

FIRST TRUST SPECIALTY FINANCE & FINANCIAL OPPORTUNITIES FUND

Form N-Q

April 27, 2009

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-22039

FIRST TRUST SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND  
(Exact name of registrant as specified in charter)

120 East Liberty Drive, Suite 400  
WHEATON, IL 60187  
(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.  
First Trust Portfolios L.P.  
120 East Liberty Drive, Suite 400  
WHEATON, IL 60187  
(Name and address of agent for service)

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

Date of fiscal year end: NOVEMBER 30

Date of reporting period: FEBRUARY 28, 2009

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q 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 the 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. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

FIRST TRUST SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND  
PORTFOLIO OF INVESTMENTS (A) (B)

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FEBRUARY 28, 2009 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
COMMON STOCKS - 124.1%		
CAPITAL MARKETS - 78.8%		
436,806	Apollo Investment Corp. ....	\$ 1,804,008
1,088,333	Ares Capital Corp. ....	3,917,999
690,000	BlackRock Kelso Capital Corp. ....	2,587,500
508,000	Gladstone Capital Corp. ....	3,352,800
183,333	Gladstone Investment Corp. ....	740,665
50,500	GSC Investment Corp. ....	100,495
506,205	Hercules Technology Growth Capital, Inc. ....	2,191,868
50,000	Highland Distressed Opportunities, Inc. ....	99,500
571,667	Kohlberg Capital Corp. ....	1,120,467
8,875	Main Street Capital Corp. ....	89,638
432,000	MCG Capital Corp. ....	328,320
655,000	MVC Capital, Inc. ....	5,207,250
351,737	NGP Capital Resources Co. ....	2,131,526
600,000	Patriot Capital Funding, Inc. ....	1,080,000
600,000	PennantPark Investment Corp. ....	1,800,000
705,152	Prospect Energy Corp. ....	5,704,680
475,485	TICC Capital Corp. ....	1,445,474
		33,702,190
DIVERSIFIED FINANCIAL SERVICES - 10.9%		
47,800	Compass Diversified Holdings ....	421,118
238,300	Fifth Street Finance Corp. ....	1,615,674
15,111	Financial Federal Corp. ....	287,109
459,504	Medallion Financial Corp. ....	2,343,470
		4,667,371
REAL ESTATE INVESTMENT TRUSTS (REITS) - 34.4%		
350,000	Annaly Capital Management, Inc. ....	4,865,000
260,000	Arbor Realty Trust, Inc. ....	150,800
63,789	Capital Trust, Inc. - Class A ....	106,528
192,307	Cypress Sharpridge Investments, Inc. (c) (d) ....	2,419,222
259,900	Gramercy Capital Corp. ....	197,524
133,195	Hatteras Financial Corp. (c) ....	3,176,701
180,000	iStar Financial, Inc. ....	252,000
297,000	MFA Financial, Inc. ....	1,704,780
874,918	NorthStar Realty Finance Corp. ....	1,784,833
80,600	RAIT Financial Trust ....	67,704
		14,725,092
	TOTAL COMMON STOCKS .....	53,094,653
	(Cost \$180,790,273)	
CANADIAN INCOME TRUSTS - 0.0%		
OIL, GAS & CONSUMABLE FUELS - 0.0%		
100	ARC Energy Trust .....	1,097
81	Progress Energy Resources Corp. (e) .....	574
	TOTAL CANADIAN INCOME TRUSTS .....	1,671
	(Cost \$3,347)	

See Notes to Quarterly Portfolio of Investments

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FIRST TRUST SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND  
 PORTFOLIO OF INVESTMENTS (A) (B) - (CONTINUED)  
 FEBRUARY 28, 2009 (UNAUDITED)

SHARES	DESCRIPTION	VALUE
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WARRANTS - 0.0%		
	REAL ESTATE INVESTMENT TRUST (REIT) - 0.0%	
576,923	Cypress Sharpridge Investments, Inc., expires 04/30/11 (c) (d) (e) .....	\$ 0
		-----
	TOTAL WARRANTS	0
		-----
	(Cost \$0)	
	TOTAL INVESTMENTS - 124.1% .....	53,096,324
	(Cost \$180,793,620) (f)	
	OUTSTANDING LOAN - (26.8)% .....	(11,450,000)
	NET OTHER ASSETS AND LIABILITIES - 2.7% .....	1,135,955
		-----
	NET ASSETS - 100.0%. .....	\$ 42,782,279
		=====

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- (a) All percentages shown in the Portfolio of Investments are based on net assets.
  - (b) All or a portion of the securities are available to serve as collateral on the outstanding loan.
  - (c) This security is fair valued in accordance with the procedures adopted by the Fund's Board of Trustees.
  - (d) This security, sold within the terms of a private placement memorandum, is exempt from registration under Rule 144A of the Securities Act of 1933, as amended (the "1933 Act"), and may be resold in transactions exempt from registration, normally to qualified institutional buyers. (See Note 1C - Restricted Securities in the Notes to Quarterly Portfolio of Investments.
  - (e) Non-income producing security.
  - (f) Aggregate cost for financial reporting purposes which approximates the aggregate cost for federal income tax purposes. As of February 28, 2009, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$1,023,525 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$128,720,821.

SECURITY VALUATION INPUTS

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A summary of the inputs used to value the Fund's investments as of February 28, 2009 is as follows (See Note 1A - Portfolio Valuation in the Notes to Quarterly Portfolio of Investments):

VALUATION INPUTS -----	INVESTMENTS -----
Level 1 - Quoted Prices .....	\$50,677,102
Level 2 - Other Significant Observable Inputs ..	--
Level 3 - Significant Unobservable Inputs .....	2,419,222
	-----
TOTAL .....	\$53,096,324
	=====

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

INVESTMENTS AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) -----	INVESTMENTS -----
Balance as of November 30, 2008 .....	\$2,419,222
Change in unrealized appreciation (depreciation) ..	--
	-----
BALANCE AS OF FEBRUARY 28, 2009 .....	\$2,419,222
	=====

Net unrealized depreciation from Level 3 investments held as of February 28, 2009 was \$580,767.

See Notes to Quarterly Portfolio of Investments

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NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS

FIRST TRUST SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND  
FEBRUARY 28, 2009 (UNAUDITED)

1. VALUATION AND INVESTMENT PRACTICES

A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of First Trust Specialty Finance and Financial Opportunities Fund (the "Fund") is determined daily as of the close of regular trading on the New York Stock Exchange ("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 interest and dividends), less all liabilities (including accrued expenses,

dividends declared but unpaid and any borrowings of the Fund) by the total number of Common Shares outstanding.

The Fund's investments are valued daily at market value or, in the absence of market value with respect to any portfolio securities, at fair value 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 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 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 investments. The use of fair value pricing by the Fund is governed by valuation procedures adopted by the Fund's Board of Trustees and in accordance with the provisions of the Investment Company Act of 1940, as amended.

Portfolio securities listed on any exchange other than the NASDAQ National Market ("NASDAQ") are valued at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked prices on such day. Securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price as determined by NASDAQ. Portfolio securities traded on more than one securities exchange are valued at the last sale price 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 traded on the NASDAQ, are valued at the closing bid prices. Short-term investments that mature in less than 60 days when purchased are valued at amortized cost.

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. The three levels of the fair value hierarchy under FAS 157 are described as follows:

- 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 February 28, 2009 is included in the Fund's Portfolio of Investments.

#### B. SECURITIES TRANSACTIONS:

Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis.

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS - (CONTINUED)

FIRST TRUST SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND  
 FEBRUARY 28, 2009 (UNAUDITED)

C. RESTRICTED SECURITIES:

The Fund invests in restricted securities, which are securities that cannot be offered for public sale without first being registered under the 1933 Act. Prior to registration, restricted securities may only be resold in transactions exempt from registration. As of February 28, 2009, the Fund held restricted securities as shown in the table below. The Fund does not have the right to demand that such securities be registered. These securities are valued according to the valuation procedures as stated in the Portfolio Valuation footnote (Note 1A) and are not expressed as a discount to the carrying value of comparable unrestricted securities.

SECURITY	ACQUISITION DATE	SHARES	CARRYING VALUE PER SHARE	CARRYING COST	VAL
Cypress Sharpridge Investments, Inc.	5/19/08	192,307	\$12.58	\$2,999,989	\$2,419
Cypress Sharpridge Investments, Inc. Warrants	5/19/08	576,923	--	--	
		769,230		\$2,999,989	\$2,419
		=====		=====	=====

ITEM 2. 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 last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of

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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 SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND

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

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

Date APRIL 27, 2009  
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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 APRIL 27, 2009  
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By (Signature and Title)\* /S/ MARK R. BRADLEY

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

Date APRIL 27, 2009  
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\* Print the name and title of each signing officer under his or her signature.