

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND

Form N-Q

May 28, 2010

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 811-21905

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

Date of fiscal year end: December 31

Date of reporting period: March 31, 2010

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (Sections 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. Section 3507.

ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND
PORTFOLIO OF INVESTMENTS (a) (b)
MARCH 31, 2010 (UNAUDITED)

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

PRINCIPAL VALUE (LOCAL CURRENCY)	DESCRIPTION	COUPON	STATED MATURITY	VALU (US DOLL)
BONDS AND NOTES (c) -- 58.4%				
ARGENTINA -- 2.8%				
1,365,417	Republic of Argentina (ARS) (d)	4.82%	02/04/18	\$ 576
2,510,000	Republic of Argentina (USD)	7.00%	03/28/11	2,461
				3,037
BRAZIL -- 5.8%				
740,000	Brazil Notas do Tesoura Nacional Series B (BRL) ..	6.00%	08/15/10	799
4,070,000	Brazil Notas do Tesoura Nacional Series F (BRL) ..	10.00%	01/01/17	2,057
144,000	Dasa Finance Corp. (USD)	8.75%	05/29/18	154
740,000	Federal Republic of Brazil (USD)	7.13%	01/20/37	846
710,000	Federal Republic of Brazil (USD)	5.63%	01/07/41	672
580,000	Odebrecht Finance Ltd. (USD)	7.00%	04/21/20	606
540,000	Petrobras International Finance Co. (USD)	7.88%	03/15/19	630
630,000	Rearden G Holdings Eins GmbH (USD)	7.88%	03/30/20	641
				6,408
CHINA -- 1.0%				
470,000	Agile Property Holdings Ltd. (USD)	10.00%	11/14/16	505
580,000	Parkson Retail Group Ltd. (USD)	7.88%	11/14/11	606
				1,112
COLOMBIA -- 2.3%				
460,000	Republic of Colombia (USD)	7.38%	03/18/19	531
260,000	Republic of Colombia (USD)	7.38%	09/18/37	292
1,735,000	Republic of Colombia (USD)	6.13%	01/18/41	1,669
				2,493
CROATIA -- 0.5%				
530,000	Croatia Government International Bond (USD)	6.75%	11/05/19	584
DOMINICAN REPUBLIC -- 1.0%				
505,000	Cerveceria Nacional Dominica (USD) (d)	16.00%	03/27/12	499
528,000	Dominican Republic (USD)	8.63%	04/20/27	562
				1,062
EL SALVADOR -- 1.0%				
1,070,000	Republic of El Salvador (USD)	7.65%	06/15/35	1,131
HUNGARY -- 2.6%				
227,370,000	Hungary Government Bond (HUF)	6.00%	10/24/12	1,164
87,000,000	Hungary Government Bond (HUF)	5.50%	02/12/16	419
67,000,000	Hungary Government Bond (HUF)	6.50%	06/24/19	333
930,000	Republic of Hungary (USD)	6.25%	01/29/20	988
				2,906
INDONESIA -- 5.2%				

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

340,000	Indo Integrated Energy II B.V. (USD)	9.75%	11/05/16	362
5,730,000,000	Indonesian Government Bond (IDR)	10.75%	05/15/16	700
330,000	Indonesian Government Bond (USD)	6.75%	03/10/14	364

See Notes to Quarterly Portfolio of Investments

Page 1

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND
 PORTFOLIO OF INVESTMENTS (a) (b) -- (CONTINUED)
 MARCH 31, 2010 (UNAUDITED)

PRINCIPAL VALUE (LOCAL CURRENCY)	DESCRIPTION	COUPON	STATED MATURITY	VALU (US DOLL)
BONDS AND NOTES (c) -- (CONTINUED)				
INDONESIA -- (CONTINUED)				
1,850,000,000	Indonesian Recapitalization Bond (IDR)	13.40%	02/15/11	\$ 214
4,350,000,000	Indonesian Recapitalization Bond (IDR)	13.45%	08/15/11	517
1,140,000	Majapahit Holding B.V. (USD)	7.75%	10/17/16	1,243
150,000	Majapahit Holding B.V. (USD)	7.25%	06/28/17	159
620,000	MGTI Finance Company, Ltd. (USD)	8.38%	09/15/10	623
590,000	PT Adaro Indonesia (USD)	7.63%	10/22/19	615
280,000	Republic of Indonesia (USD)	10.38%	05/04/14	349
550,000	Star Energy Geotherm al (Wayang Windu) Ltd. (USD)	11.50%	02/12/15	584
				5,737
	IRAQ -- 0.6%			
780,000	Republic of Iraq (USD)	5.80%	01/15/28	635
	KAZAKHSTAN -- 2.2%			
420,000	Halyk Savings Bank of Kazakhstan (USD)	9.25%	10/16/13	453
730,000	KazakhGold Group Ltd. (USD)	9.38%	11/06/13	765
350,000	KazMunaiGaz Finance Sub B.V. (USD)	8.38%	07/02/13	397
430,000	Turanalem Finance B.V. (USD) (e)	7.88%	06/02/10	193
350,000	Turanalem Finance B.V. (USD) (e)	7.75%	04/25/13	154
910,000	Turanalem Finance B.V. (USD) (e)	8.25%	01/22/37	418
	LITHUANIA -- 2.4%			
1,310,000	Republic of Lithuania (USD)	6.75%	01/15/15	1,434
1,140,000	Republic of Lithuania (USD)	7.38%	02/11/20	1,245
	MALAYSIA -- 1.4%			
1,240,000	Petronas Capital Ltd. (USD)	7.88%	05/22/22	1,510
	MEXICO -- 5.7%			
525,000	Corp. Geo S.A. de C.V. (USD)	8.88%	09/25/14	565

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

550,000	Corporativo Javier S.A. de C.V. (USD)	13.00%	08/04/14	633
666,000	Desarrolladora Homex S.A. (USD)	7.50%	09/28/15	679
450,000	Grupo Posadas S.A.B. de C.V. (USD)	9.25%	01/15/15	471
5,100,000	Mexican Bonos Desarr Fixed Rate Bond (MXN)	7.25%	12/15/16	413
11,950,000	Mexican Bonos Desarr Fixed Rate Bond (MXN)	8.00%	06/11/20	996
5,440,000	Mexican Bonos Desarr Fixed Rate Bond (MXN)	10.00%	11/20/36	519
9,240,000	Mexican Cetes (MXN)	(f)	06/03/10	741
380,000	Pemex Project Funding Master Trust (USD)	6.63%	06/15/35	374
910,000	Pemex Project Funding Master Trust (USD)	6.63%	06/15/38	886

				6,281

	NIGERIA -- 0.7%			
790,000	GTB Finance B.V. (USD)	8.50%	01/29/12	812

	PAKISTAN -- 0.6%			
100,000	Islamic Republic of Pakistan (USD)	7.13%	03/31/16	94

See Notes to Quarterly Portfolio of Investments

Page 2

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND
 PORTFOLIO OF INVESTMENTS (a) (b) -- (CONTINUED)
 MARCH 31, 2010 (UNAUDITED)

PRINCIPAL VALUE (LOCAL CURRENCY)	DESCRIPTION	COUPON	STATED MATURITY	VALU (US DOLL)
-----	-----	-----	-----	-----
BONDS AND NOTES (c) -- (CONTINUED)				
PAKISTAN -- (CONTINUED)				
350,000	Islamic Republic of Pakistan (USD)	6.88%	06/01/17	\$ 320
290,000	Islamic Republic of Pakistan (USD)	7.88%	03/31/36	234

				648

	PERU -- 1.4%			
490,000	CFG Investment S.A.C. (USD)	9.25%	12/19/13	515
2,440,000	Peru Bono Soberano (PEN)	8.20%	08/12/26	1,006

				1,522

	PHILIPPINES -- 3.8%			
620,000	Republic of Philippines (USD)	10.63%	03/16/25	890
1,470,000	Republic of Philippines (USD)	7.75%	01/14/31	1,690
880,000	Republic of Philippines (USD)	6.38%	10/23/34	870
740,000	SM Investments Corp. (USD)	6.00%	09/22/14	759

				4,210

	QATAR -- 1.1%			
840,000	State of Qatar (USD)	5.25%	01/20/20	876
340,000	State of Qatar (USD)	6.40%	01/20/40	357

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

					1,233
	RUSSIA -- 5.5%				
670,000	BOM Capital PLC (USD)	6.70%	03/11/15		678
1,180,000	Gaz Capital S.A. (USD)	9.25%	04/23/19		1,401
630,000	LUKOIL International Finance B.V. (USD)	7.25%	11/05/19		662
19,855,845	Red Arrow International Leasing PLC (RUB)	8.38%	06/30/12		696
19,600,000	RSHB Capital S.A. (RUB)	7.50%	03/25/13		666
423,200	Russia Government International Bond (USD)	7.50%	03/31/30		488
700,000	Russian Railways (USD)	5.74%	04/03/17		704
670,000	TNK-BP Finance S.A. (USD)	7.50%	07/18/16		735
					6,034
	SINGAPORE -- 0.7%				
700,000	Ciliandra Perkasa Finance Co. Pte Ltd. (USD)	10.75%	12/08/11		720
	SOUTH AFRICA -- 2.2%				
1,000,000	Republic of South Africa (USD)	5.50%	03/09/20		1,010
9,200,000	Republic of South Africa (ZAR)	10.50%	12/21/26		1,446
					2,456
	UKRAINE -- 1.8%				
1,340,000	EX-IM Bank of Ukraine (USD)	7.65%	09/07/11		1,343
500,000	UBS AG Jersey Branch, Credit Linked Note (USD) (g)	9.13%	06/21/10		216
310,000	Ukraine Government Bond (USD)	6.88%	03/04/11		312
160,000	Ukraine Government Bond (USD)	6.75%	11/14/17		154
					2,026

See Notes to Quarterly Portfolio of Investments

Page 3

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND
 PORTFOLIO OF INVESTMENTS (a) (b) -- (CONTINUED)
 MARCH 31, 2010 (UNAUDITED)

PRINCIPAL VALUE (LOCAL CURRENCY)	DESCRIPTION	COUPON	STATED MATURITY	VALU (US DOLL)
BONDS AND NOTES (c) -- (CONTINUED)				
	URUGUAY -- 2.7%			
110,000	Republic of Uruguay (USD)	7.88%	01/15/33	\$ 128
1,350,000	Republic Orient Uruguay (USD)	7.63%	03/21/36	1,535
19,280,000	Republic Orient Uruguay, Inflation Adjusted Bond (UYU) (h)	5.00%	09/14/18	1,361
				3,025

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

VENEZUELA -- 3.4%					
1,620,000	Bolivarian Republic of Venezuela (USD)	7.75%	10/13/19	1,162	
740,000	Petroleos de Venezuela S.A. (USD)	5.25%	04/12/17	456	
2,610,000	Republic of Venezuela (USD)	5.75%	02/26/16	1,905	
300,000	Republic of Venezuela (USD)	7.00%	12/01/18	215	

				3,739	

TOTAL BONDS AND NOTES					
(Cost \$60,245,983)					64,394

SHARES	DESCRIPTION	VALU
-----	-----	-----
COMMON STOCKS -- 44.3%		
BRAZIL -- 8.4%		
86,295	Banco Bradesco S.A., ADR	1,590
43,000	Lojas Renner S.A.	988
31,000	Multiplan Empreendimentos Imobiliarios S.A.	519
44,000	Petroleo Brasileiro S.A., ADR	1,741
25,300	Souza Cruz S.A.	884
28,000	Ultrapar Participacoes S.A., Preference Shares	1,337
80,000	Vale S.A., Preference Shares, ADR	2,220

		9,283

CHILE -- 1.0%		
15,600	Banco Santander Chile S.A., ADR	1,064

CHINA -- 4.7%		
155,000	China Mobile Ltd.	1,491
200,000	Hang Lung Group Ltd	1,061
920,000	PetroChina Co., Ltd., H Shares	1,075
700,000	Swire Pacific Ltd., B Shares	1,536

		5,164

HUNGARY -- 1.2%		
6,300	Richter Gedeon Nyrt (i)	1,362

INDIA -- 4.6%		
32,000	Bharti Airtel Ltd.	222
20,000	GlaxoSmithKline Pharmaceuticals Ltd.	792
13,000	Grasim Industries Ltd.	815
29,000	Hero Honda Motors Ltd.	1,255
59,000	Hindustan Unilever Ltd.	314
11,500	Housing Development Finance Corp., Ltd.	696

See Notes to Quarterly Portfolio of Investments

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

PORTFOLIO OF INVESTMENTS (a) (b) -- (CONTINUED)
MARCH 31, 2010 (UNAUDITED)

SHARES -----	DESCRIPTION -----	VALU -----
COMMON STOCKS -- (CONTINUED)		
INDIA -- (CONTINUED)		
20,000	ICICI Bank Ltd.	\$ 424
10,000	Infosys Technologies Ltd.	582

		5,103

INDONESIA -- 1.3%		
310,000	PT Astra International Tbk	1,427

ITALY -- 0.9%		
23,600	Tenaris S.A., ADR	1,013

MALAYSIA -- 1.8%		
70,300	British American Tobacco Malaysia Berhad	951
289,000	Public Bank Berhad	1,034

		1,986

MEXICO -- 4.4%		
31,900	Fomento Economico Mexicano, S.A.B. de C.V., ADR	1,516
40,000	Grupo Aeroportuario del Centro Norte, S.A.B. de C.V., ADR	601
352,000	Grupo Financiero Banorte, S.A.B. de C.V., O Shares	1,561
209,000	Kimberly-Clark de Mexico, S.A.B. de C.V., A Shares	1,181

		4,860

PHILIPPINES -- 1.1%		
1,164,000	Bank of the Philippine Islands	1,159

POLAND -- 0.5%		
9,000	Bank Pekao S.A. (i)	522

RUSSIA -- 1.1%		
20,500	LUKOIL, ADR	1,162

SOUTH AFRICA -- 2.7%		
130,000	Massmart Holdings Ltd.	1,936
142,729	Truworths International Ltd.	1,024

		2,961

SOUTH KOREA -- 2.7%		
27,008	Busan Bank	290
4,900	Samsung Electronics Co., Ltd., Preference Shares	2,329
850	Shinsegae Co., Ltd.	401

		3,021

TAIWAN -- 2.5%		
800,450	Taiwan Mobile Co., Ltd.	1,507
643,953	Taiwan Semiconductor Manufacturing Co., Ltd.	1,247

		2,754

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

	THAILAND -- 2.2%	
250,000	PTT Exploration and Production Public Co., Ltd.	1,148
163,000	Siam Cement Public (The) Co., Ltd.	1,320
		2,468

See Notes to Quarterly Portfolio of Investments

Page 5

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND
 PORTFOLIO OF INVESTMENTS (a) (b) -- (CONTINUED)
 MARCH 31, 2010 (UNAUDITED)

SHARES	DESCRIPTION	VALU
-----	-----	-----
COMMON STOCKS -- (CONTINUED)		
	TURKEY -- 2.1%	
55,226	Akbank TAS	\$ 356
253,000	Aksigorta AS	355
16,610	Bim Birlesik Magazalar AS	864
181,150	Haci Omer Sabanci Holding AS (i)	775
		2,352
	UNITED KINGDOM -- 1.1%	
45,696	Standard Chartered PLC	1,246
	TOTAL COMMON STOCKS	48,915
	(Cost \$35,031,091)	
	TOTAL INVESTMENTS -- 102.7%	113,310
	(Cost \$95,277,074) (j)	
	OUTSTANDING LOAN -- (5.2)%	(5,800)
	NET OTHER ASSETS AND LIABILITIES -- 2.5%	2,800
	NET ASSETS -- 100.0%	\$110,310
		=====

-
- (a) All percentages shown in the Portfolio of Investments are based on net assets.
 - (b) All of these securities are available to serve as collateral for the outstanding loan.
 - (c) 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.
 - (d) Variable rate security. The interest rate shown reflects the rate in effect at March 31, 2010.

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

- (e) This issuer is in default and interest is not being accrued by the Fund nor paid by the issuer.
- (f) Zero coupon bond.
- (g) Credit linked to the KSC State Export-Import Bank of Ukraine.
- (h) 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.
- (i) Non-income producing security.
- (j) Aggregate cost for financial reporting purposes, which approximates the aggregate cost for federal income tax purposes. As of March 31, 2010, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$19,607,858 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$1,574,771.

ADR American Depositary Receipt

Currency Abbreviations:

ARS Argentine Peso
 BRL Brazilian Real
 HUF Hungarian Forint
 IDR Indonesian Rupiah
 MXN Mexican Peso
 PEN Peruvian New Sol
 RUB Russian Ruble
 USD United States Dollar
 UYU Uruguayan Peso
 ZAR South African Rand

See Notes to Quarterly Portfolio of Investments

Page 6

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND
 PORTFOLIO OF INVESTMENTS -- (CONTINUED)
 MARCH 31, 2010 (UNAUDITED)

VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of March 31, 2010 is as follows (see Note A - Portfolio Valuation in the Notes to Quarterly Portfolio of Investments):

ASSETS TABLE

TOTAL VALUE AT 3/31/2010	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
-----	-----	-----	-----

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

Bonds and Notes*	\$ 64,394,709	\$ --	\$64,394,709	\$--
Common Stocks*	48,915,452	48,915,452	--	--
	-----	-----	-----	-----
Total Investments	113,310,161	48,915,452	64,394,709	--
	-----	-----	-----	-----
Other Financial Instruments:				
Forward Foreign Currency Contracts** ...	26,859	26,859	--	--
	-----	-----	-----	-----
	\$113,337,020	\$48,942,311	\$64,394,709	\$--
	=====	=====	=====	=====

LIABILITIES TABLE

	TOTAL MARKET VALUE AT 3/31/2010	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
	-----	-----	-----	-----
Forward Foreign Currency Contracts** ...	\$(36,687)	\$(36,687)	\$--	\$--
	=====	=====	===	===

The Fund had common stocks valued at \$30,028,780 as of December 31, 2009 that were either sold or transferred from Level 2 to Level 1 of the fair value hierarchy. The common stocks that transferred from Level 2 to Level 1 did so as a result of foreign equities that were fair valued at December 31, 2009 that are now being valued based on quoted prices. The value of the securities that were transferred to Level 1 as of March 31, 2010 is \$29,084,994.

* See the Portfolio of Investments for country breakout.

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

INDUSTRY CLASSIFICATION	% OF TOTAL INVESTMENTS
-----	-----
Government Bonds and Notes	34.7%
Commercial Banks	11.1
Oil, Gas & Consumable Fuels	10.4
Real Estate Management & Development	3.2
Semiconductors & Semiconductor Equipment	3.2
Diversified Financial Services	3.1
Construction Materials	3.0
Food Retailing & Staples	2.8
Wireless Telecommunication Services	2.6
Metals & Mining	2.6
Automobiles	2.4
Specialty Retail	2.1
Multiline	2.1
Pharmaceuticals	1.9
Beverages	1.8
Electric Utilities	1.8
Tobacco	1.6

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

Household Products	1.3
Import/Export Bank	1.2
Household Durables	1.1
Food Products	1.1
Other	4.9

Total	100.0%
	=====

See Notes to Quarterly Portfolio of Investments

Page 7

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND
SCHEDULE OF FORWARD FOREIGN CURRENCY CONTRACTS
MARCH 31, 2010 (UNAUDITED)

FORWARD FOREIGN CURRENCY CONTRACTS TO SELL CONTRACTS TO DELIVER						NET	NET
SETTLEMENT DATE	COUNTERPARTY	LOCAL CURRENCY (a)	LOCAL CURRENCY VALUE IN U.S. \$	IN EXCHANGE FOR U.S. \$	UNREALIZED APPRECIATION OF CONTRACTS U.S. \$	UNREALIZED DEPRECIATION OF CONTRACTS U.S. \$	
-----	-----	-----	-----	-----	-----	-----	
06/09/10	JPM	BRL 3,834,000	\$2,123,218	\$2,086,531	\$ --	\$(36,687)	
04/22/10	MS	HUF117,495,000	596,370	623,229	26,859	--	
					-----	-----	
					\$26,859	\$(36,687)	
					-----	-----	
					\$26,859	\$(36,687)	
					=====	=====	
						\$(9,828)	
						=====	

(a) Please see page 6 for currency descriptions.

Counterparty Abbreviations:

JPM JPMorgan Chase
MS Morgan Stanley

See Notes to Quarterly Portfolio of Investments

Page 8

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND
MARCH 31, 2010 (UNAUDITED)

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

VALUATION AND INVESTMENT PRACTICES

A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of First Trust/Aberdeen Emerging Opportunity 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 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 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") or 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 asked 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 or the AIM, are valued at the closing bid prices. 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 when purchased are valued at amortized cost.

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

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

using exchange rates in effect at the time of valuation.

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

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

Page 9

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS - (CONTINUED)

FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND MARCH 31, 2010 (UNAUDITED)

- Level 3 -- Level 3 inputs are unobservable inputs. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the security.

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 March 31, 2010 is included with 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.

Securities purchased or sold on a when-issued or delayed-delivery basis may be

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

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. As of March 31, 2010, 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:

The Fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. Forward foreign currency contracts are agreements to exchange one currency for another at a future date and at a specified price. The Fund 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 Schedule of Forward Foreign Currency Contracts. 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 would exceed the net unrealized value shown on the Schedule of Forward Foreign Currency Contracts.

During the period ended March 31, 2010, the open and close values of forward foreign currency contracts were \$4,782,022 and \$37,469, respectively.

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. 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.

Page 10

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 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

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

Date May 27, 2010

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

Edgar Filing: FIRST TRUST/ABERDEEN EMERGING OPPORTUNITY FUND - Form N-Q

following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ James A. Bowen

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

Date May 27, 2010

By (Signature and Title)* /s/ Mark R. Bradley

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

Date May 27, 2010

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