-rata based on size of the order or account size and within a strategy pro-rata based on account size. Under this policy, when determining which accounts will participate in a trade, the portfolio managers will consider various objective criteria which may include but are not limited to: client cash limitations, actual and anticipated account inflows and outflows, duration and/or average maturity, account size, deal size, trade lots, existing exposure to an issuer or industry type, other concentration limits,

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specific investment objectives, borrowing capacity, and other practical limitations. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the target allocation. If the order is partially filled, it will be allocated pro rata based on the allocation methodology recorded in the trade order management system.

Our Valuation Procedures provide, among other requirements, that any fair valuation of a security recommended by a portfolio manager be approved by at least two disinterested portfolio managers from one or more other distinct portfolio management areas. In addition, on a monthly basis, a Fair Valuation Committee meeting convenes to review all securities that are being fair valued.

The Firm's cross trading policy provides that all cross trades must be pre-cleared by the Legal/Compliance Department and requires, among other things, that the transaction (i) be a purchase or sale for no consideration other than cash payments against prompt delivery of the security, (ii) be effected at the independent market price of the security determined in accordance with applicable methodology; and (iii) be effected with no brokerage transaction.

Special considerations pertain to situations where one investment strategy may conflict with another. It is the policy of MacKay that no one client be favored over another. For example, one strategy may focus on selling certain securities short, with the expectation of profit in the event that the prices for such securities decrease, while another strategy may involve acquiring securities "long". As stated above, it is the policy of MacKay that no one client be favored over another. To effect that policy in cases where investment strategies compete or conflict with each other, MacKay has adopted the following procedures:

- a) Each portfolio manager will determine, separately from any other managers the securities to purchase and sell on any given day with respect to the clients and strategies for which they are responsible.
- b) In the event that the same strategy purchases or sells the same security on the same trading day, all accounts participating in the transaction for that security shall be average-priced (same-day trades executed on behalf of different strategies may not be average-priced), provided, however, that short sales for a particular security shall not be average-priced with purchases of the same security.
- c) If a portfolio manager enters a buy or sell order for the same security for more than one client or strategy, and the orders are worked concurrently and not completely filled, each applicable client or strategy will be allotted securities pro-rata, in proportion to the amounts specified in the portfolio manager's orders as described above.

(a) (3) COMPENSATION STRUCTURE OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS  
INFORMATION PROVIDED AS OF OCTOBER 31, 2015.

Fixed compensation is primarily paid through a portfolio manager's annual salary, which is paid in monthly installments in arrears. Salaries are set by reference to a range of factors, taking account of seniority and responsibilities and the market rate of pay for the relevant position. Annual salaries are set at competitive levels to attract and maintain the best professional talent. Variable or incentive compensation, both cash bonus and deferred awards, are a significant component of total compensation for portfolio managers at MacKay Shields. Incentive compensation received by portfolio



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managers is based on both quantitative and qualitative factors. This approach instills a strong sense of commitment towards the overall success of the firm. Deferred awards are provided to attract, retain, motivate and reward key personnel. As such, MacKay Shields maintains a phantom equity plan and awards vest and pay out after several years. Thus, portfolio managers share in the results and success of the firm.

MacKay Shields has performance-based fee arrangements with "eligible clients" (as that term is defined under Rule 205-3 of the Advisers Act). In these cases a portion of these performance-based fees may be included in the incentive program described above.

MacKay Shields does not align the portfolio managers' compensation to the investment performance of specific Funds or of other accounts they manage. The compensation received by portfolio managers is based on both quantitative and qualitative factors. The quantitative factors may include: (i) investment performance; (ii) assets under their management; (iii) revenue and profitability; and (iv) industry benchmarks. The qualitative factors include, among others, leadership, adherence to the firm's policies and procedures, and contribution to the firm's goals and objectives. To the extent that an increase in the size of a Fund or another account managed by a portfolio manager results in an increase in profitability, the portfolio manager's compensation may also increase. There is no difference between the method used in determining portfolio managers' compensation with respect to a Fund and other accounts they manage. We do not believe the compensation structure provides an incentive for an employee who provides services to a Fund to take undue risks in managing the assets of the Fund.

Variable or incentive compensation, both cash bonus and deferred awards, are a significant component of total compensation for portfolio managers at MacKay Shields. Deferred awards are provided to attract, retain, motivate and reward key personnel. As such, MacKay Shields maintains a phantom equity plan. For those portfolio managers whose total compensation exceeds a pre-determined threshold, a portion of their total compensation is paid in plan awards which vest and pay out after several years. Thus, portfolio managers share in the business results and success of the firm. The portfolio managers involved in managing the Fund's investments participate in the phantom equity plan.

Receipt of an award from the phantom equity plan is conditioned upon execution of an Executive Employment Agreements with MacKay, which include provisions relating to fixed and variable compensation. The Executive Employment Agreements are renewable for one year terms and can be terminated on 60 days' prior written notice. There is also a provision for termination by MacKay for cause, as defined in the Agreements. The Agreements contain restrictions regarding non-solicitation of clients and non-hiring of employees following termination of the portfolio managers' employment. None of the portfolio managers is subject to a non-compete agreement that could potentially affect the portfolio manager's ability to manage the Fund.

### (a) (4) DISCLOSURE OF SECURITIES OWNERSHIP

INFORMATION PROVIDED AS OF OCTOBER 31, 2015.

| Name             | Dollar Range of Fund Shares<br>Beneficially Owned |
|------------------|---|
| Dan Roberts      | \$0   |
| Taylor Wagenseil | \$0   |
| Louis Cohen      | \$100,001-\$500,000                               |
| Michael Kimble   | \$0   |

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(b) Not applicable.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

#### REGISTRANT PURCHASES OF EQUITY SECURITIES

| PERIOD                                   | (a) TOTAL<br>NUMBER OF<br>SHARES<br>(OR UNITS)<br>PURCHASED | (b) AVERAGE<br>PRICE PAID<br>PER SHARE<br>(OR UNIT) | (c) TOTAL NUMBER OF<br>SHARES (OR UNITS)<br>PURCHASED AS PART OF<br>PUBLICLY ANNOUNCED<br>PLANS OR PROGRAMS | (d) MAXIMUM NUMBER (OR<br>APPROXIMATE DOLLAR VALUE<br>OF SHARES (OR UNITS) THAT<br>MAY YET BE PURCHASED UNDER<br>THE PLANS OR PROGRAMS |
|--|---|---|---|--|
| Month #1<br>(10/01/2015 -<br>10/31/2015) | 153,936   | \$14.765  | 153,936   | 1,802,808  |
| Total                                    | 153,936   | \$14.765  | 153,936   | 1,802,808  |

On September 15, 2015, the Registrant commenced a share repurchase program. The program will continue until the earlier of (i) the repurchase of 1,802,808 common shares, or (ii) six months from implementation of the registrant's share repurchase program. For the reporting period, the Registrant repurchased 153,936 of its shares at a weighted average discount of 14.45% from net asset value per share. The Registrant expects to continue to repurchase its outstanding shares until the earlier of (the repurchase of an additional 1,648,872 common shares (for an aggregate of 1,802,808), or (ii) March 15, 2016.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's board of directors, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

### ITEM 11. CONTROLS AND PROCEDURES.

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

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270.30a-3(d)) that occurred during the registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

- (a) (1) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (a) (2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a) (3) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes- Oxley Act of 2002 are attached hereto.

SIGNATURES

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

(registrant) First Trust High Income Long/Short Fund  
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By (Signature and Title)\* /s/ Mark R. Bradley  
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Mark R. Bradley, President and  
Chief Executive Officer  
(principal executive officer)

Date: December 22, 2015  
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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /s/ Mark R. Bradley  
-----  
Mark R. Bradley, President and  
Chief Executive Officer  
(principal executive officer)

Date: December 22, 2015  
-----

By (Signature and Title)\* /s/ James M. Dykas  
-----  
James M. Dykas, Treasurer,  
Chief Financial Officer and  
Chief Accounting Officer  
(principal financial officer)

Date: December 22, 2015

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