

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
Form N-CSR  
March 09, 2009

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 811-21905

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY 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  
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Date of fiscal year end: DECEMBER 31

Date of reporting period: DECEMBER 31, 2008

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.

The Report to Shareholders is attached herewith.

[MAP]

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[FIRST TRUST LOGO]

ANNUAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2008

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND

[ABERDEEN LOGO]

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## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding the goals, beliefs, plans or current expectations of First Trust Advisors L.P. ("First Trust" or the "Advisor") and/or Aberdeen Asset Management Inc. ("Aberdeen" 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/Aberdeen Emerging Opportunity Fund (the "Fund") to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. When evaluating the information included in this report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of the Advisor and/or Sub-Advisor and their respective representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

PERFORMANCE AND RISK DISCLOSURE

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There is no assurance that the Fund will achieve its investment objective. The Fund is subject to market risk, which is the possibility that the market values of securities owned by the Fund will decline and that the value of the Fund shares may therefore be less than what you paid for them. Accordingly, you can lose money investing in the Fund. See "Risk Considerations" in the Notes to Financial Statements for a discussion of 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 Aberdeen 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 regulatory filings.

### SHAREHOLDER LETTER

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND (FEO)  
ANNUAL REPORT  
DECEMBER 31, 2008

Dear Shareholders:

The year ended December 31, 2008 brought all sorts of challenges to investors. Throughout 2008, the financial sector was plagued with failures in banking, insurance and by brokerage firms. By year's end, after a meltdown in the credit markets, historically high levels of volatility in the stock market, and the resulting turmoil to the overall economy, the Dow Jones Industrial Average's ("Dow") total return was -31.92% (as of 12/31/08). In fact, 2008 was the Dow's third worst calendar year since its inception in 1896. For the year, the negative total return performance of the Dow was surpassed only by 1931 and 1907, two years in which the U.S. was also enduring a major banking crisis. Of the thirty stocks in the Dow, only two were up in 2008.

Yet regardless of the market, First Trust Advisors L.P. ("First Trust") has always believed that in order to be successful in reaching your financial goals, you should be invested for the long term. A long-term investor understands that the market, from a historical perspective, has always experienced ups and downs. But history has shown that the patient investor is typically rewarded over the long term. While no one has the ability to predict when the markets will recover, we believe that staying invested in quality products and having a

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long-term perspective can help investors reach their financial goals.

The report you hold contains detailed information about your investment in the First Trust /Aberdeen Emerging Opportunity Fund (the "Fund"). It contains a portfolio commentary from the Fund's portfolio management team that provides a market recap for the period, a performance analysis and a market and Fund outlook. Additionally, the report provides the Fund's financial statements for the period covered by the report. I encourage you to read this document and discuss it with your financial advisor.

First Trust has been through many types of markets and remains committed to bringing you quality investment solutions regardless of the inevitable ups and downs experienced in the market. We offer a variety of products that may fit many financial plans to help those investors seeking long-term investment success. As well, we are committed to making available up-to-date reports about your investments so you and your financial advisor have current information on your portfolio.

We continue to value our relationship with you, and we thank you for the opportunity to assist you in achieving your financial goals.

Sincerely,

-s- James A. Bowen

James A. Bowen  
President of First Trust /Aberdeen Emerging Opportunity Fund

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
"AT A GLANCE" (UNAUDITED)  
AS OF DECEMBER 31, 2008

## FUND STATISTICS

Symbol on New York Stock Exchange	FEO
Common Share Price	\$ 10.25
Common Share Net Asset Value ("NAV")	\$ 12.87
Premium (Discount) to NAV	(20.36)%
Net Assets Applicable to Common Shares	\$ 75,364,844
Current Quarterly Distribution per Common Share (1)	\$ 0.390
Current Annualized Distribution per Common Share	\$ 1.560
Current Distribution Rate on Closing Common Share Price (2)	15.22%
Current Distribution Rate on NAV (2)	12.12%

## PERFORMANCE

	1 Year Ended 12/31/2008	Average Annual Total Return Inception (8/28/2006) to 12/31/2008
Fund Performance		
NAV (3)	-33.94%	-7.22%

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Market Value (4)	-41.48%	-17.45%
Index Performance		
Blended Benchmark (5)	-26.69%	-0.20%
Barclays Capital Global Emerging Markets Index	-16.16%	-2.85%
FTSE All World Emerging Market Index	-52.89%	-21.12%

TOP 10 HOLDINGS	% OF TOTAL INVESTMENTS
Republic of Panama, 8.88%, 09/30/27	3.3%
Brazil NTN - B Note, 6.00%, 08/15/10	3.0
Republic of Peru International Bond, 7.50%, 10/14/14	2.6
Republic of El Salvador, 7.65%, 06/15/35	1.8
Indonesian Government, 6.75%, 03/10/14	1.8
Republic of Colombia, 12.00%, 10/22/15	1.8
Republic of South Africa, 7.38%, 04/25/12	1.7
Taiwan Mobile Company, Ltd.	1.6
RSHB Capital S.A., 7.75%, 05/29/18	1.6
Samsung Electronics Company Ltd., Preference Shares	1.5
	-----
Total	20.7%
	=====

CREDIT QUALITY (7)	% OF TOTAL BONDS & Notes
AAA	1.6%
A-	3.7
BBB+	10.8
BBB	2.5
BBB-	6.0
BB+	18.0
BB	11.4
BB-	22.5
B+	10.0
B	6.1
B-	1.5
NR	5.9
	-----
Total	100.0%
	=====

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

(LINE GRAPH)

Common	Share Price	NAV
12/31/07	19.50	21.69
1/4/08	19.10	21.44
1/11/08	18.80	21.69
1/18/08	18.13	21.08

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1/25/08	17.79	20.91
2/1/08	18.503	21.36
2/8/08	18.10	20.99
2/15/08	18.35	21.25
2/22/08	18.53	21.45
2/29/08	18.40	21.47
3/7/08	17.92	21.11
3/14/08	18.05	21.02
3/20/08	17.21	20.45
3/28/08	17.52	20.64
4/4/08	18.11	21.09
4/11/08	17.82	21.10
4/18/08	18.26	21.47
4/25/08	18.32	21.50
5/2/08	18.69	21.82
5/9/08	18.69	21.53
5/16/08	18.75	21.99
5/23/08	18.76	21.67
5/30/08	19.01	21.89
6/6/08	18.86	21.52
6/13/08	18.80	21.21
6/20/08	18.15	20.59
6/27/08	17.52	20.42
7/3/08	17.00	20.00
7/11/08	16.95	19.97
7/18/08	17.07	20.19
7/25/08	16.98	20.31
8/1/08	17.30	20.51
8/8/08	17.46	20.38
8/15/08	17.52	20.17
8/22/08	17.51	20.10
8/29/08	17.95	20.05
9/5/08	17.19	19.50
9/12/08	16.38	19.17
9/19/08	14.03	18.25
9/26/08	14.15	17.88
10/3/08	13.14	16.54
10/10/08	9.78	13.97
10/17/08	10.75	13.72
10/24/08	9.43	11.91
10/31/08	10.78	12.69
11/7/08	10.82	13.15
11/14/08	9.69	12.36
11/21/08	8.31	11.72
11/28/08	9.81	12.40
12/5/08	9.60	12.23
12/12/08	10.04	12.73
12/19/08	9.97	12.79
12/26/08	9.98	12.61
12/31/08	10.25	12.87

TOP 10 COUNTRIES (6)

% OF TOTAL  
INVESTMENTS

Brazil	12.7%
Mexico	8.4
Indonesia	8.2
Russia	8.0
South Africa	4.2

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China	4.2
Panama	3.9
Philippines	3.7
Uruguay	3.6
Turkey	3.2%
	-----
Total	60.1%
	=====

INDUSTRY CLASSIFICATION	% OF TOTAL INVESTMENTS
Government Bonds and Notes	43.5%
Commercial Banks	10.5
Diversified Financial Services	5.8
Oil, Gas & Consumable Fuels	5.1
Semiconductors & Semiconductor Equipment	2.8
Wireless Telecommunication Services	2.7
Beverages	2.5
Food & Staples Retailing	2.4
Tobacco	2.1
Metals & Mining	2.0
Real Estate Management & Development	1.8
Construction Materials	1.7
Automobiles	1.6
Diversified Telecommunication Services	1.6
Household Products	1.6
Specialty Retail	1.6
Other	10.7%
	-----
Total	100.0%
	=====

- (1) Most recent distribution paid or declared through 12/31/2008. 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 market price or NAV, as applicable, as of 12/31/2008.
- (3) Total return based on NAV is the combination of reinvested dividend distributions and reinvested capital gain distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per share and does not reflect sales load. Past performance is not indicative of future results.
- (4) Total return based on market value is the combination of reinvested dividend distributions and reinvested capital gains distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in Common Share price per share. Past performance is not indicative of future results.
- (5) Blended benchmark consists of the following: JPMorgan Emerging Markets Bond Index - Global Diversified (32.5%); JPMorgan Government Bond Index - Emerging Markets (32.5%); MSCI Global Emerging Markets Index (35.0%)
- (6) Fixed-income portfolio securities are included in a country based upon their underlying credit exposure as determined by Aberdeen Asset

Management Inc., the investment sub-advisor.

- (7) The credit quality information represented reflects the ratings assigned by one or more nationally recognized statistical rating organizations (NRSROs). For situations in which a security is rated by one or more NRSROs and ratings are not equivalent, the ratings are averaged.

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#### PORTFOLIO COMMENTARY

##### SUB-ADVISOR

Aberdeen Asset Management Inc. ("Aberdeen" or the "Sub-Advisor"), a Securities and Exchange Commission registered investment advisor, is a wholly-owned subsidiary of Aberdeen Asset Management PLC. Aberdeen Asset Management PLC is a publicly-traded international investment management group listed on the London Stock Exchange, managing assets for both institutional and retail clients from offices around the world.

##### PORTFOLIO MANAGEMENT TEAM

Investment decisions for the Fund are made by Aberdeen using a team approach and not by any one individual. By making team decisions, Aberdeen seeks to ensure that the investment process results in consistent returns across all portfolios with similar objectives. Aberdeen does not employ separate research analysts. Instead, Aberdeen's investment managers combine the roles of analysis with portfolio management. Each member of the team has sector and portfolio responsibilities such as day-to-day monitoring of liquidity. The overall result of this matrix approach is a high degree of cross-coverage, leading to a deeper understanding of the securities in which Aberdeen invests. Included below is additional information about the members of the team with significant responsibility for the day-to-day management of the Fund's portfolio.

##### EQUITY MANAGEMENT TEAM

DEVAN KALOO

Head of Emerging Market Equity for the Aberdeen Group

Mr. Kaloo is responsible for the London-based Global Emerging Market ("GEM") Equity Team, which manages Latin America, Europe, Middle East and Africa equities, and also has oversight of global emerging market input from the Asia research team based in Singapore, with which he works closely. Mr. Kaloo began his career at Martin Currie in Edinburgh shortly after graduation, working initially on the North American desk before transferring to the global asset allocation team. Mr. Kaloo moved off the global asset allocation team in 1997, and for the next three years, he worked on Asian portfolios before joining Murray Johnstone in Singapore in July 2000. Following the latter's acquisition, he transferred to the Aberdeen Group where he was responsible for the Asian ex Japan region as well as regional portfolios within emerging market mandates and technology stocks. Mr. Kaloo took his current position in July 2005. Mr. Kaloo graduated with an MA (Hons) in Management and International Relations from St. Andrews University in Scotland and holds a postgraduate degree in Investment Analysis from Stirling University, also in Scotland.

JOANNE IRVINE

Head of GEM Equity Team ex Asia



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Ms. Irvine is on the GEM Equity Team, where she specializes in the emerging markets of Europe, Africa and the Middle East. After qualifying as a chartered accountant in 1992, she worked in corporate finance, specializing in raising development capital finance for private businesses. In January 1996, Ms. Irvine joined the Aberdeen Group in a group development role. Since May 1997, Ms. Irvine has been part of Aberdeen's emerging markets fund management group in London.

MARK GORDON-JAMES

Investment Manager, GEM Equity Team

After graduating with a degree in Geography and Economics from the London School of Economics in 2000, Mr. Gordon-James worked with the emerging markets team of Merrill Lynch Investment Managers. Mr. Gordon-James joined the Aberdeen Group in April 2004.

FIONA MORRISON

Investment Manager, GEM Equity Team

Ms. Morrison is an investment manager on the emerging markets ex Asia team. She has a BA with honors in History and French from Durham University, England. Ms. Morrison joined Aberdeen in 2001 as an analyst.

ANDY BROWN

Investment Manager, GEM Equity Team

Mr. Brown is an assistant investment manager on the emerging markets ex Asia desk. He graduated from the University of St. Andrews with a BSc in Geography in June 2003. Prior to joining Aberdeen in March 2005, Mr. Brown worked in the oil field consumables industry in the United Arab Emirates.

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### PORTFOLIO COMMENTARY - (CONTINUED)

#### FIXED-INCOME MANAGEMENT TEAM

BRETT DIMENT

Head of Emerging Market Debt

Mr. Diment joined Deutsche Asset Management Group Limited ("Deutsche") in 1991 as a member of the fixed-income group and became head of the emerging market debt team at Deutsche in 1999. Mr. Diment joined Aberdeen following the Deutsche acquisition in 2005 and is now responsible for the day-to-day management of the emerging market debt team and portfolios.

KEVIN DALY

Portfolio Manager, Emerging Market Debt

Mr. Daly joined the emerging markets team at Aberdeen in April 2007 as a portfolio manager, having spent the previous 10 years at Standard & Poor's in London and Singapore as a credit market analyst covering global emerging market debt, and was head of marketing for Global Sovereign Ratings. Mr. Daly was a regular participant on the Global Sovereign Committee, served as a member of the Sovereign Ratings Review Board, and was one of the initial members of the

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Emerging Market Council, formed in 2006 to advise senior management on business and market developments in emerging markets.

EDWIN GUTIERREZ

Portfolio Manager, Emerging Market Debt

Mr. Gutierrez has served as an economist specializing in Latin America at LGT Asset Manager, and more recently as a portfolio manager specializing in emerging market fixed-income at Invesco Asset Management. He joined Deutsche in 2000 and Aberdeen in 2005, where he is Head of Global Emerging Markets, is responsible for the London GEM team and also oversees GEM input from the Asia team based in Singapore.

NIMA TAYEBI

Portfolio Manager, Emerging Market Debt

Mr. Tayebi has 10 years of experience as executive director responsible for emerging markets trading at Millennium Global Investments, vice president at Salomon Brothers, focusing on emerging currency and debt trading and head of fixed-income research at Renaissance Capital. He joined Deutsche as an emerging currency portfolio manager in 2001 and Aberdeen in 2005, where his current duties are Portfolio Manager for Emerging Market debt and member of the currency team.

MAX WOLMAN

Portfolio Manager, Emerging Market Debt

Mr. Wolman joined Aberdeen in January 2001 and is portfolio manager on the Global Emerging Market Debt mandates. Mr. Wolman originally specialized in currency and domestic debt analysis; however, he is now responsible for wider emerging debt analysis, including external and corporate issuers. He is a member of the Emerging Markets Debt investment committee at Aberdeen and is also responsible for the daily implementation of the investment process.

### COMMENTARY

#### FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND

The investment objective of First Trust/Aberdeen Emerging Opportunity Fund ("FEO" or the "Fund") is to provide a high level of total return. The Fund pursues its investment objective by investing at least 80% of its managed assets in a diversified portfolio of equity and fixed-income securities of issuers in emerging market countries. There can be no assurance that the Fund's investment objective will be achieved, and the Fund may not be appropriate for all investors.

#### MARKET RECAP - EQUITY

Emerging markets fell in the year under review, after what was a very strong five-year bull market. The benchmark for the equity portion of the Fund, the MSCI Emerging Markets Index, declined 53% in U.S. dollar terms, with Russia -74% and India -65% among the biggest losers. By region, EMEA (Europe, Middle East and Africa) was the worst performer, down 56%, followed by emerging Asia and Latin America, which fell more than 50% each. In comparison, the MSCI World Index declined 40% for the same period, while developed markets, such as the U.S. and Europe, lost 37% and 46% each, respectively.

PORTFOLIO COMMENTARY - (CONTINUED)

Performance during 2008 was marked by two distinct phases. Initially, investors were hopeful that emerging economies would be able to de-couple from the financial troubles plaguing their Western counterparts. Indeed, the outperformance of emerging stock markets in the first half of the year bolstered by healthy Gross Domestic Product growth and record-high commodity prices that benefited resource-rich economies such as Brazil and Russia, supported that belief despite the persistent threat of higher inflation.

But the situation reversed dramatically in the second half of 2008. Further write-downs at major financial institutions rekindled worries over a prolonged crisis. The collapse of Lehman Brothers and Washington Mutual in the U.S. in September represented a tipping point. October was one of the worst months on record for emerging markets as risk aversion intensified and capital flight accelerated. These events demonstrated that the asset class could not disengage itself from the global credit crisis. Emerging markets were indeed still very dependent on Western demand for both their exports and their financial assets. Inflationary worries were rapidly replaced with recessionary fears as Western economies contracted and commodity prices retreated.

MARKET RECAP - FIXED-INCOME

The market had a turbulent year in 2008 with most of the damage coming in October, as emerging market debt had its worst single month since the 1998 Russia crisis. The unprecedented volatility in global financial markets was initially triggered by the collapse of Lehman Brothers in September, which caused bid-offer spreads to widen out to unforeseen levels. Ongoing deleveraging and outflows from retail investors, exacerbated by the illiquid conditions, prompted further spread widening on emerging market debt. Coordinated rate cuts by the U.S., Europe and the United Kingdom, International Monetary Fund ("IMF") bailout packages for Hungary and Ukraine, and a fast-track financing facility for top-tier emerging countries provided some much-needed support for risk assets at the end of October. Trading conditions did improve by the end of October, although they are far from normal, with most of the activity confined to the credit default swap market.

FUND RECAP

The Fund had net asset value ("NAV") total return<sup>1</sup> of -33.94% and a market value total return<sup>2</sup> of -41.48% for the year ended December 31, 2008, compared to the Fund's blended benchmark<sup>3</sup> total return of -26.69% over the same period. In addition to this blended benchmark, the Fund currently uses other indexes for comparative purposes. The total returns for the year ended December 31, 2008, for these indexes were as follows: the Barclays Global Emerging Markets Index was -16.16%; and the FTSE All World Emerging Market Index was -52.89%.

PERFORMANCE ANALYSIS - EQUITY

Amid the turmoil in 2008, the equity portion of the Fund outperformed its benchmark by 14.2%, even though it fell 39% in absolute terms. Underweight positions in Russia and China added 2.5% to the Fund's performance. The bulk of the remainder came from stock selection with one percentage point or more coming each from selections in South Africa, Taiwan, India, Malaysia, Indonesia and Brazil. Generally, the Fund's portfolio of sensibly managed companies with strong balance sheets held up relatively well as funding became increasingly tight.

Russia was one of the worst performers in the Fund's portfolio during the year as tighter credit conditions led to a massive withdrawal of foreign funds from

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its domestic stock markets, which shut down on a number of occasions as a result of extreme volatility. Having risen exponentially in previous years, China also gave up much of these gains during 2008. Our view of the market has changed little: China remains one of the most exciting long-term growth stories in Asia, but its positive macro environment has not always been reflected at companies, which have tended to lack discipline in the area of capital investment.

### PERFORMANCE ANALYSIS - FIXED-INCOME

For the year ended December 31, 2008, the fixed-income component of the Fund returned -23.55%, compared to the benchmark<sup>4</sup> for the fixed-income portion of the Fund returning -8.33%. During the year ended December 31, 2008, the JPM Global Diversified spread widened from 274 basis points to close the year at 749 basis points over U.S. treasuries and peaking at a multi-year high of 901 basis points in October. Brazil, Mexico, Colombia and the Philippines USD sovereign bonds outperformed over the one-year period, while Argentina, Venezuela, Indonesia and Ukraine USD sovereign bonds were the main detractors from the Fund's performance. The performance from local currency debt was mixed, with Mexico and Egypt outperforming while Brazil, Peru and Turkey underperformed.

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- (1) Total return based on NAV is the combination of reinvested dividend distributions and reinvested capital gains distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in NAV per share and does not reflect sales load.
- (2) Total return based on market value is the combination of reinvested dividend distributions and reinvested capital gains distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in Common Share price.
- (3) The Fund's blended benchmark consists of the following: 32.5% JPMorgan Emerging Markets Bond Index-Global Diversified; 32.5% JPMorgan Government Bond Index-Emerging Markets; and 35% MSCI (Morgan Stanley Capital International) Global Emerging Markets Index.
- (4) The benchmark for the fixed-income portion of the Fund consists of the following: 50% JPMorgan Emerging Markets Bond Index-Global Diversified (JPM EMBI Global) and 50% JPMorgan Government Bond Index-Emerging Markets (JPM GBI-EM).

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### PORTFOLIO COMMENTARY - (CONTINUED)

The news in Brazil was generally positive, as the country joined Mexico and Chile in the investment-grade category (Peru was added to the list shortly after). The economy continued to boom on back of strong domestic demand and robust commodity prices, which pushed inflation above the official 4.5% target, prompting the Central Bank to embark on a series of rate hikes. However, with the slowdown in the global economy coming in the latter part of 2008 Brazil has reduced its growth forecasts and it is anticipated the Central Bank will begin cutting base rates in 2009.

Argentina was one of the main detractors from the Fund's performance during the period covered by this report, reflecting general market aversion toward high-beta credits, and concerns over the policy framework of the new Kirchner administration. When Cristina Kirchner took office in December 2007, following the Presidency of her husband Nestor Kirchner, there were hopes that the new government would address some of the bottlenecks in the economy, such as the

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under-reporting of inflation, frozen tariff prices, the Paris Club (a monthly meeting in Paris attended by creditors of 19 countries) debt restructuring and the re-opening of the 2005 commercial debt exchange. Kirchner held to her vow to cut spending, and booming agriculture prices were also supportive for an improving fiscal position, but there was little movement on the other issues. One policy that backfired was the decision to raise taxes on commodity exports, which prompted a three-month strike by the farmers and created significant political noise. The dispute concluded when the Senate overturned the tax increases, which prompted a relief rally on Argentine debt. Nonetheless, Argentine spreads remain extremely high and access to market financing is limited, although it can turn to local pension funds and Venezuela to fulfill most of its financing gap in 2009. On a positive note, the growth outlook is still healthy and the fiscal position remains in surplus, which is a departure from the past when growth was anemic and fiscal deficits were the norm. Renewed talk of a re-opening of the 2005 debt exchange is also supportive for Argentine debt, as it would help alleviate the high financing cost.

Russia and Turkey remained the Fund's two top positions in the European, Middle East and African regions. Russian debt performed well during the first half of 2008 but then weakened due to the fallout from the Georgian invasion and remained weak as investors became concerned about decreasing oil prices and a weaker Rouble. After months of uncertainty, Turkey's AKP government received some good news at the end of July, as the Constitutional Court voted 6-5 in favor of the lawsuit against the ruling party for alleged anti-secular activities, but fell short of the 7-4 majority required to ban the party. The verdict sparked a big rally on Turkish assets, with the lira moving to a six-month high of 1.16 against USD in July 2008 but subsequently sold off to 1.53 at the end of the year due to increased risk aversion. Turkish lira rates fell sharply across the board in December as it became apparent growth was deteriorating more than anticipated and the Central Bank cut rates far more aggressively than the market had assumed. The yield on the benchmark March 2012 government bond declined around 350 basis points to 16.50% in December, while spreads on external debt also narrowed.

The Fund's Asian positions have had a mixed performance, with the Philippines outperforming Indonesia. Indonesia has been an overweight position in the hard currency portion of the Fund's portfolio during the year, and had a disappointing performance in the first half of 2008 due to concerns about new issuance, and the fiscal and inflation outlooks. More responsive action by policy makers, with the removal of some fuel subsidies and interest rate hikes, prompted a rebound in external and local currency debt before the October selloff.

### MARKET AND FUND OUTLOOK - EQUITY

2009 is likely to be characterized by continued uncertainty and market volatility. Emerging markets will likely feel the effects of the ongoing credit crisis on three fronts.

For most markets, the fundamental problem is one of very tight credit. In emerging regions, ongoing risk aversion and capital flight may well last into the first half of 2009. Some markets, particularly Russia and Hungary, appear highly vulnerable as they are more leveraged and reliant on foreign capital than their peers. Foreign banks and investors will likely continue to hold back lending for some time. Bailouts by the IMF and their respective governments to ease the tight credit situation will take some time to win back investors' confidence.

Second, the credit crisis has had negative ramifications on the real economy. There is no doubt that growth will slow. Much of the developed world has already fallen into recession and emerging economies will inevitably follow suit. We believe export-driven economies, such as China and Mexico, will feel the impact

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of falling Western demand. Mexican exporters may face more hardship ahead, given their strong links to the U.S. economy and the anticipated further decline in U.S. consumption. As for China, weakness in export markets is likely to accelerate factory closures and exacerbate rising unemployment which, in turn, could potentially become a serious political problem. Already, factory closures in southern China have led to violent protests.

Falling commodity prices is the final factor that will have a significant impact on the asset class. In our opinion, the most vulnerable markets will likely be Russia, Brazil and South Africa, where resource companies comprise a large portion of local indices. Resource companies, having previously enjoyed the commodities bull-run, will now feel the brunt of falling oil and agricultural prices as a result of weaker global demand.

We believe that despite the apparently glum outlook, developing economies have much to be upbeat about. For one, inflation has eased, which leaves plenty of room for authorities to loosen monetary policy. Countries like India, which are heavily reliant on oil imports, stand to benefit from the falling price of crude oil. Indian policymakers have signalled their intentions to provide both monetary and fiscal stimulus packages in a bid to cushion the slowdown. And as long as relations with Pakistan do not get derailed by the recent terrorist attacks, India's economy may even outperform its peers in 2009.

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### PORTFOLIO COMMENTARY - (CONTINUED)

Many emerging economies are also in much better shape than they were a decade ago. In Brazil, public sector debt is down and government's finances are much improved. Although growth will slow, it is still expected to outperform developed economies. China, sitting on a huge surplus and massive foreign reserves, should have a lot of policy tools available to mitigate slower growth. In Russia's favor, too, is the government's hitherto sensible macroeconomic policy and huge reserves, even if they are shrinking fast.

Finally, we are hopeful that, if the right measures are put in place to avert a prolonged slowdown, rising domestic consumption within a growing middle class in developing markets will be able to provide some buffer against the decline in U.S. and European demand. The dismal performances of global stock markets in 2008, which shattered the de-coupling theory and reinforced emerging economies' close links with the developed world, should not distract from the potential of these markets to recover from the current headwinds, as they did from earlier crises. There will be pockets of instability. The political quagmire in Malaysia and Thailand will likely spill over into the early part of 2009. Argentina's recent nationalization of its pensioners' assets may have spooked foreign investors to some extent. But these are isolated cases and are unlikely to affect the asset class as a whole in our opinion.

We feel confident that the Fund's holdings, with stocks of companies that we believe are well-managed and financially sound, will be able to weather the global downturn and should continue to strengthen their market positions as competitors struggle. Valuations have fallen significantly and reached attractive levels, but could fall further in what will probably be another volatile year. But this would present opportunities to add to the Fund's holdings or buy quality companies that had appeared too expensive previously.

### MARKET AND FUND OUTLOOK - FIXED-INCOME

At current levels, spreads on emerging market hard currency debt appear attractive on a fundamental basis, but valuations will be driven by the

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volatility in global markets over the short-term. As liquidity returns and bid-offer spreads narrow, we would expect less liquid holdings in the Fund's portfolio to outperform. The IMF support package for Ukraine, and talk of further bailout packages for other sovereigns, should also be supportive for the asset class. A further round of deleveraging would be a negative for risk assets, although recent indications suggest the worst of the selling pressure has abated for now. As conditions normalize, we would expect to see renewed spread compression on emerging market debt as default risk remains low.

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 PORTFOLIO OF INVESTMENTS (A)  
 DECEMBER 31, 2008

PRINCIPAL VALUE (LOCAL CURRENCY)	DESCRIPTION	COUPON	STATED MATURITY	(US
BONDS AND NOTES (B) - 71.0%				
ARGENTINA - 1.1%				
2,230,000	Republic of Argentina (USD) .....	7.00%	04/17/17	\$
169,615	Republic of Argentina (USD) .....	8.28%	12/31/33	
BRAZIL - 7.4%				
650,000	Banco Nacional de Desenvolvimento Economico e Social (USD) .....	6.37%	06/16/18	
3,420,000	Brazil NTN - B Note (BRL) .....	6.00%	08/15/10	
580,000	Dasa Finance Corp. (USD) .....	8.75%	05/29/18	
470,000	Independencia International Ltd. (USD) .....	9.88%	05/15/15	
430,000	Independencia International Ltd. (USD) .....	9.88%	01/31/17	
1,000,000	Isa Capital do Brasil S.A. (USD) .....	7.88%	01/30/12	
630,000	Odebrecht Finance Ltd. (USD) .....	7.50%	10/18/17	
CHINA - 0.2%				
210,000	Parkson Retail Group Ltd. (USD) .....	7.88%	11/14/11	
COLOMBIA - 2.4%				
300,000	EEB International Ltd. (USD) .....	8.75%	10/31/14	
3,140,000,000	Republic of Colombia (COP) .....	12.00%	10/22/15	
DOMINICAN REPUBLIC - 2.9%				
820,000	Cerveceria Nacional Dominica (USD) (c) .....	16.00%	03/27/12	
1,792,482	Dominican Republic (USD) .....	9.04%	01/23/18	
1,310,000	Dominican Republic (USD) .....	8.63%	04/20/27	
EGYPT - 0.8%				

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3,450,000	Egypt Treasury Bill (EGP) .....	*	05/05/09
	EL SALVADOR - 2.5%		
450,000	Republic of El Salvador (USD) .....	8.25%	04/10/32
2,440,000	Republic of El Salvador (USD) .....	7.65%	06/15/35
	GABON - 1.4%		
1,480,000	Gabonese Republic (USD) .....	8.20%	12/12/17
	GEORGIA - 1.3%		
1,510,000	Republic of Georgia (USD) .....	7.50%	04/15/13
	GHANA - 0.9%		
480,000	Republic of Ghana (USD) .....	8.50%	10/04/17
920,000	Republic of Ghana (USD) .....	8.50%	10/04/27

See Notes to Financial Statements

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 PORTFOLIO OF INVESTMENTS (A) - (CONTINUED)  
 DECEMBER 31, 2008

PRINCIPAL VALUE (LOCAL CURRENCY)	DESCRIPTION	COUPON	STATED MATURITY	(US
BONDS AND NOTES (B) - (CONTINUED)				
	INDONESIA - 7.9%			
380,000	Empire Capital Resources Pte. Ltd. (USD) .....	9.38%	12/15/11	\$
7,400,000,000	Indonesian Government (IDR) .....	11.00%	12/15/12	
650,000,000	Indonesian Government (IDR) .....	12.50%	03/15/13	
4,900,000,000	Indonesian Government (IDR) .....	9.00%	09/15/13	
1,740,000	Indonesian Government (IDR) .....	6.75%	03/10/14	
1,850,000,000	Indonesian Recapitalization Bond (IDR) .....	13.40%	02/15/11	
9,350,000,000	Indonesian Recapitalization Bond (IDR) .....	13.45%	08/15/11	
2,500,000,000	Indonesian Recapitalization Bond (IDR) .....	13.18%	07/15/12	
700,000	Majapahit Holding B.V. (USD) .....	7.75%	10/17/16	
670,000	Majapahit Holding B.V. (USD) .....	7.25%	06/28/17	
350,000	MGTI Finance Company, Ltd. (USD) .....	8.38%	09/15/10	
210,000	Republic of Indonesia (USD) .....	6.88%	03/09/17	
200,000	Republic of Indonesia (USD) .....	6.88%	01/17/18	
370,000	Republic of Indonesia (USD) .....	8.50%	10/12/35	
	KAZAKHSTAN - 1.9%			
1,000,000	Halyk Savings Bank of Kazakhstan (USD) .....	8.13%	10/07/09	



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620,000	KazMunaiGaz Finance Sub B.V. (USD) .....	8.38%	07/02/13
MEXICO - 4.1%			
140,000	Desarrolladora Homex S.A. (USD) .....	7.50%	09/28/15
8,200,000	Mexican Bonos Desarr Fixed Rate Bond (MXN) ...	7.25%	12/15/16
12,340,000	Mexican Bonos Desarr Fixed Rate Bond (MXN) ...	10.00%	11/20/36
600,000	Mexician Republic (USD) .....	8.30%	08/15/31
800,000	Pemex Project Funding Master Trust (USD) .....	6.63%	06/15/38
NIGERIA - 1.7%			
790,000	GTB Finance B.V. (USD) .....	8.50%	01/29/12
174,000,000	KfW International Finance (NGN) .....	8.50%	01/18/11
PANAMA - 4.5%			
520,000	Republic of Panama (USD) .....	9.38%	07/23/12
2,640,000	Republic of Panama (USD) .....	8.88%	09/30/27
PERU - 3.0%			
1,690,000	Republic of Peru International Bond (EUR) ....	7.50%	10/14/14
PHILIPPINES - 3.0%			
100,000	Republic of Philippines (USD) .....	8.00%	01/15/16
330,000	Republic of Philippines (USD) .....	9.38%	01/18/17
620,000	Republic of Philippines (USD) .....	10.63%	03/16/25
970,000	Republic of Philippines (USD) .....	9.50%	02/02/30

See Notes to Financial Statements

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 PORTFOLIO OF INVESTMENTS (A) - (CONTINUED)  
 DECEMBER 31, 2008

PRINCIPAL VALUE (LOCAL CURRENCY)	DESCRIPTION	COUPON	STATED MATURITY	(US
BONDS AND NOTES (B) - (CONTINUED)				
RUSSIA - 8.6%				
390,000	Evrax Group S.A. (USD) .....	8.88%	04/24/13	\$
780,000	Evrax Group S.A. (USD) .....	8.25%	11/10/15	
17,000,000	GPB Eurobond Finance PLC (RUB) .....	7.25%	02/22/10	

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1,000,000	Mobile Telesystems Finance (USD) .....	8.38%	10/14/10
33,441,242	Red Arrow International Leasing PLC (RUB) .....	8.38%	06/30/12
350,000	RS Finance (RSB) (USD) .....	7.50%	10/07/10
2,070,000	RSHB Capital S.A. (USD) .....	7.75%	05/29/18
650,000	TNK-BP Finance S.A. (USD) .....	7.50%	07/18/16
560,000	Transcapitalinvest, Ltd. (USD) .....	8.70%	08/07/18
1,000,000	UBS Luxembourg (USD) .....	8.00%	02/11/10
1,560,000	VTB Capital S.A. (USD) .....	6.88%	05/29/18
SERBIA - 0.7%			
840,000	Republic of Serbia (USD) (d) .....	3.75%	11/01/24
SOUTH AFRICA - 2.6%			
1,460,000	Republic of South Africa (USD) .....	7.38%	04/25/12
540,000	Republic of South Africa (USD) .....	6.50%	06/02/14
TURKEY - 1.7%			
450,000	Turkey Government Bond (TRY) .....	16.00%	03/07/12
1,380,000	Turkey Government Bond, Inflation Adjusted Bond (TRY) (e) .....	10.00%	02/15/12
UKRAINE - 2.5%			
800,000	Alfa Bank Ukraine (USD) .....	9.75%	12/22/09
1,070,000	EX-IM Bank of Ukraine (USD) .....	7.65%	09/07/11
500,000	UBS AG Jersey Branch, Credit Linked Note (USD)...	9.13%	06/21/10
230,000	Ukraine Government (USD) .....	6.58%	11/21/16
1,800,000	Ukraine Government (USD) .....	6.75%	11/14/17
URUGUAY - 4.2%			
380,000	Republic of Uruguay (USD) .....	8.00%	11/18/22
570,000	Republic of Uruguay (USD) .....	7.88%	01/15/33
1,280,000	Republic Orient Uruguay (USD) .....	7.63%	03/21/36
37,710,000	Republic Orient Uruguay, Inflation Adjusted Bond (UYU) (e) .....	5.00%	09/14/18
8,560,000	Republic Orient Uruguay, Inflation Adjusted Bond (UYU) (e) .....	4.25%	04/05/27
VENEZUELA - 3.7%			
240,000	Bolivarian Republic of Venezuela (USD) .....	9.00%	05/07/23
2,360,000	Petroleos de Venezuela S.A. (USD) .....	5.25%	04/12/17
191,000	Republic of Venezuela (USD) .....	10.75%	09/19/13

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 PORTFOLIO OF INVESTMENTS (A) - (CONTINUED)  
 DECEMBER 31, 2008

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PRINCIPAL VALUE (LOCAL CURRENCY)	DESCRIPTION	COUPON	STATED MATURITY	(US
BONDS AND NOTES (B) - (CONTINUED)				
	VENEZUELA (CONTINUED)			
1,045,000	Republic of Venezuela (USD) .....	8.50%	10/08/14	\$
2,680,000	Republic of Venezuela (USD) .....	5.75%	02/26/16	
	TOTAL BONDS AND NOTES .....			
	(Cost \$72,604,026)			

SHARES	DESCRIPTION
COMMON STOCKS - 44.6%	
ARGENTINA - 0.9%	
34,000	Tenaris S.A., ADR.....
BRAZIL - 7.3%	
78,450	Banco Bradesco S.A., ADR .....
104,000	Companhia Vale do Rio Doce, ADR, Preference Shares .....
90,000	Lojas Renner S.A.....
50,000	Petroleo Brasileiro S.A., ADR.....
38,000	Souza Cruz S.A .....
28,000	Telecomunicacoes de Sao Paulo S.A. ....
38,000	Ultrapar Participacoes S.A., Preference Shares .....
CHILE - 1.2%	
26,000	Banco Santander Chile S.A., ADR .....
CHINA - 4.7%	
90,000	China Mobile Ltd. (f) .....
350,000	Dah Sing Banking Group Ltd. (f) .....
200,000	Hang Lung Group Ltd. (f) .....
920,000	PetroChina Company Ltd., H Shares (f) .....
700,000	Swire Pacific Ltd., B Shares (f) .....
CZECH REPUBLIC - 0.7%	
3,000	Komercni Banka AS (f).....
HUNGARY - 1.0%	
5,300	Richter Gedeon, Sponsored GDR .....
INDIA - 3.5%	
90,000	Gail India Ltd. (f) .....

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20,000	GlaxoSmithKline Pharmaceuticals Ltd. (f) .....
13,000	Grasim Industries Ltd. (f) .....
40,000	Hero Honda Motors Ltd. (f) .....
11,500	Housing Development Finance Corp. Ltd. (f) .....
20,000	ICICI Bank Ltd. (f) .....
74,000	Satyam Computer Services Ltd. (f) .....

See Notes to Financial Statements

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 PORTFOLIO OF INVESTMENTS (A) - (CONTINUED)  
 DECEMBER 31, 2008

SHARES	DESCRIPTION	
-----		
COMMON STOCKS - (CONTINUED)		
	INDONESIA - 1.6%	
773,500	PT Astra International Tbk (f) .....	\$
619,500	PT Unilever Indonesia Tbk (f) .....	
	MALAYSIA - 2.6%	
85,000	British American Tobacco Malaysia Berhad (f) .....	
332,000	Public Bank Berhad (f) .....	
	MEXICO - 5.5%	
39,900	Fomento Economico Mexicano, S.A.B. de C.V., Sponsored ADR .....	
40,000	Grupo Aeroportuario del Centro Norte, S.A.B. de C.V., ADR .....	
361,000	Grupo Continental, S.A.B .....	
510,939	Grupo Financiero Banorte, S.A.B. de C.V., O Shares .....	
274,000	Kimberly-Clark de Mexico, S.A.B. de C.V., A Shares .....	
390,000	SARE Holding S.A.B de C.V., B Shares (g) .....	
	PHILIPPINES - 1.3%	
1,164,000	Bank of the Philippine Islands (f) .....	
	QATAR - 0.5%	
16,000	Qatar Insurance Company (f) .....	
	RUSSIA - 0.6%	
14,500	LUKOIL, ADR .....	
	SOUTH AFRICA - 2.3%	
130,000	Massmart Holdings Ltd. (f) .....	
142,729	Truworths International Ltd. (f) .....	

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SOUTH KOREA - 2.5%

55,000	Pusan Bank (f) .....
6,300	Samsung Electronics Company Ltd., Preference Shares (f) .....
850	Shinsegae Company Ltd. (f) .....

TAIWAN - 3.4%

946,450	Taiwan Mobile Company, Ltd. (f) .....
827,750	Taiwan Semiconductor Manufacturing Company, Ltd. (f) .....

THAILAND - 2.2%

250,000	PTT Exploration and Production Public Company Ltd. . . . .
275,000	Siam Cement Public (The) Company Ltd. (f) .....

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 PORTFOLIO OF INVESTMENTS (A) -(CONTINUED)  
 DECEMBER 31, 2008

SHARES	DESCRIPTION
-----	
COMMON STOCKS - (CONTINUED)	
TURKEY - 2.0%	
344,000	Aksigorta AS (f).....
27,610	Bim Birlesik Magazalar AS (f).....
156,000	Cimsa Cimento Sanayi ve Ticaret AS (f).....
UNITED KINGDOM - 0.8%	
46,538	Standard Chartered PLC (f).....
TOTAL COMMON STOCKS.....	
(Cost \$44,991,673)	
TOTAL INVESTMENTS - 115.6%.....	
(Cost \$117,595,699) (h)	
LOAN OUTSTANDING - (17.9)%.....	
NET OTHER ASSETS AND LIABILITIES - 2.3%.....	
NET ASSETS - 100.0%.....	

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- \* Zero coupon bond.
- (a) All percentages shown in the Portfolio of Investments are based on net assets.
- (b) Fixed-income portfolio securities are included in a country based upon their underlying credit exposure as determined by Aberdeen Asset Management Inc., the investment sub-advisor.
- (c) Variable rate security. The interest rate shown reflects the rate in effect at December 31, 2008.
- (d) Step-up security. A security where the coupon increases or steps up at a predetermined date. Interest rate shown reflects the rate in effect at December 31, 2008.
- (e) Security whose principal value is adjusted in accordance with changes to the country's Consumer Price Index. Interest is calculated on the basis of the current adjusted principal value.
- (f) Security is fair valued in accordance with procedures adopted by the Fund's Board of Trustees.
- (g) Non-income producing security.
- (h) Aggregate cost for federal income tax purposes is \$117,907,651. As of December 31, 2008, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$1,881,197 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$32,629,442.

ADR American Depositary Receipt

GDR Global Depositary Receipt

RSB Russian Standard Bank

Currency

BRL Brazilian Real

COP Colombian Peso

EGP Egyptian Pound

EUR Euro Dollar

IDR Indonesian Rupiah

MXN Mexican Peso

NGN Nigerian Naira

PEN Peruvian New Sol

RUB Russian Ruble

TRY Turkish Lira

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USD United States Dollar

UYU Uruguayan Peso

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 PORTFOLIO OF INVESTMENTS - (CONTINUED)  
 DECEMBER 31, 2008

VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of December 31, 2008 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FIN
Level 1 - Quoted Prices .....	\$ 13,316,985	\$
Level 2 - Other Significant Observable Inputs .....	73,842,421	
Level 3 - Significant Unobservable Inputs .....	--	
TOTAL .....	\$ 87,159,406	\$

(a) Other financial instruments are forward foreign currency contracts not reflected in the Portfolio of Investments, which are valued at the unrealized appreciation (depreciation) on the contracts (see Schedule of Forward Foreign Currency Contracts).

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 SCHEDULE OF FORWARD FOREIGN CURRENCY CONTRACTS  
 DECEMBER 31, 2008

SETTLEMENT DATE	LOCAL CURRENCY (A)	FORWARD FOREIGN CURRENCY CONTRACTS TO BUY		CONTRACTS TO RECEIVE		NET UNREALIZED APPRECIATION OF CONTRACTS U.S. \$	NET UNREALIZED DEPRECIATION OF CONTRACTS U.S. \$
		LOCAL CURRENCY VALUE IN U.S. \$	IN EXCHANGE FOR U.S. \$	LOCAL CURRENCY VALUE IN U.S. \$	IN EXCHANGE FOR U.S. \$		
02/10/09	BRL	2,621,000	\$ 1,105,239	\$ 1,092,845	\$	12,394	\$
02/10/09	COP	1,805,600,000	797,422	825,229	--	--	(2)

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01/23/09	MXN	45,602,000	3,265,388	3,581,949	--	(31)
02/10/09	PEN	3,100,000	987,418	997,908	--	(1)
02/10/09	RUB	20,979,000	644,769	722,757	--	(7)
					\$	12,394
					\$	(43)

FORWARD FOREIGN CURRENCY CONTRACTS TO SELL  
CONTRACTS TO DELIVER

SETTLEMENT DATE	LOCAL CURRENCY (A)	LOCAL CURRENCY VALUE IN U.S. \$	IN EXCHANGE FOR U.S. \$	NET UNREALIZED APPRECIATION OF CONTRACTS U.S. \$	NET UNREALIZED DEPRECIATION OF CONTRACTS U.S. \$	
02/10/09	BRL	4,567,000	\$ 1,925,839	\$ 2,000,742	\$ 74,903	
02/10/09	COP	2,840,061,000	1,254,280	1,180,899	--	
01/23/09	EUR	1,417,000	1,967,602	1,774,710	--	
02/10/09	IDR	10,616,168,000	953,262	732,613	--	
01/23/09	MXN	45,602,000	3,265,388	3,717,892	452,504	
02/10/09	PEN	3,100,000	981,157	977,918	--	
02/10/09	RUB	39,578,000	1,216,391	1,348,484	132,093	
01/23/09	TRY	1,042,000	668,857	733,338	64,481	
					\$	723,981
Unrealized Appreciation (Depreciation).....					\$	736,375
Net Unrealized Appreciation (Depreciation).....					\$	(18)

(a) Please see page 13 for currency descriptions.

See Notes to Financial Statements

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
STATEMENT OF ASSETS AND LIABILITIES  
DECEMBER 31, 2008

ASSETS:

Investments, at value	(Cost \$117,595,699)
Cash	
Foreign currency (Cost \$23,497)	
Unrealized appreciation on forward foreign currency contracts	
Prepaid expenses	
Receivables:	
Interest	
Investment securities sold	
Dividends	
Total Assets	



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LIABILITIES:

Unrealized depreciation on forward foreign currency contracts .....	
Payables:	
Outstanding loan.....	
Investment advisory fees .....	
Audit and tax fees .....	
Custodian fees .....	
Common Shares repurchased .....	
Printing fees .....	
Interest and fees on loan .....	
Administrative fees .....	
Transfer agent fees .....	
Legal fees .....	
Trustees' fees and expenses .....	
Accrued expenses and 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 sold, forward foreign currency contracts and foreign currency transactions .....	
Net unrealized appreciation (depreciation) on investments, forward foreign currency contracts and foreign currency translation .....	

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

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2008

INVESTMENT INCOME:

Interest (net of foreign withholding tax of \$ 31,603) .....	\$ 6,748,413
Dividends (net of foreign withholding tax of \$ 131,162) .....	1,839,698
	-----
Total investment income .....	8,588,111
	-----

EXPENSES:

Investment advisory fees .....	1,231,274
Interest and fees on loan .....	442,000
Custodian fees .....	202,011
Administrative fees .....	122,649
Audit and tax fees .....	42,575
Trustees' fees and expenses .....	38,462
Transfer agent fees .....	31,540
Legal fees .....	7,109

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Other .....	102,637
	-----
Total expenses .....	2,220,257
	-----
NET INVESTMENT INCOME .....	6,367,854
	-----
NET REALIZED AND UNREALIZED GAIN (LOSS):	
Net realized gain (loss) on:	
Investments .....	(3,714,008)
Forward foreign currency contracts .....	691,079
Foreign currency transactions .....	(17,647)
	-----
Net realized gain (loss) .....	(3,040,576)
	-----
Net change in unrealized appreciation (depreciation) on:	
Investments (a) .....	(46,410,449)
Forward foreign currency contracts .....	66,399
Foreign currency translation .....	(49,314)
	-----
Net change in unrealized appreciation (depreciation) .....	(46,393,364)
	-----
NET REALIZED AND UNREALIZED GAIN (LOSS) .....	(49,433,940)
	-----
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ...	\$ (43,066,086)
	=====

-----  
(a) Change in unrealized appreciation (depreciation) on securities is net of decrease in deferred foreign capital gains tax of \$52,950.

See Notes to Financial Statements

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED 12/31/2008	YEAR ENDED 12/31/200
	-----	-----
OPERATIONS:		
Net investment income (loss) .....	\$ 6,367,854	\$ 5,457,
Net realized gain (loss) .....	(3,040,576)	5,521,
Net change in unrealized appreciation (depreciation) .....	(46,393,364)	6,302,
	-----	-----
Net increase (decrease) in net assets resulting from operations ...	(43,066,086)	17,281,
	-----	-----
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income .....	(6,396,916)	(4,640,
Net realized gain .....	(573,086)	(6,048,
Return of capital .....	(2,227,912)	
	-----	-----
Total distributions to shareholders .....	(9,197,914)	(10,688,
	-----	-----
CAPITAL TRANSACTIONS:		

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Repurchase of Common Shares .....	(483,289)	-----
Total increase (decrease) in net assets .....	(52,747,289)	6,592,
NET ASSETS:		
Beginning of period .....	128,112,133	121,519,
End of period .....	\$ 75,364,844	\$ 128,112,
Accumulated net investment income (loss) at end of period .....	\$ (505,147)	\$ (533,
CAPITAL TRANSACTIONS WERE AS FOLLOWS:		
Common Shares at beginning of period .....	5,905,236	5,905,
Common Shares repurchased* .....	(50,048)	-----
Common Shares at end of period .....	5,855,188	5,905,

\* On November 17, 2008, the Fund commenced a share repurchase program for purposes of enhancing shareholder value and reducing the discount at which the Fund's shares trade from their net asset value. For the year ended December 31, 2008, the Fund repurchased 50,048 of its shares at an average discount of 22.65% from net asset value per share. The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes such activity will further the accomplishment of the foregoing objectives, subject to the earlier of (i) the repurchase of up to 708,628 of the Fund's outstanding common shares, or (ii) May 17, 2009.

See Notes to Financial Statements

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net decrease in net assets resulting from operations .....	\$	(43,066,086)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:		
Purchases of investments .....		(80,664,789)
Sales and maturities of investments .....		76,357,432
Net amortization/accretion of premium/discount on investments .....		(322,519)
Net realized gain/loss on investments .....		3,714,008
Net change in unrealized appreciation/depreciation on investments ....		46,410,449
CHANGES IN ASSETS AND LIABILITIES:		
Decrease in net unrealized appreciation/depreciation on forward foreign currency contracts .....		(66,399)
Decrease in dividends receivable .....		3,487
Decrease in interest receivable .....		150,063
Increase in prepaid expenses .....		(90,015)
Increase in receivable for investment securities sold .....		(33,770)
Decrease in interest and fees on loan payable .....		(3,674)
Decrease in investment advisory fees payable .....		(41,310)
Decrease in audit and tax fees payable .....		(11,515)
Decrease in legal fees payable .....		(47,394)

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Decrease in printing fees payable .....	(53,078)
Decrease in transfer agent fees payable .....	(1,733)
Decrease in administrative fees payable .....	(3,306)
Decrease in custodian fees payable .....	(15,002)
Decrease in Trustees' fees and expenses payable .....	(694)
Decrease in accrued expenses and other liabilities .....	(14,040)
-----	
CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repurchase of Common Shares .....	(453,884)
Distributions to Common Shareholders .....	(9,197,914)
Issuances of loan .....	9,000,000
Repayments of loan .....	(3,500,000)
-----	
CASH USED IN FINANCING ACTIVITIES .....	
Decrease in cash and foreign currency (a) .....	
Cash and foreign currency at beginning of period .....	
CASH AND FOREIGN CURRENCY AT END OF PERIOD .....	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest and fees .....	

-----  
(a) Includes net change in unrealized appreciation (depreciation) on foreign currency of \$185.

See Notes to Financial Statements

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
FINANCIAL HIGHLIGHTS  
FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	YEAR ENDED 12/31/2008	YEAR ENDED 12/31/2007
	-----	-----
Net asset value, beginning of period .....	\$ 21.69	\$ 21.69
INCOME FROM INVESTMENT OPERATIONS:		
Net investment income (loss) .....	1.09 (c)	1.09 (c)
Net realized and unrealized gain (loss) .....	(8.37)	(8.37)
Total from investment operations .....	(7.28)	(7.28)
DISTRIBUTIONS PAID TO SHAREHOLDERS FROM:		
Net investment income .....	(1.08)	(1.08)
Net realized gain .....	(0.10)	(0.10)

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Return of capital .....	(0.38)	
	-----	---
Total distributions .....	(1.56)	
	-----	---
Common Shares offering costs charged to paid-in capital .....	--	
	-----	---
Capital share repurchases .....	0.02	
	-----	---
Net asset value, end of period .....	\$ 12.87	\$
	=====	===
Market value, end of period .....	\$ 10.25	\$
	=====	===
TOTAL RETURN BASED ON NET ASSET VALUE (d) (e) .....	(33.94)%	
	=====	===
TOTAL RETURN BASED ON MARKET VALUE (e) (f) .....	(41.48)%	
	=====	===

RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA:

Net assets, end of period (in 000's) .....	\$ 75,365	\$ 1
Ratio of total expenses to average net assets .....	2.00%	
Ratio of total expenses to average net assets excluding interest expense ...	1.60%	
Ratio of net investment income to average net assets .....	5.73%	
Portfolio turnover rate .....	64%	

INDEBTEDNESS:

Loan outstanding (in 000's) .....	\$ 13,500	\$
Asset coverage per \$1,000 of indebtedness (h) .....	\$ 6,583	\$

-----

- (a) Initial seed date of July 14, 2006. The Fund commenced operations on August 28, 2006.
- (b) Net of sales load of \$0.90 per Common Share on initial offering.
- (c) Based on average shares outstanding.
- (d) Total return based on net asset value is the combination of reinvested dividend distributions and reinvested capital gains distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in net asset value per share and does not reflect sales load.
- (e) Total return is not annualized for periods less than one year.
- (f) Total return based on market value is the combination of reinvested dividend distributions and reinvested capital gains distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in Common Share price.
- (g) Annualized.
- (h) Calculated by subtracting the Fund's total assets less the Fund's total liabilities (not including the loan outstanding), and dividing by the outstanding loan balance in 000's.

See Notes to Financial Statements

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FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008

## 1. FUND DESCRIPTION

First Trust/Aberdeen Emerging Opportunity Fund (the "Fund") is a diversified, closed-end management investment company organized as a Massachusetts business trust on May 16, 2006 and is registered with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund trades under the ticker symbol FEO on the New York Stock Exchange ("NYSE").

The Fund's investment objective is to seek a high level of total return. The Fund pursues its objective by investing at least 80% of its Managed Assets in a diversified portfolio of equity and fixed-income securities of issuers in emerging market countries. "Managed Assets" means the average daily gross asset value of the Fund (including assets attributable to the Fund's Preferred Shares, if any, and the principal amount of any borrowings) minus the sum of the Fund's accrued and unpaid dividends on any outstanding Preferred Shares and accrued liabilities (other than the principal amount of any borrowings incurred or commercial paper or notes issued by the Fund). There can be no assurance that the Fund's investment objective will be achieved.

## 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 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 Fund's Common Shares 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. 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 dividends and interest), less all liabilities (including accrued expenses, dividends declared but unpaid and any borrowings of the Fund), by the total number of Common Shares outstanding.

The Fund's investments are valued daily at market value or, in the absence of market value with respect to any portfolio securities, at fair value according to procedures adopted by the Fund's Board of Trustees. A majority of the Fund's assets are valued using market information supplied by third parties. In addition, structured products, including currency linked notes and credit linked notes, as well as interest rate swaps and credit default swaps, are valued using a pricing service or quotes provided by the selling dealer or financial institution. In the event that market quotations are not readily available, the pricing service does not provide a valuation for a particular asset, or the valuations are deemed unreliable, the Fund's Board of Trustees has designated First Trust Advisors L.P. ("First Trust") to use a fair value method to value the Fund's securities and other investments. Additionally, if events occur after the close of the principal markets for particular securities (e.g., domestic debt and foreign securities), but before the Fund values its assets, that could materially affect NAV, First Trust may use a fair value method to value the Fund's securities and other investments. The use of fair value pricing by the Fund is governed by valuation procedures adopted by the Fund's Board of

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Trustees, and in accordance with the provisions of the 1940 Act. Fixed income securities with a remaining maturity of 60 days or more will be valued by the Fund using a pricing service. Short-term investments that mature in less than 60 days are valued at amortized cost.

Portfolio securities listed on any exchange other than the NASDAQ National Market ("NASDAQ") and the London Stock Exchange Alternative Investment Market ("AIM") are valued at the last sale price on the business day as of which such value is being determined. Securities listed on the NASDAQ or the AIM are valued at the official closing price on the business day as of which such value is being determined. If there has been no sale on such day, or no official closing price in the case of securities traded on the NASDAQ or the AIM, the securities are valued at the mean of the most recent bid and ask prices on such day. Portfolio securities traded on more than one securities exchange are valued at the last sale price or official closing price, as applicable, on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities. Portfolio securities traded in the over-the-counter market, but excluding securities trading on the NASDAQ and the AIM, are valued at the closing bid prices.

Foreign securities traded outside the United States are generally valued as of the time their trading is complete, which is usually different from the close of the NYSE. Occasionally, events affecting the value of such securities may occur between such times and the close of the NYSE that will not always be reflected in the computation of the value of such securities. If events materially affecting the value of such securities occur during such period, these securities will be valued at their fair value according to procedures adopted by the Fund's Board of Trustees. All securities and other assets of the Fund initially expressed in foreign currencies will be converted to U.S. dollars using exchange rates in effect at the time of valuation.

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### NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

#### FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND DECEMBER 31, 2008

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective for fiscal years beginning after November 15, 2007. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 became effective for the Fund as of January 1, 2008, the beginning of its current fiscal year. The three levels of the fair value hierarchy under FAS 157 are described below:

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Fund's investments as of December 31, 2008 is included in the Fund's Portfolio of Investments.

B. SECURITIES TRANSACTIONS AND INVESTMENT INCOME:

Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis, including amortization of premiums and accretion of discounts.

Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date; interest income on such securities is not accrued until settlement date. The Fund maintains liquid assets with a current value at least equal to the amount of its when-issued or delayed-delivery purchase commitments. At December 31, 2008, the Fund had no when-issued or delayed-delivery purchase commitments.

C. CREDIT LINKED NOTES:

The Fund invests in credit linked notes. Credit linked notes are securities that are collateralized by one or more designated securities that are referred to as "reference securities". Through the purchase of a credit linked note, the buyer assumes the risk of the default or, in some cases, other declines in credit quality of the reference securities. The buyer also takes on exposure to the issuer of the credit linked note in the full amount of the purchase price of the note. The issuer of a credit linked note normally will have hedged its risk on the reference securities without acquiring any additional credit exposure. The Fund has the right to receive periodic interest payments from the issuer of the credit linked note at an agreed-upon interest rate, and, if there has been no default or, if applicable, other declines in credit quality, a return of principal at the maturity date.

Credit linked notes are subject to credit risk of the reference securities underlying the credit linked notes. If one of the underlying reference securities defaults, or suffers certain other declines in credit quality, the Fund may, instead of receiving repayment of principal in whole or in part, receive the security that has defaulted.

Credit linked notes typically are privately negotiated transactions between two or more parties. The Fund bears the risk that the issuer of the credit linked note will default or become bankrupt. The Fund bears the risk of loss of the principal amount it invested, and the periodic interest payments expected to be received for the duration of its investment in the credit linked note.

The market for credit linked notes may suddenly become illiquid. The other parties to the transaction may be the only investors with sufficient understanding of the derivative to be interested in bidding for it. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for credit linked notes. In certain cases, a market price for a credit linked note may not be available.

D. FORWARD FOREIGN CURRENCY CONTRACTS:

Forward foreign currency contracts are agreements to exchange one currency for another at a future date and at a specified price. The Fund may use 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 on the Statement of Assets and Liabilities. Realized and unrealized gains and losses are included 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 up to the entire contract amount, which may exceed the net unrealized value shown on the Schedule of Forward Foreign Currency Contracts.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008

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 investment securities 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 fluctuations in exchange rates between the initial purchase trade date and subsequent sale trade date is included in "Net realized gain (loss) on foreign currency transactions" on the Statement of Operations.

F. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS:

Level dividend distributions are declared and paid quarterly 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 quarterly distribution, net investment company taxable income, if any (which term includes net short-term capital gain), is less than the amount of the distribution, the difference will generally be a tax-free return of capital distributed from the Fund's assets. Distributions of any net long-term capital gains earned by the Fund are distributed at least annually. Distributions will automatically be reinvested into additional Common Shares pursuant to the Fund's Dividend Reinvestment Plan unless cash distributions are elected by the shareholder.

Distributions from income and capital gains are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterization of distributions made by the Fund. Permanent differences incurred during the year ended December 31, 2008, resulting in book and tax accounting differences, have been reclassified at year end to reflect an increase to accumulated net investment income (loss) of \$57,816, and a decrease in accumulated net realized gain (loss) of \$57,816. Net assets were not affected by these reclassifications.

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The tax character of distributions paid during the years ended December 31, 2008 and December 31, 2007 was as follows:

	2008 -----	2007 -----
Distributions paid from:		
Ordinary Income .....	\$ 6,476,214	\$ 8,313,201
Long-Term Capital Gains ...	493,788	2,375,276
Return of Capital .....	2,227,912	--

As of December 31, 2008, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income .....	\$ --
Net Unrealized Appreciation (Depreciation) ...	(30,949,378)
Accumulated Capital and Other Losses .....	(3,412,090)

## G. INCOME TAXES:

The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended, which includes distributing substantially all of its net investment income and net realized gains to shareholders. Accordingly, no provision has been made for federal or state income taxes.

The Fund intends to utilize provisions of the federal income tax laws, which allows it to carry a realized capital loss forward for eight years following the year of the loss and offset such loss against any future realized capital gains. At December 31, 2008, the Fund had available realized capital losses of \$495,817 to offset future net capital gains through the fiscal year ending 2016.

Certain capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal year ended December 31, 2008, the Fund intends to elect to defer net realized capital losses of \$2,615,927 and foreign currency losses of \$300,346 incurred from November 1, 2008 through December 31, 2008.

In June 2006, FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes". FIN 48 establishes the 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, and is effective for the Fund's current fiscal year. As of December 31, 2008, management has evaluated the application of FIN 48 to the Fund and has determined that no provision for income tax is required in the Fund's financial statements.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008

## H. EXPENSES:

The Fund pays all expenses directly related to its operations.

I. ACCOUNTING PRONOUNCEMENT:

In March 2008, FASB released Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. Management is currently evaluating the impact the adoption of FAS 161 will have on the Fund's financial statement disclosures, if any.

3. INVESTMENT ADVISORY FEE AND OTHER AFFILIATED TRANSACTIONS

First Trust is a limited partnership with one limited partner, Grace Partners of DuPage L.P., and one general partner, The Charger Corporation. First Trust serves as investment advisor to the Fund pursuant to an Investment Management Agreement. First Trust is responsible for the ongoing monitoring of the Fund's investment portfolio, managing the Fund's business affairs and providing certain administrative services necessary for the management of the Fund. For these services, First Trust is entitled to a monthly fee calculated at an annual rate of 1.00% of the Fund's Managed Assets.

Aberdeen Asset Management Inc. (the "Sub-Advisor") serves as the Fund's sub-advisor and manages the Fund's portfolio subject to First Trust's supervision. The Sub-Advisor receives a monthly portfolio management fee calculated at an annual rate of 0.50% of Managed Assets that is paid by First Trust out of its investment advisory fee.

PNC Global Investment Servicing (U.S.) Inc., formerly known as PFPC Inc., an indirect, majority-owned subsidiary of The PNC Financial Services Group, Inc., serves as the Fund's Administrator, Fund Accountant, Transfer Agent and Board Administrator in accordance with certain fee arrangements. PFPC Trust Company, also an indirect, majority-owned subsidiary of The PNC Financial Services Group, Inc., serves as the Fund's Custodian in accordance with certain fee arrangements.

Each Trustee who is not an officer or employee of First Trust, any sub-advisor or any of their affiliates ("Independent Trustees") is paid an annual retainer of \$10,000 per trust for the first 14 trusts of the First Trust Fund Complex and an annual retainer of \$7,500 per trust for each subsequent trust in the First Trust Fund Complex. The annual retainer is allocated equally among each of the trusts. No additional meeting fees are paid in connection with board or committee meetings.

Additionally, the Lead Independent Trustee is paid \$10,000 annually and the Chairman of the Audit Committee is paid \$5,000 annually, with such compensation paid by the trusts in the First Trust Fund Complex and divided among those trusts. Trustees are also reimbursed by the trusts in the First Trust Fund Complex for travel and out-of-pocket expenses in connection with all meetings. Effective January 1, 2008, each of the chairmen of the Nominating and Governance Committee and the Valuation Committee is paid \$2,500 annually to serve in such capacities, with such compensation paid by the trusts in the First Trust Fund Complex and divided among those trusts. Also effective January 1, 2008, the Lead Independent Trustee and each Committee chairman will serve two-year terms. The officers and "Interested" Trustee receive no compensation for serving in such capacities.

4. PURCHASES AND SALES OF SECURITIES

Cost of purchases and proceeds from sales of securities, other than U.S. government obligations and short-term obligations, for the year ended December 31, 2008, were \$80,664,789 and \$76,357,432, respectively.

5. REVOLVING LOAN AGREEMENT

The Fund has entered into a revolving loan agreement with certain lenders, which provides for a credit facility to be used as leverage for the Fund. The credit facility provides for a secured line of credit for the Fund where Fund assets are pledged against advances made to the Fund. Under the requirements of the 1940 Act, the Fund, immediately after any such borrowings, must have an "asset coverage" of at least 300% (33-1/3% of the Fund's total assets after borrowings). The total commitment under the facility is up to \$28,000,000. For the year ended December 31, 2008, the average amount outstanding was \$11,871,585. The high and low annual interest rates during the year ended December 31, 2008, were 5.68% and 2.26%, respectively, and the weighted average interest rate was 3.49%. The interest rate at December 31, 2008 was 2.26%. The Fund also pays a commitment fee of 0.25% per year, which is included in "Interest and fees on loan" on the Statement of Operations. Prior to November 17, 2008, the Fund had in place a revolving loan agreement with a commitment fee of 0.125%. The revolving loan agreement has been extended until November 16, 2009.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008

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. RISK CONSIDERATIONS

Risks are inherent in all investing. The following summarizes some 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, which include a global bond and equity portfolio of investment grade and below-investment grade government and corporate debt securities. 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 bond market, 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

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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.

In 2008, securities markets have been significantly negatively affected by the financial crisis that initially resulted from the downturn in the subprime mortgage market in the United States. The potential impact of the financial crisis on securities markets may prove to be significant and long-lasting and may have a substantial impact on the value of the Fund.

**NON-INVESTMENT GRADE SECURITIES RISK:** The Fund may invest up to 80% of its Managed Assets in non-investment grade securities. Non-investment grade securities are rated below "Baa3" by Moody's Investors Service, Inc., below "BBB-" by Standard & Poor's, or comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Sub-Advisor to be of comparable credit quality. Non-investment grade debt instruments 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 and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for high-yield securities tend to be very volatile, and these securities are less liquid than investment grade debt securities.

**EMERGING MARKETS RISK:** Under normal market conditions, the Fund will invest at least 80% of its Managed Assets in equity or fixed-income securities of issuers located in countries considered to be emerging markets. Investments in such securities are considered speculative. In addition to the general risks of investing in non-U.S. securities, heightened risks of investing in emerging markets securities include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible restrictions on repatriation of investment income and capital. Furthermore, foreign investors may be required to register the proceeds of sales, and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization or creation of government monopolies. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the Fund. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

**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; (ii) reinvestment risk, which is the risk that income from the Fund's portfolio will decline if the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the Fund 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 Fund to reinvest 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 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.

## NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008

NON-U.S. RISK: Investments in the securities and instruments of non-U.S. issuers involve certain considerations and risks not ordinarily associated with investments in securities and instruments of U.S. issuers. Non-U.S. companies are not generally subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. Non-U.S. securities exchanges, brokers and listed companies may be subject to less government supervision and regulation than exists in the United States. Dividend and interest income may be subject to withholding and other non-U.S. taxes, which may adversely affect the net return on such investments. There may be difficulty in obtaining or enforcing a court judgment abroad.

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.

CREDIT LINKED NOTES RISK: The Fund may invest up to 35% of its Managed Assets in credit linked notes. Credit linked notes are subject to credit risk of the reference securities underlying the credit linked notes. If one of the underlying reference securities defaults or suffers certain other declines in credit quality, the Fund may, instead of receiving repayment of principal in whole or in part, receive the security that has defaulted. The Fund also bears the risk that the issuer of the credit linked note will default or become bankrupt. The Fund bears the risk of loss of the principal amount it invested and the periodic interest payments expected to be received for the duration of its investment in the credit linked note.

LEVERAGE RISK: The use of leverage results in additional risks and can magnify the effect of any losses. The funds borrowed pursuant to a leverage borrowing program, or obtained through the issuance of Preferred Shares, constitute a substantial lien and burden by reason of their prior claim against the income of the Fund and against the net assets of the Fund in liquidation. The rights of lenders to receive payments of interest on and repayments of principal on any borrowings made by the Fund under a leverage borrowing program are senior to the rights of holders of Common Shares and the holders of Preferred Shares, with respect to payment of dividends or upon liquidation. If the Fund is not in compliance with certain credit facility provisions, the Fund may not be permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or Preferred Shares or purchase Common Shares or Preferred Shares.

## GOVERNMENT SECURITIES RISK:

The ability of a government issuer, especially in an emerging market country, to make timely and complete payments on its debt obligations will be strongly

influenced by the government issuer's balance of payments, including export performance, its access to international credits and investments, fluctuations of interest rates and the extent of its foreign reserves. A country whose exports are concentrated in a few commodities or whose economy depends on certain strategic imports could be vulnerable to fluctuations in international prices of these commodities or imports. To the extent that a country receives payment for its exports in currencies other than U.S. dollars, its ability to make debt payments denominated in U.S. dollars could be adversely affected. If a government issuer cannot generate sufficient earnings from foreign trade to service its external debt, it may need to depend on continuing loans and aid from foreign governments, commercial banks, and multinational organizations. There are no bankruptcy proceedings similar to those in the United States by which defaulted government debt may be collected. Additional factors that may influence a government issuer's ability or willingness to service debt include, but are not limited to, a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole, and the issuer's policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies to which a government debtor may be subject.

NON-U.S. GOVERNMENT SECURITIES RISK:

Economies and social and political climates in individual countries may differ unfavorably from the United States. Non-U.S. economies may have less favorable rates of growth of gross domestic product, rates of inflation, currency valuation, capital reinvestment, resource self-sufficiency and balance of payments positions. Many countries have experienced extremely high rates of inflation for many years. Unanticipated economic, political and social developments may also affect the values of the Fund's investments and limit the availability of additional investments in such countries. Furthermore, such developments may significantly disrupt the financial markets or interfere with the Fund's ability to enforce its rights against non-U.S. government issuers.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008

A substantial portion of the Fund's Managed Assets are expected to be invested in debt instruments of issuers located in countries considered to be emerging markets, and investments in such securities are considered speculative. Heightened risks of investing in emerging markets government debt include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible repatriation of investment income and capital. Furthermore, foreign investors may be required to register the proceeds of sales and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization or creation of government monopolies. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the Fund. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF TRUSTEES AND SHAREHOLDERS OF FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND:

We have audited the accompanying statement of assets and liabilities of First Trust/Aberdeen Emerging Opportunity Fund (the "Fund"), including the portfolio of investments and schedule of forward foreign currency contracts, as of December 31, 2008, the related statements of operations and cash flows for the year ended and changes in net assets for each of the two years in the period then ended and the financial highlights for the periods presented. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2008, by correspondence with the Fund's custodian and brokers; where replies were not received, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of First Trust/Aberdeen Emerging Opportunity Fund as of December 31, 2008, the results of its operations and its cash flows for the year ended, changes in its net assets for each of the two years in the period then ended, and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America.

[DELOITTE & TOUCHE LLP]

Chicago, Illinois  
February 24, 2009

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ADDITIONAL INFORMATION

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008 (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



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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 PNC Global Investment Servicing (U.S.) 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 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 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 (800) 331-1710, in accordance with such reasonable requirements as the Plan Agent and the Fund may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan, and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions.

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

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

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

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

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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 PNC Global Investment Servicing (U.S.) 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 securities 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 website located at <http://www.sec.gov>.

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### ADDITIONAL INFORMATION - (CONTINUED)

#### FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND DECEMBER 31, 2008 (UNAUDITED)

#### PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("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, Energy Income and Growth Fund, First Trust Enhanced Equity Income Fund, First Trust/Aberdeen Global Opportunity Income Fund, First Trust/FIDAC Mortgage Income Fund, First Trust Strategic High Income Fund, First Trust Strategic High Income Fund II, First Trust/Aberdeen Emerging Opportunity Fund, First Trust Specialty Finance and Financial Opportunities Fund (formerly known as First Trust/Gallatin Specialty Finance and Financial Opportunities Fund) and First Trust Active Dividend Income Fund and Shareholders of the Preferred Shares of First Trust Tax-Advantaged Preferred Income Fund, was held on April 14, 2008. At the Annual Meeting, Trustee Robert F. Keith was elected for a three-year term. The number of votes cast in favor of Mr. Keith was 4,296,839, the number of votes against was 113,648 and the number of abstentions was 1,494,749. James A. Bowen, Richard E. Erickson, Thomas R. Kadlec and Niel B. Nielson are the current and continuing Trustees.

#### NYSE CERTIFICATION INFORMATION

In accordance with Section 303A-12 of the New York Stock Exchange ("NYSE") Listed Company Manual, the Fund's President has certified to the NYSE that, as of May 14, 2008, he was not aware of any violation by the Fund of NYSE corporate governance listing standards. In addition, the Fund's reports to the SEC on Forms N-CSR and N-Q contain certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's public

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disclosure in such reports and are required by Rule 30a-2 under the 1940 Act.

TAX INFORMATION

The Fund hereby designates as qualified dividend income distributions 17.94% of its ordinary income distributions (including short-term capital gains) for the year ended December 31, 2008. None of the ordinary income (including short-term capital gain) distributions made by the Fund during the year ended December 31, 2008, qualify for corporate dividends received deduction available to corporate shareholders.

For the year ended December 31, 2008, the amount of long-term capital gain distributions designated by the Fund was \$493,788, which is taxable at a 15% rate for federal income tax purposes.

The Fund meets the requirements of Section 853 of the Code, and elects to pass through to its shareholders credit for foreign taxes paid. The total amount of income received by the Fund from sources within foreign countries and possessions of the United States is \$7,355,867 (representing a total of \$1.26 per share). The total amount of taxes paid to such countries is \$162,765 (representing a total of \$0.03 per share).

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BOARD OF TRUSTEES AND OFFICERS

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008 (UNAUDITED)

Information pertaining to the Trustees and Officers of the Fund is set forth below.

NAME, ADDRESS, DATE OF BIRTH AND POSITION WITH THE FUND	TERM OF OFFICE AND LENGTH OF SERVICE (1)	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS THE FIRST T FUND COMP OVERSEEN BY
INDEPENDENT TRUSTEES			
Richard E. Erickson, Trustee c/o First Trust Advisors L.P. 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 04/51	- Two Year Term - Since Fund Inception	Physician; President, Wheaton Orthopedics; Co-owner and Co-Director (January 1996 to May 2007), Sports Med Center for Fitness; Limited Partner, Gundersen Real Estate Limited Partnership; Member, Sportsmed LLC	60
Thomas R. Kadlec, Trustee c/o First Trust Advisors L.P. 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/57	- Two Year Term - Since Fund Inception	Senior Vice President and Chief Financial Officer (May 2007 to Present), Vice President and Chief Financial Officer (1990 to May 2007), ADM Investor	60

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Services, Inc. (Futures Commission Merchant); President (May 2005 to Present), ADM Derivatives, Inc.; Registered Representative (2000 to Present), Segerdahl & Company, Inc., a FINRA member (Broker-Dealer)

Robert F. Keith, Trustee - Three Year Term  
 c/o First Trust Advisors L.P. - Since June 2006  
 120 E. Liberty Drive,  
 Suite 400  
 Wheaton, IL 60187  
 D.O.B.: 11/56

President (2003 to Present), Hibs Enterprises (Financial and Management Consulting); President (2001 to 2003), Aramark Management Services LP; President and Chief Operating Officer (1998 to 2003), ServiceMaster Management Services LP

60

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(1) Currently, Robert F. Keith, as a Class I Trustee, is serving as a trustee until the Fund's 2011 annual meeting of shareholders. Richard E. Erickson and Thomas R. Kadlec, as Class II Trustees, are each serving as trustees until the Fund's 2009 annual meeting of shareholders. James A. Bowen and Niel B. Nielson, as Class III Trustees, are each serving as trustees until the Fund's 2010 annual meeting. Officers of the Fund have an indefinite term.

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BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 DECEMBER 31, 2008 (UNAUDITED)

NAME, ADDRESS, DATE OF BIRTH AND POSITION WITH THE FUND	TERM OF OFFICE AND LENGTH OF SERVICE (1)	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS THE FIRST T FUND COMP OVERSEEN BY
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INDEPENDENT TRUSTEES (CONTINUED)			
Niel B. Nielson, Trustee c/o First Trust Advisors L.P. 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 03/54	- Three Year Term - Since Fund Inception	President (June 2002 to Present), Covenant College	60
INTERESTED TRUSTEE			
James A. Bowen (2), Trustee, President, Chairman of the	- Three Year Trustee Term and Indefinite	President, First Trust Advisors L.P. and First	60

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Board and CEO  
 120 E. Liberty Drive,  
 Suite 400  
 Wheaton, IL 60187  
 D.O.B.: 09/55

Officer Term  
 - Since Fund  
 Inception

Trust Portfolios L.P.;  
 Chairman of the Board of  
 Directors, BondWave LLC  
 (Software Development  
 Company/Broker-  
 Dealer/Investment Advisor)  
 and Stonebridge Advisors  
 LLC (Investment Advisor)

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATION DURING PAST 5
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OFFICERS WHO ARE NOT TRUSTEES (3)

Mark R. Bradley 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/57	Treasurer, Controller, Chief Financial Officer and Chief Accounting Officer	- Indefinite Term - Since Fund Inception	Chief Financial Officer Trust Advisors L.P. Trust Portfolios L.P. Financial Officer, BondWave LLC (Software Development Company/Broker-Dealer/ Investment Advisor) and Stonebridge Advisors LLC (Investment Advisor)
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- (1) Currently, Robert F. Keith, as a Class I Trustee, is serving as a trustee until the Fund's 2011 annual meeting of shareholders. Richard E. Erickson and Thomas R. Kadlec, as Class II Trustees, are each serving as trustees until the Fund's 2009 annual meeting of shareholders. James A. Bowen and Niel B. Nielson, as Class III Trustees, are each serving as trustees until the Fund's 2010 annual meeting. Officers of the Fund have an indefinite term.
- (2) Mr. Bowen is deemed an "interested person" of the Fund due to his position as President of First Trust Advisors L.P., investment advisor of the Fund.
- (3) The term "officer" means the president, vice president, secretary, treasurer, controller or any other officer who performs a policy making function.

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BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
 DECEMBER 31, 2008 (UNAUDITED)

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATION DURING PAST 5
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OFFICERS WHO ARE NOT TRUSTEES (3) (CONTINUED)

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<p>James M. Dykas 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 01/66</p>	<p>Assistant Treasurer</p>	<p>- Indefinite Term - Since Fund Inception</p>	<p>Senior Vice President (2007 to Present), Vice President (January 2007 to April 2007), First Trust Advisors L.P. and First Trust Portfolios L.P.; Executive Director (December 2007 to January 2005), Vice President (December 2000 to December 2002), Van Kampen Asset Management and Morgan Investment Management</p>
<p>Christopher Fallow 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 04/79</p>	<p>Assistant Vice President</p>	<p>- Indefinite Term - Since Fund Inception</p>	<p>Assistant Vice President (August 2006 to Present), Associate (January 2006 to August 2006), First Trust Advisors L.P. and First Trust Portfolios L.P.; Municipal Bond Trader (July 2006 to January 2005), BondWave (Software Development Company/Broker-Dealer Advisor)</p>
<p>W. Scott Jardine 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 05/60</p>	<p>Secretary and Chief Compliance Officer</p>	<p>- Indefinite Term - Since Fund Inception</p>	<p>General Counsel, First Trust Advisors L.P. and First Trust Portfolios L.P.; Secretary BondWave LLC (Software Development Company/ Dealer/Investment Advisor) Stonebridge Advisors (Investment Advisor)</p>
<p>Daniel J. Lindquist 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 02/70</p>	<p>Vice President</p>	<p>- Indefinite Term - Since Fund Inception</p>	<p>Senior Vice President (September 2005 to Present), Vice President (April 2005 to September 2005), First Trust Advisors L.P. and First Trust Portfolios L.P.; Chief Operating Officer (January 2004 to April 2004), Capital Management, Operating Officer (April 2004 to January 2004), Sa Asset Management Ser Inc.</p>

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

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BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008 (UNAUDITED)

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NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATION DURING PAST 5
OFFICERS WHO ARE NOT TRUSTEES (3)			
Coleen D. Lynch 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 07/58	Assistant Vice President	- Indefinite Term - Since July 2008	Assistant Vice President (January 2008 to Present), First Trust Advisors First Trust Portfolio Vice President (May 2007 to Present), Van Kester Asset Management and Stanley Investment Management
Kristi A. Maher 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 12/66	Assistant Secretary	- Indefinite Term - Since Fund Inception	Deputy General Counsel (2007 to Present), Assistant General Counsel (May 2007), First Trust Advisors L.P. and First Trust Portfolios L.P.; Assistant Secretary (December 1995 to May 2007), Chapman and Cutler LLP

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

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PRIVACY POLICY

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND  
DECEMBER 31, 2008 (UNAUDITED)

PRIVACY POLICY

The open-end and closed-end funds advised by First Trust Advisors L.P. (each a "Fund") consider your privacy an important priority in maintaining our relationship. We are committed to protecting the security and confidentiality of your personal information.

SOURCES OF INFORMATION

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

- Information we receive from you or your broker-dealer, investment adviser or financial representative through interviews, applications, agreements or other forms;
- Information about your transactions with us, our affiliates or others;
- Information we receive from your inquiries by mail, e-mail or telephone; and

- Information we collect on our website through the use of "cookies." For example, we may identify the pages on our website that your browser requests or visits.

#### INFORMATION COLLECTED

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

#### DISCLOSURE OF INFORMATION

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. The permitted uses include the disclosure of such information to unaffiliated companies for the following reasons:

- In order to provide you with products and services and to effect transactions that you request or authorize, we may disclose your personal information as described above to unaffiliated financial service providers and other companies that perform administrative or other services on our behalf, such as transfer agents, custodians and trustees, or that assist us in the distribution of investor materials such as trustees, banks, financial representatives and printers.
- We may release information we have about you if you direct us to do so, if we are compelled by law to do so, or in other legally limited circumstances (for example to protect your account from fraud).

In addition, in order to alert you to our other financial products and services, we may share your personal information with affiliates of the Fund. Please note, however, that the California Financial Information Privacy Act contains an "opt out" mechanism that California consumers may use to prevent us from sharing nonpublic personal information with affiliates.

#### CONFIDENTIALITY AND SECURITY

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

#### POLICY UPDATES AND INQUIRIES

As required by federal law, we will notify you of our privacy policy annually. We reserve the right to modify this policy at any time; however, if we do change it, we will tell you promptly.

For questions about our policy, or for additional copies of this notice, please contact us at (800) 621-1675.



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[FIRST TRUST LOGO]

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

INVESTMENT SUB-ADVISOR  
Aberdeen Asset Management Inc.  
1735 Market Street  
Philadelphia, PA 19103

ADMINISTRATOR,  
FUND ACCOUNTANT,  
TRANSFER AGENT &  
BOARD ADMINISTRATOR  
PNC Global Investment Servicing (U.S.) Inc.  
301 Bellevue Parkway  
Wilmington, DE 19809

CUSTODIAN  
PFPC Trust Company  
8800 Tinicum Boulevard  
Philadelphia, PA 19153

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

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

## ITEM 2. CODE OF ETHICS.

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

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whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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

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

(a) AUDIT FEES (REGISTRANT) -- The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements were \$41,000 for 2007 and \$44,000 for 2008.

(b) AUDIT-RELATED FEES (REGISTRANT) -- The aggregate fees billed in each of the last two fiscal years, for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of this Item were \$2,600 for 2007 and \$0 for 2008. These fees were for additional audit work.

AUDIT-RELATED FEES (INVESTMENT ADVISER) -- The aggregate fees billed in each of the last two fiscal years of the Registrant for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of this Item were \$2,600 for 2007 and \$0 for 2008. These fees were for additional audit work.

(c) TAX FEES (REGISTRANT) -- The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning to the Registrant were \$0 for 2007 and \$0 for 2008.

TAX FEES (INVESTMENT ADVISER) -- The aggregate fees billed in each of the last two fiscal years of the Registrant for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning to the Registrant's adviser were \$0 for 2007 and \$0 for 2008.

(d) ALL OTHER FEES (REGISTRANT) -- The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the Registrant, other than the services reported in paragraphs (a) through (c) of this Item were \$0 for 2007 and \$0 for 2008.

ALL OTHER FEES (INVESTMENT ADVISER) -- The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the Registrant's investment adviser, other than services reported in paragraphs (a) through (c) of this Item were \$0 for 2007 and \$0 for 2008.

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

Pursuant to its charter and its Audit and Non-Audit Services Pre-Approval Policy, the Audit Committee (the "COMMITTEE") is responsible for the pre-approval of all audit services and permitted non-audit services

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(including the fees and terms thereof) to be performed for the Registrant by its independent auditors. The Chairman of the Committee is authorized to give such pre-approvals on behalf of the Committee up to \$25,000 and report any such pre-approval to the full Committee.

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

- (e) (2) The percentage of services described in each of paragraphs (b) through (d) for the Registrant and the Registrant's investment adviser of this

Item that were approved by the audit committee pursuant to the pre-approval exceptions included in paragraph (c) (7) (i) (c) or paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X are as follows:

(b) 0%

(c) 0%

(d) 0%

- (f) The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.
- (g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the Registrant for 2007 were \$4,350 for the Registrant and \$7,000 for the Registrant's investment adviser, respectively, and for 2008 were \$8,589.90 for the Registrant and \$12,143 for the Registrant's investment adviser, respectively.
- (h) The Registrant's audit committee of its Board of Trustees determined that the provision of non-audit services that were rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

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

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

### ITEM 6. INVESTMENTS.

- (a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.
- (b) Not applicable.

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

The Proxy Voting Policies are attached herewith.

#### ABERDEEN U.S. REGISTERED ADVISERS PROXY VOTING POLICIES AND PROCEDURES

The Advisers have adopted written Proxy Voting Policies and Procedures ("Proxy Procedures"), as required by Rule 206(4)-6 under the Advisers Act, governing conflict of interest resolution, disclosure, reporting and recordkeeping relating to voting proxies.

See SEC Release No. IA-2106 (Jan. 31, 2003). See also, SEC Release No. IC-25922 (Jan. 31, 2003) relating to voting proxies of portfolio securities of registered investment companies. The Proxy Procedures (and related Proxy Voting Guidelines) are attached below.

Under the Proxy Procedures, Aberdeen votes proxies relating to equity portfolio securities in the best interests of clients, unless the client contract specifies that Aberdeen will not vote. Aberdeen seeks to develop relationships with the management of portfolio companies to encourage transparency and improvements in the treatment of shareholders and others. Thus, Aberdeen may engage in dialogue with the management of portfolio companies with respect to pending proxy voting issues. While Aberdeen has written guidelines for certain issues on which votes may be cast, each vote is ultimately cast on a case-by-case basis, taking into consideration the contractual obligations under the respective advisory agreement, and all relevant facts and circumstances at the time of the vote. Aberdeen may cast proxy votes in favor of management's proposals or seek to change the views of management, considering specific issues, as they arise, on their merits.

#### ABERDEEN U.S. REGISTERED ADVISERS PROXY VOTING POLICIES AND PROCEDURES AS OF FEBRUARY 8, 2006

The following are proxy voting policies and procedures ("Policies and Procedures") adopted by affiliated investment advisers registered with the U.S. Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940, as amended ("Advisers Act"), that are subsidiaries of Aberdeen Asset Management PLC ("AAM"); including, specifically, Aberdeen Asset Management Inc., a Delaware Corporation, ("Aberdeen US"), Aberdeen Asset Management Asia Limited, a Singapore Corporation ("Aberdeen Singapore"), Aberdeen Asset Management Limited, an Australian Corporation ("Aberdeen AU"), and Aberdeen Asset Management Investment Services Limited ("AAMISL"), (collectively referred to

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herein as "Aberdeen Advisers" and each an "Aberdeen Adviser") (collectively with AAM, "Aberdeen"). These Policies and Procedures address proxy voting considerations under U.S. law and regulation and under Canadian securities laws. These Policies and Procedures do not address the laws or requirements of other jurisdictions.

Pursuant to a Memorandum of Understanding ("MOU"), Aberdeen Asset Managers Limited ("Aberdeen UK"), a non-US registered adviser, provides advisory resources to certain U.S. clients of Aberdeen Singapore and Aberdeen AU. In addition, Aberdeen UK provides advisory resources to certain U.S. clients of Aberdeen US pursuant to another MOU. Under these MOUs, the affiliates of the Aberdeen Advisers may provide various portfolio management resources, including substantive advice on voting proxies for certain equity securities. To the extent that Aberdeen UK provides advisory services to any clients of Aberdeen US or to U.S. clients of Aberdeen Singapore or Aberdeen AU, Aberdeen UK will be subject to the control and supervision of the registered adviser and will follow these Policies and Procedures as part of providing such advisory services. These Policies and Procedures are adopted to ensure compliance by the Aberdeen Advisers with Rule 206(4)-6 under the Advisers Act and other applicable fiduciary obligations under rules and regulations of the SEC and interpretations of its staff with respect to proxies for voting securities held by client portfolios.

Clients may consist of investment companies registered under the Investment Company Act of 1940, as amended ("1940 Act") ("Funds" and each a "Fund"), and other U.S. residents as well as non-U.S. registered funds or clients. Any Aberdeen Adviser located in the United States follows these Policies and Procedures for each of its respective clients as required under the Advisers Act and other applicable law, unless expressly directed by a client in writing to refrain from voting that client's proxies or to vote in accordance with the client's proxy voting policies and procedures. Aberdeen Advisers who advise or subadvise the Funds follow both these Policies and Procedures and the proxy voting policies and procedures adopted by the Funds and their respective Boards of Directors. Aberdeen Advisers located outside the U.S. may provide proxy voting services to their non-U.S. based clients in accordance with the jurisdiction in which the client is located. Aberdeen .US, Aberdeen Singapore and Aberdeen AU will provide proxy voting services to Canadian investment funds in accordance with National Instrument 81-106 - Investment Fund Continuous Disclosure.

### I. DEFINITIONS

A. "Best interest of clients". Clients' best economic interests over the long term that is, the common interest that all clients share in seeing the value of a common investment increase over time. Clients may have differing political or social interests, but their best economic interest is generally uniform.

B. "Material conflict of interest". Circumstances when an Aberdeen Adviser or any member of senior management, portfolio manager or portfolio analyst knowingly does business with a particular proxy issuer or closely affiliated entity, which may appear to create a material conflict between the interests of the Aberdeen Adviser and the interests of its clients in how proxies of that issuer are voted. A material conflict of interest might also exist in unusual circumstances when Aberdeen has actual knowledge of a material business arrangement between a particular proxy issuer or closely affiliated entity and an affiliate of an Aberdeen Adviser.

### II. GENERAL VOTING POLICIES

A. Client's Best Interest. These Policies and Procedures are designed

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and implemented in a way that is reasonably expected to ensure that proxies are voted in the best interests of clients. Proxies are voted with the aim of furthering the best economic interests of clients, promoting high levels of corporate governance and adequate disclosure of company policies, activities and returns, including fair and equal treatment of stockholders.

B. Shareholder Activism. Aberdeen Advisers seek to develop relationships with the management of portfolio companies to encourage transparency and improvements in the treatment of employees, owners and stakeholders. Thus, Aberdeen Advisers may engage in dialogue with the management of portfolio companies with respect to pending proxy voting issues.

C. Case-by-Case Basis. These Policies and Procedures are guidelines. Each vote is ultimately cast on a case-by-case basis, taking into consideration the contractual obligations under the advisory agreement or comparable document, and all other relevant facts and circumstances at the time of the vote. Aberdeen Advisers may cast proxy votes in favor of management proposals or seek to change

the views of management, considering specific issues as they arise on their merits. Aberdeen Advisers may also join with other investment managers in seeking to submit a shareholder proposal to a company or to oppose a proposal submitted by the company. Such action may be based on fundamental, social, environmental or human rights grounds.

D. Individualized. These Policies and Procedures are tailored to suit Aberdeen's advisory business and the types of securities portfolios Aberdeen Advisers manage. To the extent that clients (e.g., investment companies, corporations, pension plans) have adopted their own procedures, Aberdeen Advisers may vote the same securities differently depending upon clients' directions.

E. Material Conflicts of Interest. Material conflicts are resolved in the best interest of clients. When a material conflict of interest between an Aberdeen Adviser and its respective client(s) is identified, the Aberdeen Adviser will choose among the procedures set forth in Section IV.B.2. below, to resolve such conflict.

F. Limitations. The circumstances under which Aberdeen may take a limited role in voting proxies, include the following:

1. No Responsibility. Aberdeen Advisers will not vote proxies for client accounts in which the client contract specifies that Aberdeen will not vote. Under such circumstances, the clients' custodians are instructed to mail proxy material directly to such clients.

2. Limited Value. Aberdeen Advisers may abstain from voting a client proxy if the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant. Aberdeen Advisers may also abstain from voting the proxies of portfolio companies held in their passively managed funds. Proxies with respect to securities that have been sold before the date of the shareholders meeting and are no longer held by a client generally will not be voted.

3. Unjustifiable Costs. Aberdeen may abstain from voting a client proxy for cost reasons (e.g., non-U.S. securities).

4. Securities Lending Arrangements. If voting securities are part of a securities lending program, Aberdeen may be unable to vote while the securities are on loan.

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5. Share Blocking. Certain jurisdictions may impose share blocking restrictions at various times which may prevent Aberdeen from exercising its voting authority.

6. Special Considerations. Aberdeen's responsibilities for voting proxies are determined generally by its obligations under each advisory contract or similar document. If a client requests in writing that an Aberdeen Adviser vote its proxy in a manner inconsistent with these Policies and Procedures, Aberdeen may follow the client's direction or may request that the client vote the proxy directly.

G. Sources of Information. Aberdeen may conduct research internally and/or use the resources of an independent research consultant. Aberdeen may consider legislative materials, studies of corporate governance and other proxy voting issues, and/or analyses of shareholder and management proposals by a certain sector of companies, e.g., Fortune 500 companies.

H. Subadvisers. To the extent that an Aberdeen Adviser may rely on subadvisers, whether affiliated or unaffiliated, to manage any client portfolio on a discretionary basis, the Aberdeen Adviser will delegate responsibility for voting proxies to the subadviser. However, such subadvisers will be required either to follow these Policies and Procedures or to demonstrate that their proxy voting policies and procedures are consistent with these Policies and Procedures or otherwise implemented in the best interests of Aberdeen clients.

I. Availability of Policies and Procedures. Aberdeen Advisers will provide clients with a copy of these Policies and Procedures, as revised from time to time, upon request.

J. Disclosure of Vote. As disclosed in Part II of each Aberdeen Adviser's Form ADV, a client may obtain information on how its proxies were voted by requesting such information from its Aberdeen Adviser. Aberdeen Advisers do not generally disclose client proxy votes to third parties, other than as required for Funds, unless specifically requested, in writing, by the client.

### III. SPECIFIC VOTING POLICIES

#### A. General Philosophy.

- o Support existing management on votes on the financial statements of a company and the election of the Board of Directors;

- o Vote for the acceptance of the accounts unless there are grounds to suspect that either the accounts as presented or audit procedures used, do not present an accurate picture of company results; and

- o Support routine issues such as the appointment of independent auditors, allocation of income and the declaration of stock (scrip) dividend proposals provided there is a cash alternative.

B. Anti-takeover Measures. Aberdeen Advisers vote on anti-takeover measures on a case-by-case basis taking into consideration such factors as the long-term financial performance of the target company relative to its industry competition. Key measures of performance will include the growth rates for sales, operating income, net income and total shareholder returns. Other factors which will be considered include margin analysis, cash flow and debt levels.

C. Proxy Contests for Control. Aberdeen Advisers vote on proxy contests for control on a case-by-case basis taking into consideration such factors as long-term financial performance of the target company relative to its industry,

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management's track record, background to the proxy contest, qualifications of director nominees, evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met, and stock ownership positions.

D. Contested Elections. Aberdeen Advisers vote on contested elections on a case-by-case basis taking into consideration such factors as the qualifications of all director nominees. Aberdeen Advisers also consider the independence of board and key committee members and the corporate governance practices of the company.

E. Executive compensation proposals. Aberdeen Advisers consider such proposals on a case-by-case basis taking into consideration such factors as executive pay and spending perquisites, particularly in conjunction with sub-par performance and employee layoffs.

F. Shareholder Proposals. Aberdeen Advisers consider such proposals on a case-by-case basis. Aberdeen Advisers support those proposals which will improve the company's corporate governance or business profile at a reasonable cost, but may oppose proposals which result in significant cost being incurred with little or no benefit to the company or its shareholders.

#### IV. PROXY VOTING PROCEDURES

This section applies to each Aberdeen Adviser except to the extent that certain procedures are identified as applicable only to a specific Aberdeen Adviser.

A. Obtain Proxy. Registered owners of record, e.g., trustees or custodian banks, that receive proxy materials from the issuer or its information agent, are instructed to sign physical proxy cards in blank and forward directly to the relevant Aberdeen Adviser's designated proxy administrator ("PA"). Proxies may also be delivered electronically by custodians using proxy services such as ProxyEdge. Each proxy received is matched to the securities to be voted.

#### B. Material Conflicts of Interest.

1. Identify the existence of any material conflicts of interest relating to the securities to be voted or the issue at hand. Portfolio managers and research analysts ("Analysts") and senior management of each Aberdeen Adviser have an affirmative duty to disclose to the relevant proxy committees any personal conflicts such as officer or director positions held by them, their spouses or close relatives in the portfolio company or attempts by the portfolio company to exert influence over such person with respect to their vote. Conflicts based on business relationships or dealings of affiliates of any Aberdeen Adviser will only be considered to the extent that the Aberdeen Adviser has actual knowledge of such business relationships.

2. When a material conflict of interest between an Aberdeen Adviser's interests and its clients' interests appears to exist, the Aberdeen Adviser may choose among the following options to eliminate such conflict: (1) vote in accordance with these Policies and Procedures if it involves little or no discretion; (2) vote as recommended by a third party service if the Aberdeen Adviser utilizes such a service; (3) "echo vote" or "mirror vote" the proxies in the same proportion as the votes of other proxy holders that are not Aberdeen clients; (4) if possible, erect information barriers around the person or persons making voting decisions sufficient to insulate the decision from the conflict; (5) if practical, notify affected clients of the conflict of interest and seek a waiver of the conflict;



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or (6) if agreed upon in writing with the client, forward the proxies to affected clients allowing them to vote their own proxies.

C. Analysts. The PA for each Aberdeen Adviser will ensure that each proxy statement is directed to the appropriate Analyst. If a third party recommendation service has been retained, the relevant PA will forward the proxy statement to the Analyst with the recommendation highlighted. The Analyst will determine whether to vote as recommended by the service provider or to recommend an alternative and shall advise the PA. The Analyst may consult with the PA as necessary. If the Analyst recommends voting against the third party recommendation, he or she is responsible for documenting the reasons for such

recommendation and that no conflict of interest influenced such recommendation. If no third party recommendation service is utilized or if no recommendation is provided, the Analyst is responsible for documenting the rationale for his or her vote recommendation.

D. Vote. The following describes the breakdown of responsibilities between the designated PA and the Proxy Committee ("PC") of each Aberdeen Adviser in voting portfolio securities and the extent to which the Aberdeen Advisers rely on third party service providers.

### 1. Aberdeen US Clients

The designated PA for Aberdeen US ("PA-US"), and the designated PA for Aberdeen UK ("PA-UK"), are responsible for ensuring that votes for Aberdeen US clients are cast and cast in accordance with these Policies and Procedures. The PA-US is primarily responsible for administering proxy votes for the

funds which are sub-advised by Aberdeen US, the US closed-end Funds for which Aberdeen Singapore is the Manager, and the Canadian investment funds.

Responsibility for considering the substantive issues relating to any vote and for deciding how shares will be voted resides with the relevant Analyst whether located in Aberdeen US, Aberdeen UK, Aberdeen AU or Aberdeen Singapore. Under Aberdeen-US's MOU with Aberdeen Singapore, the relevant Analyst for Far East equity securities will generally reside in Aberdeen Singapore.

In the event that a material conflict of interest is identified by any Analyst, whether in Aberdeen US, Aberdeen UK, Aberdeen AU, Aberdeen Singapore, or AAMISL, decisions on how to vote will be referred to the Aberdeen US proxy committee ("PC-US/UK"). Under Aberdeen US's MOU with Aberdeen UK, the PC-US/UK is headquartered in Scotland, and includes the Chief Investment Officer or Deputy Chief Investment Officer, the head of the Socially Responsible Investing ("SRI") Team and a member of the Compliance team. The PC-US/UK meets as needed to consider material conflicts of interest or any other items raising unique issues. If the PC-US/UK determines that there is no material conflict of interest, the vote recommendation will be forwarded to the appropriate proxy administrator, either the PA-US or PA-UK. If a material conflict of interest is identified, the PC-US/UK will follow the conflict of interest procedures set forth in Section IV.B.2., above.

Aberdeen US has engaged ProxyEdge, a third party service provider, to cast votes electronically for certain clients and to maintain records of such votes electronically. The Phoenix Funds, sub-advised by Aberdeen US, require electronic voting through

ProxyEdge. Custodians for certain other clients also provide the PA-US with access to ProxyEdge. Pursuant to the MOU, Aberdeen UK votes proxies for certain U.S. clients of Aberdeen US. Aberdeen UK has engaged Institutional Shareholder Services ("ISS"), a third party service provider, to provide (1) notification of impending votes; (2) research into non-routine votes, including shareholder resolutions; (3) voting recommendations which may be viewed on-line; and (4) web-based voting. In the absence of any material conflict of interest, Aberdeen US may either vote in accordance with the ISS recommendation or decline to follow the ISS recommendation based on its own view of the agenda item provided that decisions to vote contrary to the ISS recommendation are documented as set forth in Section IV.C., above. For clients on the ISS system, votes are automatically entered in accordance with ISS recommendations unless the PA-UK expressly changes the vote prior to the voting deadline with appropriate analyst documentation. In the event of a material conflict of interest, Aberdeen US will follow the procedures outlined in Section IV.B.2, above.

## 2. Aberdeen Singapore Clients

Aberdeen AU and Aberdeen Singapore are responsible for deciding how to vote for the US closed-end Funds and the Canadian investment funds and will instruct the PA-US Aberdeen US accordingly. The PA-US shall ensure that the votes are cast and cast in accordance with the relevant Proxy Voting Policy and Procedure of the relevant Fund. The PA-US uses ProxyEdge to electronically cast votes for the Funds and to maintain electronic records of the votes cast.

Responsibility for considering the substantive issues relating to any Fund vote and for deciding how the shares will be voted resides with relevant equity and/or fixed income Analyst. The relevant analyst may be a member of the Fund portfolio management team in Aberdeen Singapore, Aberdeen AU, Aberdeen UK, or AAMISL. In the event that a material conflict of interest is identified, decisions on how to vote will be referred to the proxy committee ("PC-Asia") located in Singapore and Australia, comprised of a representative from each of equity fund management, fixed income fund management and compliance teams respectively. The PC-Asia meets as needed to consider a material conflict of interest or any other items raising unique issues. If the PC-Asia determines there is no material conflict of interest, the vote recommendation will be forwarded to the PA-US to be cast. If a material conflict of interest is identified, the PC-Asia will follow the conflict of interest procedures set forth in Section IV.B.2., above, and in the Aberdeen Funds Proxy Voting Policy and Procedures.

E. Review. Each designated PA is responsible for ensuring that proxy materials are received in a timely manner and reconciled against holdings on the record date of client accounts over which the Aberdeen Adviser has voting authority to ensure that all shares held on the record date, and for which a voting obligation exists, are voted.

## V. DOCUMENTATION, RECORDKEEPING AND REPORTING REQUIREMENTS

A. Documentation. The Aberdeen PAs are responsible for:

1. Implementing and updating these Policies and Procedures;
2. Overseeing the proxy voting process;
3. Consulting with portfolio managers/analysts for the relevant portfolio security; and

4. Maintaining manual proxy voting records, if any, and overseeing and reviewing voting execution and recordkeeping by third party providers such as ISS and ProxyEdge.

B. Record Keeping.

1. Each Aberdeen Adviser maintains or procures the maintenance of records of all proxies it has voted. As permitted by Rule 204-2(c), electronic proxy statements and the record of each vote cast by each client account of Aberdeen US will be maintained by either ISS and Proxy Edge, depending on the client account. Similarly, electronic proxy statements and the record of each vote cast by each U.S. client account of Aberdeen Singapore will be maintained by Proxy Edge.

A US Fund's proxy voting record must be filed with the SEC on Form N-PX. Form N-PX must be completed and signed in the manner required, containing a fund's proxy voting record for the most recent twelve-month period ended June 30th (beginning August 31, 2004). If an Aberdeen Adviser delegates this reporting responsibility to a third party service provider such as ISS or Proxy Edge, it will ensure that the third party service provider files Form N-PX accordingly. Aberdeen US shall obtain and maintain undertakings from both ISS and Proxy Edge to provide it with copies of proxy voting records and other documents relating to its clients' votes promptly upon request. Aberdeen Advisers, ISS and Proxy Edge may rely on the SEC's EDGAR system to keep records of certain proxy statements if the proxy statements are maintained by issuers on that system (e.g., large U.S.-based issuers).

2. As required by Rule 204-2(c), such records will also include: (a) a copy of the Policies and Procedures; (b) a copy of any document created by the Aberdeen Adviser that was material to making a decision on how to vote proxies on behalf of a client or that memorializes the basis for that decision; and (c) each written client request for proxy voting records and the Aberdeen Adviser's written response to any (written or oral) client request for such records.

3. Duration. Proxy voting books and records will be maintained in an easily accessible place for a period of five years, the first two in an appropriate office of the Aberdeen Adviser.

C. Reporting. For US Funds, Aberdeen US, Aberdeen AU, Aberdeen Singapore, and AAMISL will initially inform clients of these Policies and Procedures by summary disclosure in Part II of their respective Forms ADV. Upon receipt of a client's request for more information, Aberdeen US, Aberdeen AU, Aberdeen Singapore, and AAMISL will provide to the client a copy of these Policies and Procedures and/or, in accordance with the client's stated requirements, how the client's proxies were voted during the period requested subsequent to the adoption of these Policies and Procedures. Such periodic reports, other than those required for the US closed-end Funds, will not be made available to third parties absent the express written request of the client. However, to the extent that any Aberdeen Adviser may serve as a subadviser to another adviser to a Client, such Aberdeen Adviser will be deemed to be authorized to provide proxy -voting records on such Client accounts to such other adviser.

For Canadian investment funds, Aberdeen US, Aberdeen AU and Aberdeen Singapore will assist in preparing annual proxy voting records for the period ending June 30 of each year and will post an annual proxy voting record on each Canadian investment fund's website no later than August 31 of each year. Upon receipt of a client or securityholder's request, Aberdeen US, Aberdeen AU or

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Aberdeen Singapore will make available a copy of these Policies and Procedures and the Canadian investment fund's proxy voting record, without charge, to any client or securityholder upon a request made by the client or securityholder after August 31.

D. Review of Policies and Procedures. These Policies and Procedures will be subject to review on a periodic basis as deemed appropriate by the Aberdeen Advisers. Any questions regarding the Policies and Procedures should be directed to the Compliance Department of the respective Aberdeen Adviser. Each Compliance Department maintains information regarding the PA and the PC for the respective Aberdeen Adviser.

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

#### (A) (1) IDENTIFICATION OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS AND DESCRIPTION OF ROLE OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS

Aberdeen Asset Management Inc. (the "Sub-Adviser"), serves as the investment sub-adviser for the Registrant. As of December 31, 2008, the management team operates in an open-plan environment with collective responsibility for investment decisions and ideas. Investment decisions are typically made by the team as a whole and not by any one individual. By making team decisions, the team seeks to ensure that the investment process results in consistent returns across all portfolios with similar objectives.

The Sub-Adviser is a wholly owned subsidiary of Aberdeen Asset Management PLC. The Sub-Adviser may, as needed, use the resources of its parent, Aberdeen Asset Management PLC and its parent's wholly owned subsidiaries (collectively "Aberdeen") for implementing certain portfolio transactions and for providing research services. Aberdeen's investment managers combine the roles of analysis with portfolio management. Each member of the team has sector and portfolio responsibilities such as day-to-day monitoring of liquidity. The overall result of this matrix approach is a high degree of cross-coverage. Every task undertaken by any individual, be it research, portfolio management or client responsibility, has a dedicated alternate.

##### 1. DEVAN KALOO

###### HEAD OF EMERGING MARKET EQUITY FOR THE ABERDEEN GROUP

Mr. Kaloo is responsible for the London-based Global Emerging Market ("GEM") Equity Team, which manages Latin America, Europe, Middle East and Africa equities, and also has oversight of global emerging market input from the Asia research team based in Singapore, with which he works closely. Mr. Kaloo began his career at Martin Currie in Edinburgh shortly after graduation, working initially on the North American desk before transferring to the global asset allocation team. Mr. Kaloo moved off the global asset allocation team in 1997, and for the next three years, he worked on Asian portfolios before joining Murray Johnstone in Singapore in July 2000. Following the latter's acquisition, he transferred to the Aberdeen Group where he was responsible for the Asian ex Japan region as well as regional portfolios within emerging market mandates and technology stocks. Mr. Kaloo took his current position in July 2005. Mr. Kaloo graduated with an MA (Hons) in Management and International Relations from St. Andrews University in Scotland and holds a postgraduate degree in Investment Analysis from Stirling University, also in Scotland.

##### 2. JOANNE IRVINE

###### HEAD OF GEM EQUITY TEAM EX ASIA

Ms. Irvine is on the GEM Equity Team, where she specializes in the emerging markets of Europe, Africa and the Middle East. After qualifying as a chartered accountant in 1992, she worked in corporate finance, specializing in raising development capital finance for private businesses. In January 1996, Ms. Irvine joined the Aberdeen Group in a group development role. Since May 1997, Ms.

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Irvine has been part of Aberdeen's emerging markets fund management group in London.

### 3. ANDY BROWN

INVESTMENT MANAGER, GEM EQUITY TEAM

Mr. Brown is an assistant investment manager on the emerging markets ex Asia desk. He graduated from the University of St. Andrews with BSc in Geography in June 2003. Prior to joining Aberdeen in March 2005, Mr. Brown worked in the oil field consumables industry in the United Arab Emirates.

### 4. BRETT DIMENT

HEAD OF EMERGING MARKET DEBT

Mr. Diment joined Deutsche Asset Management Group Limited ("Deutsche") in 1991 as a member of the fixed-income group and became head of the emerging market debt team at Deutsche in 1999. Mr. Diment joined Aberdeen following the Deutsche acquisition in 2005 and is now responsible for the day-to-day management of the emerging market debt team and portfolios.

### 5. MAX WOLMAN

PORTFOLIO MANAGER, EMERGING MARKET DEBT

Mr. Wolman joined Aberdeen in January 2001 and is portfolio manager on the Global Emerging Market Debt mandates. Mr. Wolman originally specialized in currency and domestic debt analysis; however, he is now responsible for wider emerging debt analysis, including external and corporate issuers. He is a member of the Emerging Markets Debt investment committee at Aberdeen and is also responsible for the daily implementation of the investment process.

#### (A) (2) OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBER AND POTENTIAL CONFLICTS OF INTEREST

##### OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBER

The information in the table below is as of December 31, 2008 (assets in millions).

NAME OF PORTFOLIO MANAGER OR TEAM MEMBER	TYPE OF ACCOUNTS***	TOTAL # OF ACCOUNTS MANAGED	TOTAL ASSETS
1. DEVAN KALOO	Registered Investment Companies:	1	\$88.9
	Other Pooled Investment Vehicles:	12	\$3,336.9
	Other Accounts:	35	\$3,924.8
2. JOANNE IRVINE	Registered Investment Companies:	1	\$88.9
	Other Pooled Investment Vehicles:	10	\$3,205.5
	Other Accounts:	28	\$3,435.0
3. ANDY BROWN	Registered Investment Companies:	1	\$88.9
	Other Pooled Investment Vehicles:	10	\$3,205.5
	Other Accounts:	28	\$3,435.0
4. BRETT DIMENT	Registered Investment Companies:	3	\$264.0
	Other Pooled Investment Vehicles:	10	\$1,262.9
	Other Accounts:	14	\$1,852.6

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5. MAX WOLMAN	Registered Investment Companies:	3	\$264.0
	Other Pooled Investment Vehicles:	10	\$1,262.9
	Other Accounts:	14	\$1,852.6

### POTENTIAL CONFLICTS OF INTERESTS

The Sub-Adviser believes that there are no material conflicts of interest in connection with any Portfolio Manager's management of the Registrant's investments and investments of other accounts. The Sub-Adviser has adopted the CFA Institute Code of Ethics and Standards of Professional Conduct and adherence by all employees is mandatory. All employees are expected to avoid any employment, associations or business activities, including personal investments, that interfere with their duties to Aberdeen, divide their loyalty or create or appear to create a conflict of interest. Employees must promptly report any situation or transaction involving an actual or potential conflict of interest to the Compliance Officer.

With regards to allocation, the Sub-Adviser has adopted Best Execution, Soft Dollar, Order Aggregation, and Trade Allocation Policies & Procedures designed among other things to ensure fair treatment of all accounts.

The Sub-Adviser aggregates orders so as to realize the benefits of larger block orders. When executing aggregated orders, it seeks to allocate opportunities to all clients in a consistent manner. Most portfolios are managed to a model based on common attributes to a benchmark with low dispersion between accounts and benchmarks. This is accomplished through the calculation of a 'median account' with this median account becoming the model portfolio. Certain situations such as new portfolio fundings, unique guideline restrictions and the fungability of certain security types may cause us to adjust our weightings. However over time, we expect to minimize the dispersion of account holdings around the model portfolio.

### New Issue Allocation

The Sub-adviser seeks to allocate new issue opportunities to all clients in a consistent manner.

New issue opportunities are allocated according to the following factors:

1. All portfolios are ranked based on their account composition versus their benchmark. The portfolio management team will set a minimum acceptable position size (in terms of percent of market value) for the security.
2. Next, we define the target percentage for our LAB portfolios, depending on the characteristics of the security or the percentage of the account based on that securities' contribution to duration and the current composition of each account.
3. For portfolios with a benchmark other than LAB, we may adjust the target allocation to reflect the characteristics of the non-LAB benchmark.
4. We then determine our desired total par value and give our indication of interest.
5. If our order is completely filled, we will allocate according to the steps outlined above. If we are allotted a significant percentage of our order (typically 70% or more), we will allocate pro-rata based on the initial allocation developed from the steps outlined above. If we are not allotted a significant percentage of our order, we will remove the non-LAB benchmark adjustments and allocate pro-rata based on market value of participating

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accounts. If this continues to result in accounts receiving less than the minimum target position size, the least deserving accounts (defined as those accounts that are closest to the model account) will be eliminated from the allocation.

### Batch Transaction and Allocation Policy - Equity

Where practicable, all client portfolio orders for the same security should be combined or "batched" and executed as block transactions in order to facilitate best execution as well as for the purpose of negotiating more favorable brokerage commissions. Where a block trade is executed for a number of client accounts, the average execution price on all of the purchases and sales that are aggregated to this purpose should be used for all accounts.

If an entire block is not fully executed on the same day, an allocation method should be administered that is fair and reasonable to all clients. If it is not practicable to allocate the executed portion of the block on a pro rata basis, allocation may be done on a random account basis (alphabetically, numerically, or otherwise), but any procedure administered should not operate to consistently favor or disfavor the same client accounts. If any method is to be used other than a pro rata method, the manner in which the shares are to be allocated should be documented, disclosed and signed off by the Chief Compliance Officer.

### (A) (3) COMPENSATION STRUCTURE OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS

Each Aberdeen Group member recognizes the importance of compensation in attracting and retaining talent and has structured remuneration to include an attractive base salary, a discretionary bonus that is directly linked to one's contribution to the overall success of the Aberdeen Group member and a long term incentive plan for key staff members comprised of a mixture of cash, options, and shares. Overall compensation packages are designed to be competitive relative to investment management industry standards.

The compensation policy has been designed to deliver additional rewards through appropriate incentive schemes, both annual and long term. These are directly linked to performance at both a corporate and an individual level. The policy seeks to reward performance in a manner which aligns the interests of clients, shareholders and executives.

Each Aberdeen Group member recognizes that any remuneration policy must be sufficiently flexible to take account of any changes in the business environment. In accordance with this need for flexibility, the Aberdeen Group takes into account the overall competitiveness of the total remuneration package of all senior executives including some portfolio managers. When justified by performance, the 'at risk' performance elements will form the most significant element of total remuneration for executive directors and senior employees.

#### Base Salary.

The base salary is determined by prevailing market conditions and the compensation for similar positions across the industry. The Aberdeen Group uses industry compensation surveys as a tool in determining each portfolio manager's base salary.

#### Annual Bonus.

The Aberdeen Group's policy is to recognize corporate and individual achievements each year through an appropriate bonus scheme. The aggregate incentive compensation pool each year is determined by the Board of the parent company, Aberdeen PLC, and is dependent on each member of the Aberdeen Group's overall performance and profitability. The pool is comprised of a base level

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plus an agreed proportion of each member of the Aberdeen Group's profitability.

Staff performance is reviewed formally once a year, with mid-term reviews. The review process looks at all of the ways in which an individual has contributed to the Aberdeen Group, and specifically, in the case of portfolio managers, to the relevant investment team. Discretionary bonuses are based on a combination of both the team and the individual's performance. Overall participation in team meetings, generation of original research ideas and contribution to presenting the team externally are also evaluated. Discretionary bonuses are not formally laid down and generally range from 10% to 50% of annual salary for portfolio managers.

In the calculation of a portfolio manager's bonus, the Aberdeen Group takes into consideration investment matters (which include the performance of funds, adherence to the company investment process, and quality of company meetings) as well as more subjective issues such as team participation and effectiveness at client presentations. The split between the two will vary but generally around 80% of bonus will be determined by investment related matters, the remaining 20% will be more subjective in nature. Each Fund's performance is judged against the benchmark as established in the relevant Fund's most recent shareholder report. Portfolio manager performance on investment matters is judged over all of the accounts the portfolio manager contributes to and is documented in the appraisal process. A combination of the team's and individual's performance is considered.

Although performance is not a substantial portion of a portfolio manager's compensation, the Aberdeen Group also recognizes that fund performance can often be driven by factors outside one's control, such as (irrational) markets, and as such pays attention to the effort by portfolio managers to ensure integrity of our core process by sticking to disciplines and processes set, regardless of momentum and 'hot' themes. Short-terming is thus discouraged and trading-oriented managers will thus find it difficult to thrive in the Aberdeen Group's environment. Additionally, if any of the aforementioned undue risks were to be taken by a portfolio manager, not only would the portfolio manager be in breach of the Aberdeen Group Code of Ethics, but any such trend would be identified via Aberdeen's dynamic compliance monitoring system.

### Long Term Incentives.

As part of an effective remuneration package, a long term incentive plan is used to structure the package so as to retain, motivate, and reward key staff members with a view to improving performance and thereby increasing the value of the Aberdeen Group for the benefit of shareholders. Long-term incentive plans can be either cash or share based and typically vest over a three year period.

The Aberdeen Group offers a meritocracy and a very flat management structure. The culture of the company is entrepreneurial, and enthusiastic, hard-working and talented employees are given plenty of opportunity to prove themselves and obtain a high level of job satisfaction.

The Aberdeen Group does not "tie in" portfolio managers with long-term and restrictive contractual obligations, however. The Aberdeen Group aims to retain key individuals primarily through the provision of competitive compensation and other benefits. It is the policy of the Aberdeen Group to mitigate the effects of any individual leaving the company by ensuring that portfolios are managed on a team basis.

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

The information below is as of December 31, 2008:

NAME OF PORTFOLIO MANAGER	DOLLAR (\$) RANGE OF
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OR	FUND SHARES
TEAM MEMBER	BENEFICIALLY OWNED
Devan Kaloo	\$0
Joanne Irvine	\$0
Andy Brown	\$0
Brett Diment	\$0
Max Wolman	\$0

(B) Not applicable.

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

REGISTRANT PURCHASES OF EQUITY SECURITIES

REGISTRANT PURCHASES OF EQUITY SECURITIES

PERIOD	(A) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED	(B) AVERAGE PRICE PAID PER SHARE (OR UNIT)	(C) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(D) MAXIMUM DOLLAR VALUE THAT MAY Y P
Month #1 (identify beginning and ending dates)	N/A			
Month #2 (identify beginning and ending dates)	N/A			
Month #3 (identify beginning and ending dates)	N/A			
Month #4 (identify beginning and ending dates)	N/A			
Month #5 (identify beginning and ending dates)	N/A			
Month #6 (identify beginning and ending dates)	13,450	\$9.1695	13,450	
Total	36,598	\$9.8355	50,048	
	50,048	\$9.6565	50,048	

On November 17, 2008, the Registrant announced that the Board of Trustees of the Registrant had approved a share repurchase program whereby the Registrant may purchase up to 708,628 of its outstanding common shares (12% on November 17,

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2008). The share repurchase program will continue until the earlier of (i) the repurchase of up to 12% of the Fund's current outstanding common shares, or (ii) May 17, 2009.

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

### SIGNATURES

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

(registrant) FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND

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

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

Date 2/26/09  
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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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

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

Date 2/26/09  
-----

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

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

Date 2/26/09  
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\* Print the name and title of each signing officer under his or her signature.