

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

FIRST TRUST HIGH INCOME LONG/SHORT FUND
Form N-CSRS
June 30, 2014

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

First Trust High Income Long/Short Fund

(Exact name of registrant as specified in charter)

120 East Liberty Drive, Suite 400
Wheaton, IL 60187

(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.

First Trust Portfolios L.P.
120 East Liberty Drive, Suite 400
Wheaton, IL 60187

(Name and address of agent for service)

registrant's telephone number, including area code: 630-765-8000

Date of fiscal year end: October 31

Date of reporting period: April 30, 2014

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.

ITEM 1. REPORTS TO STOCKHOLDERS.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

The Report to Shareholders is attached herewith.

FIRST TRUST

First Trust
High Income
Long/Short Fund
(FSD)

Semi-Annual Report
For the Six Months Ended
April 30, 2014

TABLE OF CONTENTS

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
SEMI-ANNUAL REPORT
APRIL 30, 2014

| | |
|--|----|
| Shareholder Letter..... | 1 |
| At a Glance..... | 2 |
| Portfolio Commentary..... | 3 |
| Portfolio of Investments..... | 5 |
| Statement of Assets and Liabilities..... | 17 |
| Statement of Operations..... | 18 |
| Statements of Changes in Net Assets..... | 19 |
| Statement of Cash Flows..... | 20 |
| Financial Highlights..... | 21 |
| Notes to Financial Statements..... | 22 |
| Additional Information..... | 29 |

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding the goals, beliefs, plans or current expectations of First Trust Advisors L.P. ("First Trust" or the "Advisor") and/or MacKay Shields LLC ("MacKay" or the "Sub-Advisor") and their respective representatives, taking into account the information currently available to them. Forward-looking statements include all statements that do not relate solely to current or historical fact. For example, forward-looking statements include the use of words such as "anticipate," "estimate," "intend," "expect," "believe," "plan," "may," "should," "would" or other words that convey uncertainty of future events or outcomes.

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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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's 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 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. 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 risks of investing in the Fund are spelled out in the prospectus, the statement of additional information, this report and other Fund regulatory filings.

SHAREHOLDER LETTER

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
SEMI-ANNUAL LETTER FROM THE CHAIRMAN AND CEO
APRIL 30, 2014

Dear Shareholders:

I am pleased to present you with the semi-annual report for your investment in First Trust High Income Long/Short Fund (the "Fund").

As a shareholder, twice a year you receive a detailed report about your investment, including portfolio commentary from the Fund's management team, a performance analysis and a market and Fund outlook. Additionally, First Trust Advisors L.P. ("First Trust") compiles the Fund's financial statements for you to review. These reports are intended to keep you up-to-date on your investment, and I encourage you to read this document and discuss it with your financial

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

advisor.

Despite some volatility, the six months covered by this report have been positive for the U.S. markets. In fact, the S&P 500(R) Index, as measured on a total return basis, rose 8.36% during the period. Of course, past performance can never be an indicator of future performance, but First Trust believes that staying invested in quality products through up and down markets and having a long-term horizon can help investors reach their financial goals.

First Trust continues to offer a variety of products that we believe could fit the financial plans for many investors seeking long-term investment success. Your financial advisor can tell you about the other investments First Trust offers that might fit your financial goals. We encourage you to discuss those goals with your financial advisor regularly so that he or she can help keep you on track and help you choose investments that match your goals.

First Trust will continue to make available up-to-date information about your investments so you and your financial advisor are current on any First Trust investments you own. We value our relationship with you, and thank you for the opportunity to assist you in achieving your 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.

Page 1

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
"AT A GLANCE"
APRIL 30, 2014 (UNAUDITED)

FUND STATISTICS

| | |
|---|---------------|
| Symbol on NYSE | FSD |
| Common Share Price | \$18.02 |
| Common Share Net Asset Value ("NAV") | \$19.96 |
| Premium (Discount) to NAV | (9.72)% |
| Net Assets Applicable to Common Shares | \$719,520,882 |
| Current Monthly Distribution per Common Share (1) | \$0.1100 |
| Current Annualized Distribution per Common Share | \$1.3200 |
| Current Distribution Rate on Closing Common Share Price (2) | 7.33% |
| Current Distribution Rate on NAV (2) | 6.61% |

COMMON SHARE PRICE & NAV (WEEKLY CLOSING PRICE)

| | | |
|------|--------------------|-------|
| | Common Share Price | NAV |
| 4/13 | 19.10 | 19.92 |
| | 19.16 | 19.95 |
| | 19.15 | 20.04 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | | |
|-------|-------|-------|
| | 19.00 | 20.00 |
| | 18.78 | 19.96 |
| 5/13 | 18.19 | 19.79 |
| | 17.94 | 19.52 |
| | 17.63 | 19.34 |
| 6/13 | 17.34 | 19.04 |
| | 17.56 | 19.04 |
| | 16.81 | 18.97 |
| | 17.28 | 19.20 |
| | 17.43 | 19.42 |
| 7/13 | 17.50 | 19.35 |
| | 17.77 | 19.23 |
| | 17.40 | 19.19 |
| | 16.95 | 19.10 |
| 8/13 | 17.17 | 19.02 |
| | 17.11 | 19.02 |
| | 16.96 | 18.96 |
| | 17.01 | 19.07 |
| | 17.77 | 19.29 |
| 9/13 | 17.76 | 19.20 |
| | 17.44 | 19.14 |
| | 17.45 | 19.20 |
| | 17.59 | 19.43 |
| 10/13 | 17.69 | 19.56 |
| | 17.58 | 19.52 |
| | 17.47 | 19.49 |
| | 17.44 | 19.53 |
| | 17.31 | 19.59 |
| 11/13 | 17.40 | 19.66 |
| | 17.09 | 19.55 |
| | 17.10 | 19.60 |
| | 17.07 | 19.66 |
| 12/13 | 17.36 | 19.58 |
| | 17.11 | 19.64 |
| | 17.45 | 19.78 |
| | 17.64 | 19.86 |
| | 17.79 | 19.74 |
| 1/14 | 17.54 | 19.71 |
| | 17.58 | 19.64 |
| | 17.80 | 19.75 |
| | 17.77 | 19.84 |
| 2/14 | 17.88 | 19.99 |
| | 17.63 | 19.85 |
| | 17.52 | 19.74 |
| | 17.51 | 19.85 |
| 3/14 | 17.61 | 19.93 |
| | 17.51 | 19.89 |
| | 17.65 | 19.84 |
| | 17.88 | 19.89 |
| | 17.93 | 19.92 |
| 4/14 | 18.02 | 19.96 |

PERFORMANCE

| | 6 Months Ended | 1 Year Ended | Average Annual |
|--|----------------|--------------|----------------|
| | 4/30/14 | 4/30/14 | Inception |
| | | | to 4 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

FUND PERFORMANCE (3)

| | | |
|--------------|-------|-------|
| NAV | 5.59% | 8.21% |
| Market Value | 6.21% | 1.89% |

INDEX PERFORMANCE

| | | |
|--|-------|-------|
| Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index | 4.76% | 6.29% |
|--|-------|-------|

| INDUSTRY CLASSIFICATION | % OF LONG-TERM INVESTMENTS |
|-------------------------------------|-------------------------------|
| Services | 15.8% |
| Banking | 11.9 |
| Energy | 11.3 |
| Basic Industry | 10.8 |
| Insurance | 8.9 |
| Healthcare | 6.4 |
| Financial Services | 6.3 |
| Capital Goods | 6.1 |
| Automotive | 6.0 |
| Telecommunications | 5.4 |
| Technology & Electronics | 4.0 |
| Media | 2.0 |
| Consumer Non-Cyclical | 1.9 |
| Utility | 1.4 |
| Asset-Backed Securities | 1.3 |
| Collateralized Mortgage Obligations | 0.5 |
| Real Estate | 0.0* |
| Total | 100.0% ===== |

| ASSET CLASSIFICATION | % OF LONG-TERM INVESTMENTS |
|-------------------------------------|-------------------------------|
| Corporate Bonds and Notes | 61.1% |
| Capital Preferred Securities | 17.7 |
| Foreign Corporate Bonds and Notes | 15.1 |
| Senior Floating-Rate Loan Interests | 1.8 |
| Common Stocks | 1.5 |
| Asset-Backed Securities | 1.3 |
| Foreign Sovereign Bonds and Notes | 0.7 |
| Mortgage-Backed Securities | 0.5 |
| Warrants | 0.3 |
| Total | 100.0% ===== |

| CREDIT QUALITY (4) | % OF LONG FIXED-INCOME INVESTMENTS |
|--------------------|--|
| BBB- and above | 19.4% |
| BB | 39.1 |
| B | 32.1 |
| CCC+ and below | 8.6 |
| NR | 0.8 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | |
|-------|--------------------------|
| Total | ----- 100.0% ===== |
|-------|--------------------------|

| COUNTRY EXPOSURE | % OF TOTAL INVESTMENTS |
|------------------|--------------------------|
| United States | 77.6% |
| Luxembourg | 5.1 |
| Netherlands | 3.7 |
| United Kingdom | 2.9 |
| Canada | 2.6 |
| Cayman Islands | 1.7 |
| Jersey | 1.1 |
| Ireland | 0.9 |
| Liberia | 0.7 |
| France | 0.7 |
| Germany | 0.6 |
| Finland | 0.5 |
| India | 0.4 |
| Georgia | 0.4 |
| Brazil | 0.4 |
| Bermuda | 0.4 |
| Portugal | 0.3 |
| Total | ----- 100.0% ===== |

* Amount is less than 0.1%.

- (1) Most recent distribution paid or declared through 4/30/2014. 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 4/30/2014. 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.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

PORTFOLIO COMMENTARY

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
SEMI-ANNUAL REPORT
APRIL 30, 2014

SUB-ADVISOR

MacKay Shields LLC ("MacKay Shields" or the "Sub-Advisor") is a registered investment adviser founded in 1938, and is Sub-Advisor to First Trust High Income Long/Short Fund (the "Fund"). The Fund trades under the ticker symbol FSD on the New York Stock Exchange. As of April 30, 2014, MacKay Shields had approximately \$85.4 billion in assets under management.

PORTFOLIO MANAGEMENT TEAM

Dan Roberts, PhD - Executive Managing Director, Head of Global Fixed Income Division and Chief Investment Officer
Louis N. Cohen, CFA - Senior Managing Director, Global Fixed Income Division
Michael Kimble, CFA - Senior Managing Director, Global Fixed Income Division
Taylor Wagenseil - Senior Managing Director, Global Fixed Income Division

COMMENTARY

FIRST TRUST HIGH INCOME LONG/SHORT FUND

The Fund's primary investment objective is to provide current income. As a secondary objective, the Fund seeks capital appreciation. The Fund is designed to give investors a portfolio for varying market cycles and economic conditions. In an expanding economy, the strategy of buying U.S. and foreign (including emerging markets) high-yield corporate securities that are rated below investment-grade is designed to generate monthly income and capital appreciation (total return over the long term). However, if the market takes a downturn, the "short" strategy of having sold borrowed securities that the Global Fixed Income Team ("Investment Team") of MacKay Shields believes could decline in price, may help lessen the impact of a significant net asset value decline.

MARKET RECAP

This report covers the First Trust High Income Long/Short Fund (the "Fund") for the six-month period ending April 30, 2014.

Over the recent half-year period, risk assets benefitted from the relatively stable macroeconomic environment and continued to deliver impressive results. U.S. equities, as measured by the S&P 500(R) Index, were the best performers, returning 8.36%. Although not as robust, U.S. high yield and international equities also posted noteworthy returns. The Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index gained 4.76% and the MSCI EAFE was up 4.67%. U.S. investment-grade corporate bonds rose 3.80%, according to Barclays. Alternatively, the 10-year Treasury returned only 0.88%, as published by BofA Merrill Lynch, while its yield increased 11 basis points.

Reflecting back at the start of the period in late 2013, much of the market's attention was focused on the Federal Reserve (the "Fed"). In December, the Fed gained confidence to announce a reduction in the pace of asset purchases beginning in January 2014 given the slow but steady improvements in the labor market and diminished downside risks posed by U.S. fiscal policy. In conjunction

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

with this announcement, the Fed strengthened its forward guidance on short-term rates and reiterated that it remains "data dependent" with future changes contingent upon the evolution of incoming macroeconomic data. At the start of the year, the new Fed Chair, Janet Yellen, replaced the former Fed Chair Ben Bernanke and we soon witnessed the first reaction to statements from the new head of the central bank. Short and intermediate U.S. Treasury rates bounced off their low yields in response to a particular exchange between Ms. Yellen and reporters during her first post-Federal Open Market Committee policy meeting in March. It was during that press conference that a reporter asked if Ms. Yellen could define the "considerable period" between the end of the asset tapering and the first Fed Funds rate hike, to which Yellen's response was "something on the order of six months, or that type of thing." The new Fed Chair went on to clarify that conditions in the labor market and inflation gauges would factor into the decision. The markets interpreted her statements as a shift in forward guidance, with speculation that the first rate hike could occur as early as April 2015. As a result, the stock markets retreated and U.S. Treasury rates quickly backed-up. Although knee-jerk reactions have become the norm for a market easily influenced by shifts in sentiment, we believe her comments were taken out of context. Although we felt that Ms. Yellen did not need to quantify the "considerable period" language, we felt her rhetoric was not a commitment to higher rates in 2015. Rather, we believe the Fed's stance on data dependency has not changed. Later in the month, Ms. Yellen softened her tone when she indicated that the central bank's stimulus would likely be required for some time.

Looking to what we consider to be the three primary centers of risk - the U.S., Europe and China - we continue to believe that "left-tail" risks (defined as the risk an investment will move more than two standard deviations from the median)

Page 3

PORTFOLIO COMMENTARY (CONTINUED)

in these regions have subsided. The U.S. economy's growth trajectory continued to show signs of improvements, although slowed in the recent months; much of this was attributed to temporary exogenous factors. We believe the longer-term trend for moderate-to-improving growth will resume over the coming quarters. Turning to Europe, there have been encouraging signs of a stronger recovery over the past couple of months, but deflationary risks and a strong Euro have raised concerns. European Central Bank ("ECB") President, Mario Draghi, has signaled that the central bank is ready to act by further easing monetary policy through lower rates and quantitative easing. Avoiding a deflationary threat is a priority for the ECB. In China, the world's second largest economy, growth slowed, slipping below the government's 7.5% target. The government has been looking to reign in excess credit, primarily in residential real estate development, but also in the shadow banking market. Ultimately, we see a floor to the slowdown given China's relatively closed financial system (combined with the government's aggressive pro-growth reform policies). A number of emerging economies are sensitive to economic activity in China, but we believe that linkage is probably weaker than is often perceived. In fact, our view is that the capital markets do not fully appreciate that a number of emerging market balance sheets are much stronger than they were in the late 1990s. In aggregate, overall debt levels are materially lower, foreign exchange reserves are higher, and most sovereign debt is denominated in local currency. Stated simply, we believe many of these countries are much less susceptible to capital outflows than was the case in prior crises.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

During the period, we also saw geopolitical risk escalate in Ukraine and Russia where political instability and war games created uncomfortable tensions between the East and West. Russia has succeeded in isolating itself from the international community, and sanctions on President Putin's inner circle are reportedly starting to have an impact on the business community. Although the U.S. capital markets discounted the likelihood that the situation would escalate, we believe it is very difficult to ascertain the outcome of a politically-motivated conflict.

PERFORMANCE SUMMARY

The Fund gained 6.21% on a share price basis and 5.59% on a net asset value ("NAV") basis¹ during this six-month period, outperforming the benchmark, the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index², which gained 4.76%. The top-performing industries in the high-yield market during the period included banking, insurance and utilities. The industries that did not perform as well included autos, consumer cyclicals and financials. New issue supply has been very strong with companies continuing to come to the market for financing needs. The relative stability of the U.S. market and low yields have provided an attractive backdrop for issuers, in our opinion.

We continue to maintain a portfolio beta slightly above the market, which benefitted the Fund during the period. The principal sectors we favor continue to include financials, gaming, homebuilders, building materials, and coal and steel companies. Based on overall contribution to the Fund's performance, the top performing names included U.S. and European financials, AIG, Deutsche Post Finance and Lloyds Bank. The laggards during the period included coal producer Alpha Natural Resources, automaker GM, and Ukraine Railways. With respect to the short positions, the Fund continued to sell short U.S. Treasury bonds and interest rate futures. Both positions are used 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. The short position in Treasury bonds and futures slightly detracted from performance. This was more than offset, however, as the additional high-yield long positions rallied in the positive high yield market environment. It is important to note that leverage can magnify both the portfolio's gains as well as its losses.

OUTLOOK

We expect that a modest acceleration of U.S. economic activity will eventually, and gradually, propel rates higher. This has been our base case outlook since 2009. If the economy demonstrates stronger growth than we currently anticipate, we would expect some flattening of the yield curve. Thus, we expect the high-yield market to generate coupon-like returns over the next twelve months as spread compression is, to some extent, offset by this modest increase in interest rates. Accordingly, we intend, at least for the time being, to maintain a credit risk profile approximately in line with that of the market, while maintaining a lower exposure to changes in interest rates.

1 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 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.

2 The Bank of America Merrill Lynch U.S. High Yield Master II Constrained

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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.

Page 4

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS
 APRIL 30, 2014 (UNAUDITED)

| PRINCIPAL VALUE | DESCRIPTION | STATED COUPON | STA MATU |
|-----------------------------------|--|------------------|-------------|
| ----- | | | |
| CORPORATE BONDS AND NOTES - 75.1% | | | |
| | | | |
| AUTOMOTIVE - 4.2% | | | |
| \$ 334,000 | Chrysler Group LLC/Chrysler Group Co-Issuer, Inc..... | 8.00% | 06/1 |
| 4,367,000 | Chrysler Group LLC/Chrysler Group Co-Issuer, Inc. (a)..... | 8.25% | 06/1 |
| 2,376,000 | Ford Motor Co. (a)..... | 9.22% | 09/1 |
| 553,000 | Ford Motor Co. (a)..... | 8.90% | 01/1 |
| 2,000,000 | Ford Motor Co. (a)..... | 7.75% | 06/1 |
| 2,480,000 | Ford Motor Co. (a)..... | 9.98% | 02/1 |
| 1,400,000 | Goodyear Tire & Rubber (The) Co..... | 6.50% | 03/0 |
| 5,396,000 | Goodyear Tire & Rubber (The) Co. (a)..... | 7.00% | 05/1 |
| 21,432 | Motors Liquidation Co. GUC Trust (Transferable) (b)..... | N/A | N/ |
| 4,872,000 | Navistar International Corp. (a)..... | 8.25% | 11/0 |
| 1,272,000 | Tomkins LLC/Tomkins, Inc..... | 9.00% | 10/0 |
| | | | |
| BANKING - 1.5% | | | |
| 740,000 | Ally Financial, Inc. (a)..... | 8.00% | 11/0 |
| 2,285,000 | Ally Financial, Inc. (a)..... | 8.00% | 11/0 |
| 5,610,000 | Bank of America Corp..... | 7.63% | 06/0 |
| | | | |
| BASIC INDUSTRY - 8.9% | | | |
| 4,500,000 | AK Steel Corp. (a)..... | 8.38% | 04/0 |
| 3,095,000 | Aleris International, Inc. (a)..... | 7.63% | 02/1 |
| 2,160,000 | Aleris International, Inc. (a)..... | 7.88% | 11/0 |
| 3,450,000 | Alpha Natural Resources, Inc. (a)..... | 6.00% | 06/0 |
| 1,255,000 | Arch Coal, Inc..... | 7.00% | 06/1 |
| 1,428,000 | Arch Coal, Inc..... | 7.25% | 10/0 |
| 1,125,000 | Arch Coal, Inc..... | 7.25% | 06/1 |
| 4,405,000 | Associated Materials LLC/AMH New Finance, Inc. (a)..... | 9.13% | 11/0 |
| 1,500,000 | Axalta Coating Systems US Holdings, Inc./Axalta Coating Systems Dutch Holding B B.V. (c)..... | 7.38% | 05/0 |
| 4,000,000 | Cemex Finance LLC (c)..... | 6.00% | 04/0 |
| 6,500,000 | Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC (a)..... | 8.88% | 02/0 |
| 8,655,000 | Huntsman International LLC (a)..... | 8.63% | 03/1 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | | | |
|-----------|---|--------|------|
| 1,950,000 | Momentive Performance Materials, Inc. (a)..... | 10.00% | 10/1 |
| 2,800,000 | Polypore International, Inc..... | 7.50% | 11/1 |
| 5,150,000 | Texas Industries, Inc. (a)..... | 9.25% | 08/1 |
| 4,000,000 | United States Steel Corp. (a)..... | 7.38% | 04/0 |
| 1,878,000 | USG Corp. (c)..... | 8.38% | 10/1 |
| 4,000,000 | USG Corp. (c)..... | 5.88% | 11/0 |
| | | | |
| | CAPITAL GOODS - 5.6% | | |
| 2,000,000 | Ducommun, Inc. (a)..... | 9.75% | 07/1 |
| 5,000,000 | Manitowoc Co., Inc. (a)..... | 8.50% | 11/0 |
| 2,871,000 | Mcron Finance Sub LLC/ Mcron Finance Corp. (c)..... | 8.38% | 05/1 |
| 2,945,000 | Milacron LLC/Mcron Finance Corp. (c)..... | 7.75% | 02/1 |
| 2,565,000 | Mueller Water Products, Inc. (a)..... | 7.38% | 06/0 |
| 7,500,000 | Reynolds Group Issuer, Inc. (a)..... | 8.50% | 05/1 |

See Notes to Financial Statements

Page 5

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 APRIL 30, 2014 (UNAUDITED)

| PRINCIPAL VALUE | DESCRIPTION | STATED COUPON | STA MATU |
|---------------------------------------|---|------------------|-------------|
| CORPORATE BONDS AND NOTES (Continued) | | | |
| CAPITAL GOODS (Continued) | | | |
| \$ 2,085,000 | Reynolds Group Issuer, Inc. (a)..... | 9.88% | 08/1 |
| 4,050,000 | Terex Corp. (a)..... | 6.00% | 05/1 |
| 4,000,000 | Transdigm, Inc. (a)..... | 7.75% | 12/1 |
| 4,650,000 | Triumph Group, Inc. (a)..... | 8.63% | 07/1 |
| | | | |
| | CONSUMER NON-CYCLICAL - 0.3% | | |
| 2,240,000 | Smithfield Foods, Inc. (a)..... | 6.63% | 08/1 |
| | | | |
| | ENERGY - 10.9% | | |
| 1,150,000 | Atlas Pipeline Partners L.P./Atlas Pipeline Finance Corp..... | 4.75% | 11/1 |
| 2,535,000 | Atlas Pipeline Partners L.P./Atlas Pipeline Finance Corp..... | 5.88% | 08/0 |
| 1,280,000 | Basic Energy Services, Inc..... | 7.75% | 02/1 |
| 3,540,000 | Basic Energy Services, Inc. (a)..... | 7.75% | 10/1 |
| 3,974,000 | Berry Petroleum Co. (a)..... | 6.75% | 11/0 |
| 600,000 | Chesapeake Energy Corp. (a)..... | 7.25% | 12/1 |
| 1,970,000 | Chesapeake Energy Corp. (a)..... | 6.63% | 08/1 |
| 6,600,000 | Chesapeake Energy Corp. (a)..... | 5.38% | 06/1 |
| 600,000 | Chesapeake Energy Corp..... | 4.88% | 04/1 |
| 4,135,000 | EP Energy LLC/EP Energy Finance, Inc. (a)..... | 9.38% | 05/0 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | | | |
|-----------|--|--------|------|
| 3,000,000 | Ferrellgas L.P./Ferrellgas Finance Corp. (a) | 6.50% | 05/0 |
| 800,000 | Frontier Oil Corp. (a) | 6.88% | 11/1 |
| 1,000,000 | Hornbeck Offshore Services, Inc. | 5.88% | 04/0 |
| 3,960,000 | Hornbeck Offshore Services, Inc. (a) | 5.00% | 03/0 |
| 5,510,000 | Kinder Morgan, Inc. (c) | 5.00% | 02/1 |
| 2,636,000 | Linn Energy LLC/Linn Energy Finance Corp. (c) | 7.25% | 11/0 |
| 4,240,000 | Linn Energy LLC/Linn Energy Finance Corp. | 8.63% | 04/1 |
| 3,535,000 | PHI, Inc. (c) | 5.25% | 03/1 |
| 5,900,000 | Plains Exploration & Production Co. (a) | 6.50% | 11/1 |
| 3,998,000 | Samson Investment Co. (c) | 10.75% | 02/1 |
| 3,695,000 | Swift Energy Co. | 8.88% | 01/1 |
| 3,425,000 | Targa Resources Partners L.P./Targa Resources Partners Finance Corp. (a) | 7.88% | 10/1 |
| 5,800,000 | Whiting Petroleum Corp. (a) | 5.75% | 03/1 |
| | FINANCIAL SERVICES - 5.3% | | |
| 8,000,000 | CIT Group, Inc. (a) | 4.25% | 08/1 |
| 4,845,000 | CIT Group, Inc. (a) | 3.88% | 02/1 |
| 6,155,000 | Icahn Enterprises L.P./Icahn Enterprises Finance Corp. (a) (c) | 6.00% | 08/0 |
| 1,190,000 | Icahn Enterprises L.P./Icahn Enterprises Finance Corp. (c) | 5.88% | 02/0 |
| 8,000,000 | SLM Corp. (a) | 8.00% | 03/2 |
| 2,395,000 | Springleaf Finance Corp. (a) | 6.00% | 06/0 |
| 4,555,000 | Springleaf Finance Corp. (a) | 7.75% | 10/0 |

Page 6

See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 APRIL 30, 2014 (UNAUDITED)

| PRINCIPAL VALUE | DESCRIPTION | STATED COUPON | STA MATU |
|---------------------------------------|--|------------------|-------------|
| CORPORATE BONDS AND NOTES (Continued) | | | |
| | HEALTHCARE - 7.0% | | |
| \$ 5,074,000 | Alere, Inc. | 7.25% | 07/0 |
| 665,000 | Alere, Inc. | 6.50% | 06/1 |
| 2,725,000 | CHS/Community Health Systems, Inc. (c) | 5.13% | 08/0 |
| 5,360,000 | CHS/Community Health Systems, Inc. (c) | 6.88% | 02/0 |
| 2,500,000 | Davita Healthcare Partners, Inc. | 5.75% | 08/1 |
| 5,600,000 | HCA Holdings, Inc. | 7.75% | 05/1 |
| 17,125,000 | HCA, Inc. | 5.00% | 03/1 |
| 3,150,000 | Kinetic Concepts, Inc./KCI USA, Inc. | 10.50% | 11/0 |
| 4,185,000 | MPH Acquisition Holdings LLC (c) | 6.63% | 04/0 |
| 1,735,000 | Tenet Healthcare Corp. (a) | 8.13% | 04/0 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | | | | |
|------------------|---|--------|------|--|
| MEDIA - 2.5% | | | | |
| 3,895,000 | CCO Holdings LLC/CCO Holdings Capital Corp. (a)..... | 5.75% | 01/1 | |
| 559,000 | Clear Channel Communications, Inc. (a)..... | 5.50% | 12/1 | |
| 9,285,000 | Clear Channel Communications, Inc. (a)..... | 9.00% | 03/0 | |
| 456,000 | Clear Channel Worldwide Holdings, Inc..... | 7.63% | 03/1 | |
| 3,058,000 | Clear Channel Worldwide Holdings, Inc. (a)..... | 7.63% | 03/1 | |
| 135,000 | Clear Channel Worldwide Holdings, Inc..... | 6.50% | 11/1 | |
| | | | | |
| SERVICES - 16.9% | | | | |
| 1,095,000 | Ashtead Capital, Inc. (c)..... | 6.50% | 07/1 | |
| 838,000 | Avis Budget Car Rental LLC/Avis Budget Finance, Inc..... | 8.25% | 01/1 | |
| 4,915,000 | Avis Budget Car Rental LLC/Avis Budget Finance, Inc..... | 5.50% | 04/0 | |
| 6,500,000 | Beazer Homes USA, Inc. (a)..... | 8.13% | 06/1 | |
| 849,000 | Caesars Entertainment Operating Co., Inc..... | 9.00% | 02/1 | |
| 11,093,000 | Caesars Entertainment Operating Co., Inc..... | 9.00% | 02/1 | |
| 2,600,000 | Caesars Entertainment Resort Properties, LLC (c)..... | 8.00% | 10/0 | |
| 4,325,226 | Continental Airlines 2003-ERJ1 Pass Through Trust..... | 7.88% | 07/0 | |
| 2,239,145 | Continental Airlines 2005-ERJ1 Pass Through Trust..... | 9.80% | 04/0 | |
| 1,527,402 | Delta Air Lines 2009-1 Series B Pass Through Trust..... | 9.75% | 12/1 | |
| 8,000,000 | Hertz (The) Corp..... | 7.50% | 10/1 | |
| 4,125,000 | Iron Mountain, Inc. (a)..... | 8.38% | 08/1 | |
| 3,500,000 | Isle of Capri Casinos, Inc. (a)..... | 7.75% | 03/1 | |
| 913,000 | K Hovnanian Enterprises, Inc. (c)..... | 7.00% | 01/1 | |
| 4,160,000 | K Hovnanian Enterprises, Inc. (c)..... | 7.25% | 10/1 | |
| 3,479,000 | KB Home..... | 7.50% | 09/1 | |
| 9,175,000 | MGM Resorts International..... | 6.75% | 10/0 | |
| 2,380,000 | Mohegan Tribal Gaming Authority..... | 9.75% | 09/0 | |
| 2,315,550 | Northwest Airlines 2001-1 Class B Pass Through Trust..... | 7.69% | 04/0 | |
| 4,127,000 | Pinnacle Entertainment, Inc..... | 7.75% | 04/0 | |
| 1,780,000 | Pulte Group, Inc. (a)..... | 7.63% | 10/1 | |
| 4,570,000 | Pulte Group, Inc. (a)..... | 7.88% | 06/1 | |
| 3,319,000 | Shea Homes L.P./Shea Homes Funding Corp..... | 8.63% | 05/1 | |
| 5,500,000 | Standard Pacific Corp. (a)..... | 8.38% | 05/1 | |
| 2,243,906 | UAL 2009-2B Pass Through Trust (c)..... | 12.00% | 01/1 | |
| 375,000 | United Rentals North America, Inc..... | 7.38% | 05/1 | |
| 5,619,000 | United Rentals North America, Inc. (a)..... | 8.38% | 09/1 | |

See Notes to Financial Statements

Page 7

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 APRIL 30, 2014 (UNAUDITED)

| PRINCIPAL VALUE | DESCRIPTION | STATED COUPON | STA MATU |
|---------------------------------------|-------------|------------------|-------------|
| CORPORATE BONDS AND NOTES (Continued) | | | |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| SERVICES (Continued) | | | | |
|--------------------------------------|-----------|--|--------|------|
| \$ | 367,000 | United Rentals North America, Inc..... | 7.63% | 04/1 |
| | 3,097,000 | United Rentals North America, Inc..... | 6.13% | 06/1 |
| | 6,453,460 | US Airways 2000-3C Pass Through Trust..... | 8.39% | 03/0 |
| | 2,000,000 | US Airways Group, Inc..... | 6.13% | 06/0 |
| | | | | |
| TECHNOLOGY & ELECTRONICS - 5.0% | | | | |
| | 4,199,000 | CommScope, Inc. (c)..... | 8.25% | 01/1 |
| | 9,050,000 | First Data Corp. (c)..... | 8.88% | 08/1 |
| | 4,175,000 | First Data Corp..... | 10.63% | 06/1 |
| | 2,950,000 | Freescale Semiconductor, Inc. (c)..... | 5.00% | 05/1 |
| | 6,000,000 | NCR Corp. (c)..... | 6.38% | 12/1 |
| | 6,460,000 | Sungard Data Systems, Inc..... | 6.63% | 11/0 |
| | | | | |
| TELECOMMUNICATIONS - 5.3% | | | | |
| | 2,500,000 | Frontier Communications Corp. (a)..... | 9.00% | 08/1 |
| | 2,411,000 | Hughes Satellite Systems Corp. (a)..... | 7.63% | 06/1 |
| | 3,500,000 | MetroPCS Wireless, Inc. (a)..... | 7.88% | 09/0 |
| | 7,660,000 | Sprint Capital Corp. (a)..... | 8.75% | 03/1 |
| | 2,600,000 | Sprint Communications, Inc. (a)..... | 9.13% | 03/0 |
| | 6,000,000 | Sprint Communications, Inc. (a)..... | 9.25% | 04/1 |
| | 1,240,000 | Sprint Communications, Inc. (a)..... | 6.00% | 11/1 |
| | 1,700,000 | T-Mobile USA, Inc. (a)..... | 6.54% | 04/2 |
| | 2,750,000 | T-Mobile USA, Inc. (a)..... | 6.13% | 01/1 |
| | 2,428,000 | ViaSat, Inc..... | 6.88% | 06/1 |
| | 1,500,000 | Windstream Corp..... | 6.38% | 08/0 |
| | | | | |
| UTILITY - 1.7% | | | | |
| | 5,986,000 | Calpine Corp. (c)..... | 7.88% | 07/3 |
| | 5,000,000 | NRG Energy, Inc. (a)..... | 8.25% | 09/0 |
| | | | | |
| TOTAL CORPORATE BONDS AND NOTES..... | | | | |
| (Cost \$509,431,343) | | | | |

| PAR AMOUNT (LOCAL CURRENCY) | DESCRIPTION | STATED RATE | STA MATU |
|--------------------------------------|---|----------------|-------------|
| CAPITAL PREFERRED SECURITIES - 22.1% | | | |
| BANKING - 9.6% | | | |
| 6,500,000 | ABN AMRO Bank N.V. (EUR) (d)..... | 4.31% | (|
| 2,975,000 | Ageas Hybrid Financing S.A. (EUR) (d)..... | 5.13% | (|
| 1,400,000 | Barclays Bank PLC (EUR) (d)..... | 4.75% | (|
| 5,500,000 | Citigroup, Inc. (USD) (d)..... | 6.30% | (|
| 6,750,000 | Deutsche Postbank Funding Trust IV (EUR) (d)..... | 5.98% | (|

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

Page 8

See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 APRIL 30, 2014 (UNAUDITED)

| PAR AMOUNT (LOCAL CURRENCY) | DESCRIPTION | STATED RATE | STA MATU |
|--|--|----------------|-------------|
| CAPITAL PREFERRED SECURITIES (Continued) | | | |
| BANKING (Continued) | | | |
| 3,250,000 | Dresdner Funding Trust I (USD) (c)..... | 8.15% | 06/3 |
| 5,325,000 | HBOS Capital Funding L.P. (GBP) (d)..... | 6.46% | (e) |
| 3,890,000 | ICICI Bank Ltd. (USD) (d)..... | 6.38% | 04/3 |
| 3,250,000 | Mellon Capital III (GBP) (d)..... | 6.37% | 09/0 |
| 2,100,000 | Mizuho Capital Investment USD 2, Ltd. (USD) (a) (c) (d)..... | 14.95% | (e) |
| 3,000,000 | National Westminster Bank PLC (GBP) (d)..... | 5.98% | (e) |
| 2,250,000 | UT2 Funding PLC (EUR)..... | 5.32% | 06/3 |
| 4,095,000 | Wells Fargo & Co. (USD) (d)..... | 5.90% | (e) |
| CAPITAL GOODS - 0.1% | | | |
| 700,000 | Textron Financial Corp. (USD) (c) (d)..... | 6.00% | 02/1 |
| FINANCIAL SERVICES - 2.2% | | | |
| 10,500,000 | GE Capital Trust IV (EUR) (d)..... | 4.63% | 09/1 |
| 410,000 | General Electric Capital Corp. (EUR) (d)..... | 5.50% | 09/1 |
| INSURANCE - 10.2% | | | |
| 2,450,000 | American International Group, Inc. (EUR) (d)..... | 8.00% | 05/2 |
| 3,050,000 | American International Group, Inc. (GBP) (d)..... | 8.63% | 05/2 |
| 1,800,000 | American International Group, Inc. (EUR) (d)..... | 4.88% | 03/1 |
| 10,950,000 | American International Group, Inc. (GBP) (d)..... | 5.75% | 03/1 |
| 5,000,000 | Chubb Corp. (USD) (a) (d)..... | 6.38% | 03/2 |
| 3,500,000 | CNP Assurances (EUR) (d)..... | 5.25% | (e) |
| 11,000,000 | Glen Meadow Pass Through Trust (USD) (c) (d)..... | 6.51% | 02/1 |
| 5,000,000 | ING Groep N.V. (GBP) (d)..... | 5.14% | (e) |
| 6,500,000 | Liberty Mutual Group, Inc. (USD) (c) (d)..... | 7.00% | 03/1 |
| 3,500,000 | Lincoln National Corp. (USD) (a) (d)..... | 7.00% | 05/1 |
| 1,800,000 | Lincoln National Corp. (USD) (a) (d)..... | 6.05% | 04/2 |
| TOTAL CAPITAL PREFERRED SECURITIES..... | | | |
| (Cost \$132,190,244) | | | |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| PRINCIPAL VALUE (LOCAL CURRENCY) | DESCRIPTION | STATED COUPON | STA MATU |
|---|--|------------------|-------------|
| FOREIGN CORPORATE BONDS AND NOTES - 19.8% | | | |
| | AUTOMOTIVE - 0.6% | | |
| 4,120,000 | Schaeffler Finance B.V. (USD) (c)..... | 4.75% | 05/1 |
| | BANKING - 3.3% | | |
| 3,500,000 | Banco do Brasil S.A. (USD) (c)..... | 5.88% | 01/1 |
| 2,200,000 | Barclays Bank PLC (GBP)..... | 10.00% | 05/2 |

See Notes to Financial Statements

Page 9

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
PORTFOLIO OF INVESTMENTS (CONTINUED)
APRIL 30, 2014 (UNAUDITED)

| PRINCIPAL VALUE (LOCAL CURRENCY) | DESCRIPTION | STATED COUPON | STA MATU |
|---|---|------------------|-------------|
| FOREIGN CORPORATE BONDS AND NOTES (Continued) | | | |
| | BANKING (Continued) | | |
| 2,000,000 | Belfius Funding N.V. (GBP) (f)..... | 1.23% | 02/0 |
| 4,350,000 | Industrial Senior Trust (USD) (c)..... | 5.50% | 11/0 |
| 3,000,000 | Royal Bank of Scotland N.V. (EUR) (f)..... | 4.70% | 06/1 |
| 3,700,000 | Sberbank of Russia via SB Capital S.A. (USD)..... | 5.13% | 10/2 |
| | BASIC INDUSTRY - 4.6% | | |
| 3,868,000 | Aperam (USD) (c)..... | 7.38% | 04/0 |
| 2,648,000 | Arcelormittal (USD) (a)..... | 6.75% | 02/2 |
| 3,592,000 | Arcelormittal (USD) (a)..... | 7.50% | 10/1 |
| 185,000 | Arcelormittal (USD)..... | 7.25% | 03/0 |
| 6,450,000 | Novelis, Inc. (USD) (a)..... | 8.75% | 12/1 |
| 3,700,000 | Severstal OAO Via Steel Capital S.A. (USD) (c)..... | 5.90% | 10/1 |
| 4,200,000 | Stora Enso Oyj (USD) (c)..... | 7.25% | 04/1 |
| 6,785,000 | Vedanta Resources PLC (USD) (c)..... | 8.25% | 06/0 |
| | CAPITAL GOODS - 1.8% | | |
| 3,000,000 | Albea Beauty Holdings S.A. (USD) (c)..... | 8.38% | 11/0 |
| 3,000,000 | Ardagh Packaging Finance (EUR)..... | 9.25% | 10/1 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | | | |
|-----------|--|--------|------|
| 2,480,000 | Bombardier, Inc. (USD) (c)..... | 6.00% | 10/1 |
| 2,775,000 | Bombardier, Inc. (USD) (c)..... | 6.13% | 01/1 |
| | CONSUMER NON-CYCLICAL - 2.1% | | |
| 6,000,000 | JBS Finance II Ltd. (USD) (c)..... | 8.25% | 01/2 |
| 5,900,000 | Minerva Luxembourg S.A. (USD) (c)..... | 7.75% | 01/3 |
| 3,000,000 | Virgolino de Oliveira Finance Ltd. (USD) (c)..... | 11.75% | 02/0 |
| | ENERGY - 1.8% | | |
| 1,500,000 | CGG S.A. (USD)..... | 6.50% | 06/0 |
| 7,056,000 | CHC Helicopter S.A. (USD)..... | 9.25% | 10/1 |
| 1,700,000 | Precision Drilling Corp. (USD)..... | 6.63% | 11/1 |
| 1,750,000 | Precision Drilling Corp. (USD)..... | 6.50% | 12/1 |
| | HEALTHCARE - 1.0% | | |
| 6,550,000 | Valeant Pharmaceuticals International, Inc. (USD) (c)..... | 7.50% | 07/1 |
| | INSURANCE - 0.8% | | |
| 1,650,000 | Aviva PLC (EUR) (d)..... | 6.88% | 05/2 |
| 3,500,000 | Oil Insurance Ltd. (USD) (c) (f)..... | 3.22% | (e) |

Page 10

See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 APRIL 30, 2014 (UNAUDITED)

| PRINCIPAL VALUE (LOCAL CURRENCY) | DESCRIPTION | STATED COUPON | STA MATU |
|---|---|------------------|-------------|
| ----- | | | |
| FOREIGN CORPORATE BONDS AND NOTES (Continued) | | | |
| | SERVICES - 2.3% | | |
| 5,250,000 | Hapag-Lloyd AG (USD) (c)..... | 9.75% | 10/1 |
| 5,755,000 | Royal Caribbean Cruises Ltd. (USD) (a)..... | 7.50% | 10/1 |
| 5,930,000 | Ukraine Railways Via Shortline PLC (USD) (c)..... | 9.50% | 05/2 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | | | |
|-----------|--|--------|------|
| | TELECOMMUNICATIONS - 1.5% | | |
| 5,859,000 | Intelsat Luxembourg S.A. (USD)..... | 7.75% | 06/0 |
| 1,055,000 | Intelsat Luxembourg S.A. (USD)..... | 8.13% | 06/0 |
| 2,408,000 | Unify Germany Holdings B.V. (EUR)..... | 10.75% | 11/1 |

TOTAL FOREIGN CORPORATE BONDS AND NOTES.....
(Cost \$134,962,694)

| PRINCIPAL VALUE | DESCRIPTION | RATE (g) | STA MATURI |
|--|--|----------|---------------|
| SENIOR FLOATING-RATE LOAN INTERESTS - 2.1% | | | |
| | AUTOMOTIVE - 0.8% | | |
| \$ 4,450,264 | Allison Transmission, Inc. Term Loan B3..... | 3.75% | 08/2 |
| 1,743,750 | Navistar, Inc. Term Loan B..... | 5.75% | 08/1 |
| | ENERGY - 0.8% | | |
| 5,850,218 | Meg Energy Term Loan..... | 3.75% | 03/3 |
| | REAL ESTATE - 0.1% | | |
| 392,690 | Realogy Synthetic Letter of Credit..... | 4.45% | 10/1 |
| | SERVICES - 0.4% | | |
| 3,000,000 | US Airway Group Term Loan..... | 3.50% | 05/2 |
| | TOTAL SENIOR FLOATING-RATE LOAN INTERESTS..... | | |
| | (Cost \$15,402,375) | | |

| PRINCIPAL VALUE | DESCRIPTION | STATED COUPON | STA MATU |
|--------------------------------|--|------------------|-------------|
| ASSET-BACKED SECURITIES - 1.6% | | | |
| 3,055,292 | Ace Securities Corp. Home Equity Loan Trust Series 2007-HE2, Class A2A (f)..... | 0.27% | 12/2 |
| 1,843,245 | Carrington Mortgage Loan Trust Series 2006-NC4, Class A5 (f)..... | 0.21% | 10/2 |
| 1,105,812 | HSI Asset Securitization Corp. Trust Series 2007-NC1, Class A1 (f)..... | 0.25% | 04/2 |
| 2,060,160 | Keycorp Student Loan Trust Series 2000-A, Class A2 (f)..... | 0.55% | 05/2 |

See Notes to Financial Statements

Page 11

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
PORTFOLIO OF INVESTMENTS (CONTINUED)

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

APRIL 30, 2014 (UNAUDITED)

| PRINCIPAL VALUE | DESCRIPTION | STATED COUPON | STA MATU |
|-------------------------------------|---|------------------|-------------|
| ASSET-BACKED SECURITIES (Continued) | | | |
| \$ 724,566 | Morgan Stanley ABS Capital I, Inc. Trust Series 2006-HE6, Class A2B (f)..... | 0.25% | 09/2 |
| 9,422,784 | Securitized Asset Backed Receivables LLC Trust Series 2006-FR4, Class A2A (f)..... | 0.23% | 08/2 |
| 997,323 | Soundview Home Loan Trust Series 2006-EQ2, Class A2 (f)..... | 0.26% | 01/2 |
| | TOTAL ASSET-BACKED SECURITIES..... | | |
| | (Cost \$13,630,996) | | |

MORTGAGE-BACKED SECURITIES - 0.7%

| | | | |
|-----------|---|-------|------|
| | Collateralized Mortgage Obligations - 0.7% | | |
| 1,134,117 | Morgan Stanley Mortgage Loan Trust Series 2007-6XS, Class 2A1S (f)..... | 0.26% | 02/2 |
| 1,647,608 | Specialty Underwriting & Residential Finance Trust Series 2006-BC4, Class A2B (f)..... | 0.26% | 09/2 |
| 3,179,346 | Wells Fargo Mortgage Backed Securities Trust Series 2006-AR7 Trust, Class 2A4 (f)..... | 2.61% | 05/2 |
| | TOTAL MORTGAGE-BACKED SECURITIES..... | | |
| | (Cost \$5,134,285) | | |

| PRINCIPAL VALUE (LOCAL CURRENCY) | DESCRIPTION | STATED COUPON | STA MATU |
|---|--|------------------|-------------|
| FOREIGN SOVEREIGN BONDS AND NOTES - 0.9% | | | |
| | Energy - 0.5% | | |
| 3,750,000 | Georgian Oil and Gas Corp. JSC (USD) (c)..... | 6.88% | 05/1 |
| | Financial Services - 0.4% | | |
| 1,750,000 | Portugal Obrigacoes do Tesouro OT (EUR) (c)..... | 4.95% | 10/2 |
| | TOTAL FOREIGN SOVEREIGN BONDS AND NOTES..... | | |
| | (Cost \$5,760,359) | | |

| SHARES | DESCRIPTION |
|----------------------|-------------------------|
| COMMON STOCKS - 1.9% | |
| | Automotive - 1.4% |
| 448,000 | Ford Motor Co. |
| 84,412 | General Motors Co. |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | |
|--------|--------------------------|
| | Banking - 0.5% |
| 75,700 | Citigroup, Inc. |
| | TOTAL COMMON STOCKS..... |
| | (Cost \$13,968,453) |

Page 12

See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 APRIL 30, 2014 (UNAUDITED)

| SHARES | DESCRIPTION |
|-----------------|--|
| ----- | |
| WARRANTS - 0.4% | |
| | AUTOMOTIVE - 0.4% |
| 81,728 | General Motors Co., expiring 07/10/16 (i)..... |
| 46,655 | General Motors Co., expiring 07/10/19 (i)..... |
| | TOTAL WARRANTS |
| | (Cost \$3,294,518) |

SHORT-TERM INVESTMENTS - 0.2%

| | |
|-----------|--|
| 1,641,546 | Dreyfus Government Cash Management - Institutional Shares..... |
| | TOTAL SHORT-TERM INVESTMENTS..... |
| | (Cost \$1,641,546) |
| | TOTAL INVESTMENTS - 124.8%..... |
| | (Cost \$835,416,813) (j) |

| PRINCIPAL VALUE | DESCRIPTION | STATED COUPON | STA MATU |
|--|---|------------------|-------------|
| ----- | | | |
| U.S. GOVERNMENT BONDS SOLD SHORT - (20.3%) | | | |
| \$ (119,200,000) | United States Treasury Note..... | 0.88% | 02/2 |
| (27,500,000) | United States Treasury Note..... | 2.00% | 02/1 |
| | TOTAL U.S. GOVERNMENT BONDS SOLD SHORT..... | | |
| | (Proceeds \$147,297,957) | | |

CORPORATE BONDS SOLD SHORT - (0.8%)

| | |
|-------------|---------------------------------------|
| | Consumer Cyclical - (0.8%) |
| (5,350,000) | Acco Brands Corp..... |
| | TOTAL CORPORATE BONDS SOLD SHORT..... |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

(Proceeds \$5,438,750)

TOTAL INVESTMENTS SOLD SHORT - (21.1%).....
 (Proceeds \$152,736,707)
 BORROWINGS - (5.0%).....
 NET OTHER ASSETS AND LIABILITIES - 1.3%.....
 NET ASSETS - 100.0%.....

-
- (a) This security or a portion of this security is segregated as collateral for investments sold short.
 - (b) 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.
 - (c) 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, as amended, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. Pursuant to procedures adopted by the Fund's Board of Trustees, this security has been determined to be liquid by MacKay Shields LLC, the Fund's sub-advisor. Although market instability can result in periods of increased overall

See Notes to Financial Statements

Page 13

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 APRIL 30, 2014 (UNAUDITED)

market illiquidity, liquidity for each security is determined based on security specific factors and assumptions, which require subjective judgment. At April 30, 2014, securities noted as such amounted to \$203,765,936, or 28.32% of net assets.

- (d) Fixed-to-floating or fixed-to-variable rate security. The interest rate shown reflects the fixed rate in effect at April 30, 2014. At a predetermined date, the fixed rate will change to a floating rate or a variable rate.
- (e) Perpetual maturity.
- (f) Floating rate security. The interest rate shown reflects the rate in effect at April 30, 2014.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

- (g) Senior Floating-Rate Loan Interests ("Senior Loans") in which the Fund invests pay interest at rates which are periodically predetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the lending rate offered by one or more major European banks, such as the 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 April 30, 2014. When a range of rates is disclosed, the Fund holds more than one contract within the same tranche at varying rates.
- (h) Senior Loans generally are subject to mandatory and/or optional prepayment. As a result, the actual remaining maturity of Senior Loans may be substantially less than the stated maturities shown.
- (i) Non-income producing security.
- (j) Aggregate cost for financial reporting purposes, which approximates the aggregate cost for federal income tax purposes. As of April 30, 2014, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$72,547,593 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$10,171,357.

Currency Abbreviations:

EUR Euro
 GBP British Pound Sterling
 USD United States Dollar

Page 14

See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 APRIL 30, 2014 (UNAUDITED)

 VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of April 30, 2014 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

| INVESTMENTS | ASSETS TABLE | | |
|----------------------------|--------------------------------|-----------------------------|--|
| ----- | TOTAL VALUE AT 4/30/2014 | LEVEL 1 QUOTED PRICES | LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS |
| ----- | ----- | ----- | ----- |
| Corporate Bonds and Notes: | | | |
| Automotive..... | \$ 29,921,880 | \$ 590,452 | \$ 29,331,428 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | | | |
|---|----------------|---------------|----------------|
| Other Industry Categories *..... | 510,479,957 | -- | 510,479,957 |
| Capital Preferred Securities*..... | 158,735,456 | -- | 158,735,456 |
| Foreign Corporate Bonds and Notes*..... | 142,325,517 | -- | 142,325,517 |
| Senior Floating-Rate Loan Interests*..... | 15,428,207 | -- | 15,428,207 |
| Asset-Backed Securities..... | 11,219,994 | -- | 11,219,994 |
| Mortgage-Backed Securities..... | 4,827,643 | -- | 4,827,643 |
| Foreign Sovereign Bonds and Notes*..... | 6,621,869 | -- | 6,621,869 |
| Common Stocks*..... | 13,772,513 | 13,772,513 | -- |
| Warrants*..... | 2,818,467 | 2,818,467 | -- |
| Short-Term Investments..... | 1,641,546 | 1,641,546 | -- |
| | ----- | ----- | ----- |
| Total Investments..... | \$ 897,793,049 | \$ 18,822,978 | \$ 878,970,071 |
| | ===== | ===== | ===== |
| Other Financial Instruments: | | | |
| Forward Foreign Currency Contracts**..... | 107,194 | -- | 107,194 |
| | ----- | ----- | ----- |
| Total..... | \$ 897,900,243 | \$ 18,822,978 | \$ 879,077,265 |
| | ===== | ===== | ===== |

LIABILITIES TABLE

| | TOTAL VALUE AT 4/30/2014 | LEVEL 1 QUOTED PRICES | LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS |
|---|--------------------------------|-----------------------------|--|
| | ----- | ----- | ----- |
| U.S. Government Bonds Sold Short..... | \$ (146,194,094) | \$ -- | \$ (146,194,094) |
| Corporate Bonds Sold Short..... | (5,590,750) | -- | (5,590,750) |
| Forward Foreign Currency Contracts**..... | (3,711,275) | -- | (3,711,275) |
| Futures Contracts..... | (11,454) | (11,454) | -- |
| | ----- | ----- | ----- |
| Total..... | \$ (155,507,573) | \$ (11,454) | \$ (155,496,119) |
| | ===== | ===== | ===== |

* See the Portfolio of Investments for industry breakout.

** See the Schedule of Forward Foreign Currency Contracts for contract and currency detail.

See Notes to Financial Statements

Page 15

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
PORTFOLIO OF INVESTMENTS (CONTINUED)
APRIL 30, 2014 (UNAUDITED)

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 April 30, 2014.

OPEN FUTURES CONTRACTS AT APRIL 30, 2014 (see Note 2F - Futures Contracts in the Notes to Financial Statements):

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| SHORT FUTURES CONTRACTS | NUMBER OF CONTRACTS | EXPIRATION MONTH | NOTIONAL VALUE |
|----------------------------|---------------------|------------------|----------------|
| U.S. Treasury 2-Year Notes | 180 | June-2014 | \$ 39,566,046 |

SCHEDULE OF 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 APRIL 30, 2014 | SALE VALUE AS OF APRIL 30, 2014 | UNREALIZED APPRECIATION (DEPRECIATION) | | | |
| 05/07/14 | JPM | EUR 55,854,000 | USD 77,424,395 | \$ 77,487,697 | \$ 77,424,395 | \$ | | | |
| 05/07/14 | JPM | GBP 36,546,000 | USD 61,656,757 | 61,700,649 | 61,656,757 | | | | |
| 07/17/14 | JPM | USD 75,349,997 | EUR 54,369,000 | 75,349,997 | 75,415,675 | | | | |
| 05/07/14 | JPM | USD 75,924,576 | EUR 55,854,000 | 75,924,576 | 77,487,697 | | | (1) | |
| 07/17/14 | JPM | USD 62,543,452 | GBP 37,094,000 | 62,543,452 | 62,590,279 | | | | |
| 05/07/14 | JPM | USD 59,665,000 | GBP 36,546,000 | 59,665,000 | 61,700,649 | | | (2) | |
| Net Unrealized Appreciation (Depreciation)..... | | | | | | | \$ | (3) | ==== |

+ See Portfolio of Investments for currency descriptions.

Counterparty Abbreviations:
JPM JPMorgan Chase

Page 16 See Notes to Financial Statements

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
STATEMENT OF ASSETS AND LIABILITIES
APRIL 30, 2014 (UNAUDITED)

ASSETS:

| | |
|--|--|
| Investments, at value | |
| (Cost \$835,416,813)..... | |
| Foreign currency (Cost \$192,830)..... | |
| Unrealized appreciation on forward foreign currency contracts..... | |
| Restricted cash..... | |
| Receivables: | |
| Interest..... | |
| Dividends..... | |
| Prepaid expenses..... | |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | |
|---|--|
| Total Assets..... | |
| LIABILITIES: | |
| Investments sold short, at value (proceeds \$152,736,707)..... | |
| Borrowings..... | |
| Unrealized depreciation on forward foreign currency contracts..... | |
| Payables: | |
| Due to custodian..... | |
| Investment advisory fees..... | |
| Investment securities purchased..... | |
| Interest on investments sold short..... | |
| Administrative fees..... | |
| Audit and tax fees..... | |
| Legal fees..... | |
| Variation margin..... | |
| Printing fees..... | |
| Custodian fees..... | |
| Trustees' fees and expenses..... | |
| Transfer agent fees..... | |
| 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, foreign currency transactions, futures and investments sold short..... | |
| Net unrealized appreciation (depreciation) on investments, forward foreign currency 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)..... | |

See Notes to Financial Statements

Page 17

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED APRIL 30, 2014 (UNAUDITED)

INVESTMENT INCOME:

| | |
|----------------|--|
| Interest..... | |
| Dividends..... | |
| Other..... | |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | |
|--|--|
| 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..... | |
| Legal fees..... | |
| Trustees' fees and expenses..... | |
| Transfer agent 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..... | |
| Foreign currency transactions..... | |
| Futures..... | |
| Net realized gain (loss)..... | |
| Net change in unrealized appreciation (depreciation) on: | |
| Investments..... | |
| Forward foreign currency 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..... | |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

OPERATIONS:

| | |
|--|-------------|
| Net investment income (loss)..... | \$ 23,585,5 |
| Net realized gain (loss)..... | 768,0 |
| Net change in unrealized appreciation (depreciation)..... | 11,355,5 |
| Net increase (decrease) in net assets resulting from operations..... | 35,709,1 |

DISTRIBUTIONS TO SHAREHOLDERS FROM:

| | |
|----------------------------|-----------|
| Net investment income..... | (23,995,3 |
| Return of capital..... | |

| | |
|--|-----------|
| Total distributions to shareholders..... | (23,995,3 |
|--|-----------|

| | |
|--|----------|
| Total increase (decrease) in net assets..... | 11,713,7 |
|--|----------|

NET ASSETS:

| | |
|--------------------------|--------------|
| Beginning of period..... | 707,807,0 |
| End of period..... | \$ 719,520,8 |

| | |
|--|------------|
| Accumulated net investment income (loss) at end of period..... | \$ 2,462,7 |
|--|------------|

CAPITAL TRANSACTIONS WERE AS FOLLOWS:

| | |
|---|----------|
| Common Shares at beginning of period..... | 36,056,1 |
|---|----------|

| | |
|-------------------------------------|----------|
| Common Shares at end of period..... | 36,056,1 |
|-------------------------------------|----------|

See Notes to Financial Statements

Page 19

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED APRIL 30, 2014 (UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|-------------|
| Net increase (decrease) in net assets resulting from operations..... | \$ 35,709,1 |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities: | |
| Purchases of investments..... | (194,410,2 |
| Borrowed investments sold short..... | 5,438,7 |
| Sales, maturities and paydowns of investments..... | 179,235,7 |
| Net amortization/accretion of premiums/discounts on investments..... | (243,8 |
| Net realized gain/loss on investments..... | (4,190,1 |
| Net change in unrealized appreciation/depreciation on forward foreign currency contracts..... | 1,324,1 |
| Net change in unrealized appreciation/depreciation on investments sold short..... | (373,8 |
| Net change in unrealized appreciation/depreciation on investments..... | (12,126,8 |

CHANGES IN ASSETS AND LIABILITIES:

| | |
|---|-------|
| Increase in restricted cash receivable..... | (10,8 |
| Decrease in interest receivable..... | 523,4 |
| Increase in dividends receivable..... | (10,4 |
| Increase in prepaid expenses..... | (12,4 |
| Decrease in interest payable on investments sold short..... | (4,5 |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | |
|--|-----------|
| Decrease in investment advisory fees payable..... | (1,8 |
| Decrease in audit and tax fees payable..... | (25,3 |
| Decrease in legal fees payable..... | (7,3 |
| Decrease in printing fees payable..... | (25,4 |
| Decrease in administrative fees payable..... | (6,2 |
| Increase in custodian fees payable..... | 1,204,9 |
| Increase in transfer agent fees payable..... | 1,7 |
| Increase in Trustees' fees and expenses payable..... | 1,9 |
| Increase in variation margin fees payable..... | 11,2 |
| Increase in other liabilities payable..... | 9 |
| <hr/> | |
| CASH PROVIDED BY OPERATING ACTIVITIES..... | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Distributions to Common Shareholders from net investment income..... | (23,995,3 |
| Net proceeds from borrowing..... | 11,866,3 |
| <hr/> | |
| CASH USED IN FINANCING ACTIVITIES..... | |
| Decrease in cash (a)..... | |
| Cash at beginning of period..... | |
| CASH 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 \$31,049.

Page 20

See Notes to Financial Statements

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

| | SIX MONTHS ENDED 4/30/2014 (UNAUDITED) | YEAR ENDED 10/31/2013 | YEAR ENDED 10/31/2012 |
|--|---|-----------------------------|-----------------------------|
| | ----- | ----- | ----- |
| Net asset value, beginning of period..... | \$ 19.63 | \$ 19.05 | \$ 17.82 |
| INCOME FROM INVESTMENT OPERATIONS: | | | |
| Net investment income (loss)..... | 0.66 | 1.35 | 1.41 |
| Net realized and unrealized gain (loss)..... | 0.34 | 0.64 | 1.42 |
| | ----- | ----- | ----- |
| Total from investment operations..... | 1.00 | 1.99 | 2.83 |
| | ----- | ----- | ----- |

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| | | | |
|--|------------|------------|------------|
| Common Shares offering costs charged to paid-in capital..... | -- | -- | -- |
| ----- | | | |
| DISTRIBUTIONS PAID TO SHAREHOLDERS FROM: | | | |
| Net investment income..... | (0.67) | (1.33) | (1.44) |
| Net realized gain..... | -- | -- | (0.16) |
| Return of capital..... | -- | (0.08) | -- |
| ----- | | | |
| Total from distributions to Common Shareholders..... | (0.67) | (1.41) | (1.60) |
| ----- | | | |
| Capital charge resulting from issuance of Common Shares related to over allotment | -- | -- | -- |
| ----- | | | |
| Net asset value, end of period..... | \$ 19.96 | \$ 19.63 | \$ 19.05 |
| ===== | | | |
| Market value, end of period..... | \$ 18.02 | \$ 17.62 | \$ 18.78 |
| ===== | | | |
| TOTAL RETURN BASED ON NET ASSET VALUE (c) | 5.59% | 11.32% | 17.09% |
| ===== | | | |
| TOTAL RETURN BASED ON MARKET VALUE (c)..... | 6.21% | 1.36% | 23.69% |
| ===== | | | |
| RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA: | | | |
| Net assets, end of period (in 000's)..... | \$ 719,521 | \$ 707,807 | \$ 686,715 |
| Ratio of net expenses to average net assets ... | 1.70% (d) | 1.72% | 1.88% |
| Ratio of net expenses to average net assets ... excluding interest expense..... | 1.26% (d) | 1.49% | 1.32% |
| Ratio of net investment income (loss) to average net assets..... | 6.69% (d) | 6.93% | 7.83% |
| Portfolio turnover rate..... | 11% | 28% | 24% |

-
- (a) Initial seed date was August 20, 2010. The Fund commenced operations on September 27, 2010.
- (b) Beginning net asset value is net of sales load of \$0.90 per share from the initial offering.
- (c) 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.
- (d) Annualized.

See Notes to Financial Statements

Page 21

NOTES TO FINANCIAL STATEMENTS

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
APRIL 30, 2014 (UNAUDITED)

1. ORGANIZATION

First Trust High Income Long/Short Fund (the "Fund") is a diversified, closed-end management investment company organized as a Massachusetts business trust on June 18, 2010, and is registered with the Securities and Exchange Commission 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") (1), payment-in-kind securities, zero-coupon bonds, bank certificates of deposit, fixed time deposits, bankers' acceptances and derivative instruments that provide the same or similar economic impact as a physical investment in the above securities. Below-investment grade fixed-income securities are commonly referred to as "high-yield" or "junk" bonds and are considered speculative with respect to the issuer's capacity to pay interest and repay principal. As part of its investment strategy, the Fund intends to maintain both long and short positions in securities under normal market conditions. The Fund will take long positions in securities that MacKay Shields LLC ("MacKay" or the "Sub-Advisor") believes offer the potential for attractive returns and that it considers in the aggregate to have the potential to outperform the Fund's benchmark, the Bank of America Merrill Lynch U.S. High Yield Master II 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 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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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 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 in accordance with valuation procedures adopted by the Fund's Board of Trustees and in accordance with provisions of the 1940 Act. Market quotations and prices used to value the Fund's investments are primarily obtained from third party pricing services. The Fund's investments will be 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;
- 3) broker/dealer quotes;
- 4) issuer spreads;
- 5) benchmark securities;
- 6) bids and offers; and
- 7) reference data including market research publications.

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

Page 22

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD) APRIL 30, 2014 (UNAUDITED)

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.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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

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

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 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 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.

Debt securities having a remaining maturity of sixty days or less when purchased are valued at cost adjusted for amortization of premiums and accretion of discounts.

Certain securities may not be able to be priced by pre-established pricing methods. Such securities may be valued by the Board of Trustees or its delegate 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 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 reasonably expect to receive for the security upon its current sale. The use of fair value prices by the Fund generally results in prices used by the Fund that may differ from current market quotations or official closing prices on the applicable exchange. 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 issuer;
- 5) the credit quality and cash flow of the 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 issuer, including any ability to obtain money or resources from a parent or affiliate and an assessment of the issuer's management;
- 11) the prospects for the issuer's industry, and multiples (of earnings and/or cash flows) being paid for similar businesses in that industry; and
- 12) other relevant factors.

Page 23

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
APRIL 30, 2014 (UNAUDITED)

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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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 methodology 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 April 30, 2014, 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. Interest income is recorded daily on the accrual basis. Amortization of premiums and accretion of discounts are recorded using the effective interest method.

C. UNFUNDED LOAN COMMITMENTS:

The Fund may enter into certain loan commitments, 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 unfunded delayed draw loan commitments as of April 30, 2014.

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 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 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 Schedule of Forward Foreign Currency Contracts.

During the six months ended April 30, 2014, the amount of notional values of forward foreign currency contracts opened and closed were \$983,448,331 and \$(704,134,787), respectively.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial purchase settle date and subsequent sale trade date is included in "Net realized gain (loss) on investments" on the Statement of Operations.

Page 24

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
APRIL 30, 2014 (UNAUDITED)

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.

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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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.

During the six months ended April 30, 2014, the amount of notional values of futures contracts opened and closed were \$79,202,608 and \$(79,120,781), respectively.

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 a short sale is engaged in, the security sold short must be borrowed and delivered 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 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. 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 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 securities on margin. At April 30, 2014, the Fund owed Pershing \$35,907,818 for securities purchased on margin (reflected as "Borrowings" in the Statement of Assets and Liabilities). The Fund pays interest on any margin balance, which is calculated as the daily margin account balance times the broker's margin interest rate. Interest is charged on payable debit margin balances at a rate equal to the Federal Funds rate plus 75 basis points and charged on payable credit margin balances at a rate equal to the Federal Funds rate less 40 basis points. At April 30, 2014, the Fund had a debit margin balance with an interest rate of 0.83%. For the six months ended April 30, 2014, margin interest expense was \$704,238, as shown on the Statement of Operations. For the six months ended April 30, 2014, the average margin balance and interest rate were \$171,255,750 and 0.83%, respectively.

H. 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.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

Distributions from income and capital gains are determined in accordance with income tax regulations, which may differ from U.S. GAAP. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These permanent differences are primarily due to the varying treatment of income and gain/loss on portfolio

Page 25

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
APRIL 30, 2014 (UNAUDITED)

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. The character of distributions for tax reporting purposes will depend on the Fund's investment experience during the remainder of its fiscal year.

The tax character of distributions paid during the fiscal year ended October 31, 2013 was as follows:

Distributions paid from:

| | |
|------------------------|---------------|
| Ordinary income..... | \$ 47,827,919 |
| Capital gain..... | -- |
| Return of capital..... | 2,794,928 |

As of October 31, 2013, the distributable earnings and net assets on a tax basis were as

follows:

| | |
|---|---------------|
| Undistributed ordinary income..... | \$ -- |
| Undistributed capital gains..... | -- |
| | ----- |
| Total undistributed earnings..... | -- |
| Accumulated capital and other losses..... | (28,624,092) |
| Net unrealized appreciation (depreciation)..... | 51,498,720 |
| | ----- |
| Total accumulated earnings (losses)..... | 22,874,628 |
| Other..... | -- |
| Paid-in capital..... | 684,932,467 |
| | ----- |
| Net assets..... | \$707,807,095 |
| | ===== |

I. 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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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, 2013, the Fund had no pre-enactment net capital losses for federal income tax purposes. At October 31, 2013 the Fund had post-enactment net capital losses for federal income tax purposes of \$28,624,092 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 2010, 2011, 2012 and 2013 remain open to federal and state audit. As of April 30, 2014, 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.

J. 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.

Page 26

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
APRIL 30, 2014 (UNAUDITED)

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.

The Lead Independent Trustee and the Chairmen of the Audit Committee, Nominating and Governance Committee and Valuation Committee are paid additional 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 six months ended April 30, 2014, were \$103,905,692 and \$94,482,953, respectively.

5. DERIVATIVES TRANSACTIONS

The following table presents the types of derivatives in the Fund by location as presented on the Statement of Assets and Liabilities at April 30, 2014.

| RISK EXPOSURE | ASSET DERIVATIVES | | LIABILITY DERIVATIVES |
|--------------------|---|------------|---|
| | STATEMENT OF ASSETS AND LIABILITIES LOCATION | FAIR VALUE | STATEMENT OF ASSETS AND LIABILITIES LOCATION |
| Interest Rate Risk | Variation margin receivable | \$ -- | Variation margin payable |
| Currency Risk | Unrealized appreciation on forward foreign currency contracts | 107,194 | Unrealized depreciation on forward foreign currency contracts |

The following table presents the types of derivatives in the Fund by location as presented on the Statement of Operations at April 30, 2014.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

| STATEMENT OF OPERATIONS LOCATION | INTEREST RATE RISK | CURRENCY RISK |
|---|--------------------|---------------|
| Net realized gain (loss) on futures | \$ (215,830) | \$ -- |
| Net realized gain (loss) on forward foreign currency contracts | -- | (3,222,324) |
| Net change in unrealized appreciation (depreciation) on futures | 108,715 | -- |
| Net change in unrealized gain (loss) on forward foreign currency contracts | -- | (1,324,169) |

Page 27

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
APRIL 30, 2014 (UNAUDITED)

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 EVENTS

Management has evaluated the impact of all subsequent events to the Fund through the date the financial statements were issued, and has determined that there were the following subsequent events:

On May 20, 2014, the Fund declared a dividend of \$0.1100 per share to Common Shareholders of record on June 4, 2014, payable June 16, 2014.

On June 19, 2014, the Fund declared a dividend of \$0.1100 per share to Common Shareholders of record on July 3, 2014, payable July 15, 2014.

Page 28

ADDITIONAL INFORMATION

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

APRIL 30, 2014 (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 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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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>.

Page 29

ADDITIONAL INFORMATION (CONTINUED)

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD)
APRIL 30, 2014 (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 Forms N-Q 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.

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 and First Trust Intermediate Duration Preferred & Income Fund was held on April 23, 2014 (the "Annual Meeting"). At the Annual Meeting, Robert F. Keith

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

was elected by the Common Shareholders of the First Trust High Income Long/Short Fund as a Class I Trustee for a three-year term expiring at the Fund's annual meeting of shareholders in 2017. The number of votes cast in favor of Mr. Keith was 30,496,068, the number of votes against was 482,618 and the number of abstentions was 5,077,473. James A. Bowen, Richard E. Erickson, Thomas R. Kadlec and 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.

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.

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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

may be able to sell the securities only at prices lower than if such securities were widely traded.

Page 30

ADDITIONAL INFORMATION (CONTINUED)

FIRST TRUST HIGH INCOME LONG/SHORT FUND (FSD) APRIL 30, 2014 (UNAUDITED)

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.

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

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 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.

Page 31

This Page Left Blank Intentionally.

FIRST TRUST

INVESTMENT ADVISOR

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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606

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

[BLANK BACK COVER]

ITEM 2. CODE OF ETHICS.

Not applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

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) Not applicable.

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

Not applicable.

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

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

There has been no change, as of the date of this filing, in any of the portfolios managers identified in response to paragraph (a)(1) of this Item in the Registrant's most recently filed annual report on Form N-CSR.

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

Not applicable.

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 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) Not applicable.
- (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

By (Signature and Title)*

/s/ Mark R. Bradley

Edgar Filing: FIRST TRUST HIGH INCOME LONG/SHORT FUND - Form N-CSRS

Mark R. Bradley, President and
Chief Executive Officer
(principal executive officer)

Date: June 20, 2014

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: June 20, 2014

By (Signature and Title)*

/s/ James M. Dykas

James M. Dykas, Treasurer,
Chief Financial Officer and
Chief Accounting Officer
(principal financial officer)

Date: June 20, 2014

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