FIRST TRUST/GALLATIN SPECIALTY FINANCE & FINANCIAL OPPORTUNITIES FUND
Form N-CSR
February 08, 2008

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 811-22039

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

1001 Warrenville Road, Suite 300
LISLE, IL 60532
(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.
First Trust Portfolios L.P.
1001 Warrenville Road, Suite 300
LISLE, IL 60532
(Name and address of agent for service)

registrant's telephone number, including area code: 630-241-4141

Date of fiscal year end: NOVEMBER 30

Date of reporting period: NOVEMBER 30, 2007

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.

[GRAPHIC OMITTED]

FIRST TRUST/GALLATIN
SPECIALTY FINANCE
AND FINANCIAL
OPPORTUNITIES FUND

ANNUAL REPORT

FOR THE PERIOD MAY 25, 2007
(COMMENCEMENT OF OPERATIONS)
TO NOVEMBER 30, 2007

[LOGO] FIRSTTRUST
ADVISORS L.P.

[LOGO] GALLATIN
ASSET MANAGEMENT(SM)

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FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND (FGB)
ANNUAL REPORT
NOVEMBER 30, 2007

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. 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 Gallatin Asset Management, Inc. ("Gallatin" 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/Gallatin Specialty Finance and Financial Opportunities 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 First Trust and/or Gallatin and their respective representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

PERFORMANCE AND RISK DISCLOSURE

There is no assurance that the Fund will achieve its investment objectives. The Fund is subject to market risk, which is the possibility that the market values of securities owned by the Fund will decline and that the value of the Fund shares may therefore be less than what you paid for them. Accordingly, you can lose money 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 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 at the Sub-Advisor, 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 the relevant market benchmarks.

It is important to keep in mind that the opinions expressed by personnel of Gallatin 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.

SHAREHOLDER LETTER

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND (FGB)
ANNUAL REPORT
NOVEMBER 30, 2007

Dear Shareholders:

We believe investment opportunities abound, both here and abroad, affording the potential for exceptional returns for investors. At First Trust Advisors L.P. ("First Trust"), we realize that we must be mindful of the complexities of the global economy and at the same time address the needs of our customers through the types of investments we bring to market.

We are single-minded about providing a range of investment products, including our family of closed-end funds, to help First Trust meet the challenge of maximizing our customers' financial opportunities. Translating investment ideas into products which can deliver performance over the long term while continuing to support our current product line remains a focus for First Trust as we head into the future.

The report you hold will give you detailed information about your investment in First Trust/Gallatin Specialty Finance and Financial Opportunities Fund (the "Fund") for the period May 25, 2007 (commencement of operations) to November 30, 2007. I encourage you to read this report and discuss it with your financial advisor.

First Trust is pleased that the Fund is a part of your financial portfolio and we will continue to offer you current information about your investment, as well as new opportunities in the financial marketplace, through your financial advisor. We value our relationship with you and appreciate the opportunity to assist you in achieving your financial goals.

Sincerely,

/s/ James A. Bowen

James A. Bowen
President of First Trust/Gallatin Specialty Finance and Financial Opportunities Fund

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PORTFOLIO COMMENTARY

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND

The primary investment objective of the First Trust/Gallatin Specialty Finance and Financial Opportunities Fund ("FGB") is to seek a high level of current income. As a secondary objective, the Fund seeks an attractive total return. The Fund pursues its investment objectives by investing at least 80% of its managed assets in a portfolio of securities of specialty finance and other financial companies that the Fund's Sub-Advisor believes offer attractive opportunities for income and capital appreciation. There can be no assurance that the Fund's investment objectives will be achieved. The Fund may not be appropriate for all investors.

MARKET RECAP

FGB began trading on May 25, 2007. As a fund focusing specifically on stocks in the financial sector, FGB has been in the eye of the market's hurricane, since its inception. This is because much of the stock market's volatility in 2007 began in the financial sector. Although the turmoil has pressured down the Fund's net asset value ("NAV"), the environment has created numerous opportunities.

A LOOK BACK

To understand what happened among financial stocks, and the nature of the opportunities that exist, it's helpful to look back to before 2007 and review the issues that created the problems that currently exist in the financial markets. The financial markets were flush with "liquidity," which essentially means that there was a lot of cash that was ready to be invested. There are many theories as to why liquidity was so high, but it's likely that several factors were at play, including multiple years of low interest rate policy from the Federal Reserve, a strong economy, rising real estate markets, global capital flows and financial innovations on Wall Street. With abundant liquidity, many investors became complacent in sizing up risk and indiscriminately bought investments, accepting high levels of risk and low levels of return potential. It was a bit like the technology bubble of the late 1990s, though its public visibility was much lower because the investments were often "structured products" that didn't trade on exchanges.

HOW LEVERAGE WORKS AND HOW IT AFFECTS AN INVESTMENT

Exacerbating the high level of liquidity in the financial market was the widespread availability and use of leverage. Leverage is the ability to borrow capital to buy something. A common example is a mortgage, where a homeowner takes out a loan and pledges the house as collateral. If the homeowner puts down 20 percent, and borrows 80 percent, the leverage ratio is 4:1 (80 divided by 20). In the financial markets, a similar technique involves purchasing securities and pledging the securities as collateral to a lender. When liquidity was high, lenders often allowed leverage of 10 or 20:1, sometimes more.

The important thing to remember about leverage is that it's a two-edged sword. If a leveraged investment performs well, the returns are large because the investor captures gains using someone else's capital. However, if an investment doesn't perform, an investor's equity can be decimated, or completely eliminated, because the lender has to be repaid. Leverage can also put investors in a precarious position, as the lenders may decide to pull their funding, forcing investors to scramble for new sources of debt.

PERFORMANCE ANALYSIS

Long before the Fund began trading, as a seasoned manager in this area, we recognized the hazards of subprime mortgage lending. For this reason, we avoided investments in subprime lenders. This posture didn't insulate us from all the related problems; however, it has helped us to form a portfolio characterized by companies with durable business plans. We expect our companies to not just survive the recent turmoil, but actually grow earnings and dividends because of it. And ultimately, we believe these benefits should flow through to shareholders of FGB.

The table below quantifies how the Fund and its blended benchmark performed through the end of November 2007. Note that the Fund's actual sector and industry allocations are materially different than those of the blended benchmark. However, we provide the blended benchmark to illustrate how some areas of the financial sector performed, which can be helpful in broadly describing our investment universe. Additionally, for comparative purposes, included below is the total return for the MSCI U.S. Investable Market Financials Index. This is a broad based financials index and is based upon the 2,500 stocks in the MSCI investable universe with a financial classification according to the Global Industry Classification Standard (GICS).

Returns (5/25/07 to 11/30/07)

Blended Benchmark (a)	-23.33%
MSCI U.S. Investable Market Financials Index	-16.24%
FGB Market Value (b)	-25.36%
FGB NAV (c)	-24.53%

SOURCE: BLOOMBERG

(a) The blended benchmark is based upon the following allocations: 40% Red Rocks Listed Private Equity; 20% FTSE NAREIT Mortgage REIT; 20% FTSE NAREIT Hybrid REIT; 10% Merrill Lynch Preferred Stock/Hybrid Securities; and 10% Russell 2000 Financial Services.

(b) 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 market value.

(c) 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 NAV per share and does not reflect sales load.

The blended benchmark, market value and NAV all performed similarly in the period, though we would not often expect this. The Fund does invest in the blended benchmark sectors, but usually not in the same proportion. Furthermore, the Fund is specifically focused on Business Development Companies ("BDCs"), a relatively new sector of the market that is not entirely reflected in the blended benchmark.

The blended benchmark does however illustrate that the financial sector was among the hardest hit in 2007. Within the blended benchmark, the mortgage and hybrid Real Estate Investment Trust ("REIT") components were the poorest performing sectors, declining 37 percent and 30 percent, respectively. The private equity component was down 19 percent, while the preferred and small-cap financial services components were down 9 percent and 12 percent, respectively.

The Fund's exposure to mortgage and hybrid REITs was less than that of the blended benchmark, which contributed to relative performance. However, the Fund did not have exposure to preferred securities, which detracted from relative performance because this was the blended benchmark's best-performing component. The Fund's BDC exposure shared some similarity to the private equity and financial services components of the blended benchmark, while the exposure to Canadian Income Trusts was a contributor to relative performance in the period.

MANAGER Q & A

WHY WAS 2007 SUCH A DIFFICULT YEAR FOR THE FINANCIAL MARKETS?

In our opinion, the market turmoil of 2007 involved the confluence of complacent investors and excessive leverage. Problems arose as high-risk subprime mortgage investments began to default at an alarming rate during the summer. The prices of these securities fell, and highly leveraged investors suddenly lost their funding. They were forced to sell their positions, creating a downward spiral in prices. And as the other side of the leverage sword cut through the market, many investors suffered enormous losses. Liquidity evaporated and fear spread far beyond the subprime mortgage market. By late summer, the downward price spiral phenomenon had spread to even high-quality investments. Many high profile financial companies, including some of the largest banks in the world, reported staggering losses. Against this backdrop, investors sold just about everything in the financial sector, regardless of whether it had losses. Ironically, while investors apparently paid little or no attention to what they were buying before the crisis, today, they are seemingly paying little attention to what they're selling. Herein lies the opportunity, in our opinion, for those who are able to apply patience and discipline to their investing mindset.

WHAT IS YOUR OUTLOOK FOR THE MARKET AND THE FUND?

As we look forward, it's helpful to first review the Fund's objectives. FGB's primary investment objective is to seek a high level of current income. The Fund seeks attractive total return as a secondary objective. A particularly important focus is on BDCs, which lend and invest in the private debt and equity markets. BDCs have publicly-traded shares and have some similarity to REITs in that they aren't taxed at the corporate level, as long as they distribute most of their income. Accordingly, many BDCs have relatively high dividend yields.

Historically, private market investing was limited to institutional investors and high net worth individuals who utilized partnership vehicles. However, BDCs are beginning to change the landscape, making the private markets more available to individual investors. And while BDCs are a relatively new sector (most have been public for less than five years), their management teams are typically highly experienced, often bringing decades of private market investing to the table.

We don't know how long it may take for the liquidity crisis in the financial sector to pass. However, we have invested in what we believe are durable companies positioned to not just survive, but prosper. After the storm clears, these companies should emerge, in our opinion, with a high degree of credibility and we expect them to be awarded much higher valuations.

DO YOU SEE THE BDC MARKET CONTINUING TO GROW IN THE FUTURE?

We believe that there are several reasons why the number of BDCs, as well as the size of the existing ones, will grow significantly in coming years. First, BDCs are efficiently providing access to the private markets to a wide variety of investors. As awareness of the sector increases, we think the interest will follow, particularly as investors look to BDCs to help diversify portfolios. Second, we believe BDC management teams will develop visible track records involving growing dividends and attractive gain realizations. As the length of these track records increases, so should investor confidence. And finally, the BDC structure is attractive to the management teams themselves. Unlike limited-life partnerships, a BDC is an ongoing entity. This characteristic provides both stability and flexibility to managers in making private market investments. Over time, we expect many more top-tier professionals to join existing BDCs or create new ones.

HOW WILL THESE FACTORS AFFECT THE FUND?

In our opinion, these are positive long-term trends that affirm the Fund's objectives. Few (if any) other funds have such a specific focus on BDCs. This fact puts FGB in the first-mover position, and makes the Fund a very unique investment, in our opinion. Still, we know that before reaching the long-term trends, we must first navigate the more immediate ones. Like other stocks in the financial sector, BDC prices moved down significantly in 2007 and contributed to the Fund's NAV decline. The good news is that the BDC price declines did not move in tandem with their fundamentals. In fact, we believe that in many ways they actually moved in the opposite direction.

Unlike other financial companies, BDCs are limited by regulation to 1:1 debt/equity leverage. So relative to other financial companies that often have very high leverage ratios, BDCs are quite conservative. As a result, BDCs did not face solvency problems, even as liquidity became very scarce. Instead, BDCs have taken advantage of the environment, making loans and investing with higher rates and more profitable terms. So while the price declines are not pleasant, we believe the BDCs have the balance sheet strength to make it through the near-term turmoil and participate in the positive long-term trends.

For the Fund, we also look to current dividend payments to help make it through difficult short-term horizons. Through the crisis, the BDCs have actually grown their dividends. With higher dividends and lower prices, many of the BDCs now sport double-digit yields. Stocks usually don't maintain double-digit yields for very long because either the dividend is cut, or the stock price moves up. Due to the fact that we don't foresee dividend cuts (quite the opposite, actually), we expect price movement to be the corrective mechanism. Another way of looking at BDCs is their valuation of price to book value. Book value is the value of the company's assets, minus debt and other obligations. Historically, BDCs have often traded in a range of 1.2 to 1.6 times book value, sometimes reaching around 2.0 times book. When the Fund began trading, the BDCs were in this 1.2 to 1.6 times book range. Today many are trading at or below 1.0 times book. Needless to say, we view these low BDC valuations as the kind of opportunity the Fund was formed to pursue.

WHAT ARE SOME OF THE RISKS YOU SEE AHEAD?

The principal risk we monitor for BDCs is credit risk. Credit risk is an ongoing exposure when investing in BDCs that existed long before the 2007 liquidity crisis and one that should remain long after it has passed. It is for this reason we focus so much on the quality of management. We want to invest in companies where management is steadfast in its approach to underwriting risk, regardless of how the market perceives and prices the BDC.

WHAT ELSE IS IMPORTANT TO NOTE ABOUT THIS MARKET AND ITS EFFECT ON THE FUND?

A significant part of FGB's portfolio is the commercial/hybrid REIT allocation. These companies own or finance commercial real estate. They also may invest in commercial real estate securities. Like the BDCs, their leverage posture tends to be more conservative relative to other financial companies, often in the 3 to 5:1 range. In addition, their share prices declined even as fundamentals remained intact. With the exception of one company, all of these companies in the portfolio increased their dividends in 2007 and several paid an extra distribution derived from sizable realized gains. This portion of the portfolio is also characterized by double-digit yields and low price to book value ratios, implying significant upside potential for the stocks.

PORTFOLIO COMMENTARY - (CONTINUED)

Outside of the financial sector, the Fund had nine percent invested in Canadian

Income Trusts. Although some recent changes in Canadian tax laws have adversely affected this sector, we believe that there are attractive investment opportunities in the space. The trusts have stable production assets with long reserve lives. Given the need for energy in North America, we believe energy assets providing consistent, stable supply can play a constructive role in the Fund's portfolio.

DO YOU FEEL COMFORTABLE WITH THE FUND'S POSITION RIGHT NOW?

As a financial sector fund, FGB was launched right in front of a major market tempest. And while the declines in the Fund's price and NAV have been difficult to endure, we believe the Fund's strategies should remain intact. As well, we believe that focusing on BDCs is a unique and effective way to pursue growing dividends and a higher NAV. In our opinion, the long-term trends for BDCs are very positive, and near-term trends are aided by high dividend yields and low valuations. Finally, the Fund's level of borrowed funds was only at 15 percent at the end of November 2007. Therefore, we have significant resources that can be utilized to pursue emerging opportunities.

We are grateful for the opportunity to manage this Fund and look forward to delivering the Fund's objectives through a unique exposure in the financial sector.

SUB-ADVISOR

Gallatin Asset Management, Inc. provides asset management and advisory services to high net worth individual and institutional investors. Gallatin Asset Management, Inc., organized in 2005, is a wholly owned subsidiary of A.G. Edwards, Inc. On October 1, 2007, Wachovia Corp. completed its previously announced acquisition of A.G. Edwards, Inc. The majority of Gallatin's investment personnel previously comprised A.G. Edwards' Asset Management Department, and its investment management team has remained intact since that time. Its 13 managers and analysts count more than 180 years of aggregate investment experience. As of October 31, 2007, Gallatin had approximately $10.6 billion of assets under management. Of these, approximately $3.1 billion were managed in equity and investment grade fixed income portfolios. Gallatin also manages approximately $7.5 billion in portfolios of selected exchange-traded funds that are guided by proprietary asset allocation models. These models are driven by the firm's analysis of cyclical changes within the economy and financial markets combined with quantitative modeling.

PORTFOLIO MANAGEMENT TEAM

MARK A. KELLER, CFA, SENIOR VICE PRESIDENT, CHIEF INVESTMENT OFFICER

Mark Keller serves as senior vice president and chief investment officer for Gallatin. Since 1994, Mr. Keller has led the Asset Management program for A.G. Edwards, Inc. and its affiliates and continues in this capacity now as part of the wholly-owned subsidiary, Gallatin. Mr. Keller also chairs the A.G. Edwards Investment Strategy Committee. Prior to 1994, he served for 15 years in A.G. Edwards' Securities Research Department as an analyst covering a variety of industries. During his last five years in Securities Research, Mr. Keller served as equity strategist and manager of the firm's Focus List. He has been a CFA charterholder since 1984 and has a B.A. from Wheaton College (Wheaton, Illinois).

DAVID B. MIYAZAKI, CFA, VICE PRESIDENT, EQUITY PORTFOLIO MANAGER

David Miyazaki serves as a portfolio manager for Gallatin where he manages equity portfolios with a value discipline. He is also a member of the A.G. Edwards Investment Strategy Committee, working to establish and maintain the firm's asset allocation recommendations. Prior to joining A.G. Edwards in 1999, Mr. Miyazaki managed a short-term interest rate arbitrage portfolio for Koch Industries from 1996 to 1999. He worked as an analyst for Prudential Capital's private placement group from 1993 to 1996 and traded mortgage-backed securities for a boutique firm in Dallas, Texas, from 1991 to 1993. Mr. Miyazaki has been a CFA charterholder since 1995. He graduated from Texas Christian University with a B.A. in business administration.

DANIEL T. WINTER, CFA, VICE PRESIDENT, EQUITY PORTFOLIO MANAGER

Dan Winter serves as a portfolio manager for Gallatin where he manages equity portfolios with a value discipline. He has served A.G. Edwards, Inc. and its affiliates in an equity portfolio manager capacity since 1992, first for A.G. Edwards Trust Co., then with A.G. Edwards Asset Management department and continues in this capacity now as part of the wholly-owned subsidiary, Gallatin. During his tenure with A.G. Edwards Trust Co., Mr. Winter specialized in the management of a variety of portfolios, including charitable remainder trusts, foundations, endowments, employee benefits, and rabbi and personal trusts; in 1996 he formally joined the Asset Management department. He also directs the daily trading for the equity portfolios. Mr. Winter has been a CFA charterholder since 1995. He earned a B.A. in business management with a

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
PORTFOLIO COMPONENTS (a)
NOVEMBER 30, 2007

[THE FOLLOWING TABLE WAS REPRESENTED BY A PIE CHART IN THE PRINTED MATERIAL.]

Diversified Financial Services	2.7%
Capital Markets	54.8%
Real Estate Investment Trusts	33.8%
Canadian Income Trusts	8.7%

(a) Percentages are based on total investments. Please note that the percentages shown on the Portfolio of Investments are based on net assets.

 See Notes to Financial Statements.

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
PORTFOLIO OF INVESTMENTS (a)
NOVEMBER 30, 2007

SHARES	DESCRIPTION	VALUE
	COMMON STOCKS - 110.4%	
	CAPITAL MARKETS - 66.3%	
535,660	Allied Capital Corp.	$ 13,032,608
382,326	American Capital Strategies, Ltd.	14,379,281
846,706	Apollo Investment Corp.	14,995,163
760,000	Ares Capital Corp.	11,445,600
650,000	BlackRock Kelso Capital Corp.	9,282,000

410,000	Gladstone Capital Corp.	8,031,900
100,000	Gladstone Investment Corp.	1,142,000
40,910	GSC Investment Corp.	452,056
506,205	Hercules Technology Growth Capital, Inc.	5,978,281
50,000	Highland Distressed Opportunities, Inc.	473,000
15,000	Invesco, Ltd., Sponsored ADR (b)	393,750
490,000	Kohlberg Capital Corp.	5,140,100
472,000	MCG Capital Corp.	5,333,600
690,000	MVC Capital, Inc.	11,088,300
371,737	NGP Capital Resources Co.	5,453,382
550,000	Patriot Capital Funding, Inc.	5,895,998
555,000	PennantPark Investment Corp.	6,376,950
306,152	Prospect Energy Corp.	4,292,251
463,785	Technology Investment Capital Corp.	4,846,553
		128,032,773
	DIVERSIFIED FINANCIAL SERVICES - 3.2%	
85,211	Financial Federal Corp.	1,882,311
446,000	Medallion Financial Corp.	4,384,180
		6,266,491
	REAL ESTATE INVESTMENT TRUSTS (REITS) - 40.9%	
350,000	Annaly Capital Management, Inc.	6,023,500
330,000	Arbor Realty Trust, Inc.	5,643,000
225,000	Capital Trust, Inc. - Class A	6,921,000
870,000	CapitalSource, Inc.	14,581,200
640,000	Gramercy Capital Corp.	15,219,200
400,000	iStar Financial, Inc.	11,708,000
1,030,000	NorthStar Realty Finance Corp.	9,445,100
200,000	RAIT Financial Trust	1,730,000
250,000	Redwood Trust, Inc.	7,632,500
		78,903,500
	TOTAL COMMON STOCKS (Cost $277,897,669)	213,202,764
CANADIAN INCOME TRUSTS - 10.5%		
100	ARC Energy Trust, Units	1,902
364,100	Enerplus Resources Fund, Units	14,880,767
200,000	Penn West Energy Trust, Units	5,316,000
100	Progress Energy Trust, Units	1,085
	TOTAL CANADIAN INCOME TRUSTS (Cost $23,467,869)	20,199,754

See Notes to Financial Statements.

DESCRIPTION	VALUE
TOTAL INVESTMENTS - 120.9%. (Cost $301,365,538) (c)	$ 233,402,518
LOAN OUTSTANDING - (18.7)%.	(36,000,000)
NET OTHER ASSETS AND LIABILITIES - (2.2%)	(4,332,055)
NET ASSETS - 100.0%	$ 193,070,463

(a) All percentages shown in the Portfolio of Investments are based on net assets.

(b) Non-income producing security.

(c) Aggregate cost for federal income tax purposes is $301,365,546.

ADR American Depositary Receipt

 See Notes to Financial Statements.

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 2007

ASSETS:
Investments, at value
(Cost $301,365,538) ....
Cash ....
Dividends receivable ....

Total Assets ....

LIABILITIES:
Payables:
Outstanding loan ....
Distributions to Common Shareholders ....
Investment advisory fees ....
Interest and fees due on loan ....
Offering costs ....
Printing fees ....
Audit fees ....
Administrative fees ....
Trustees' fees and expenses ....
Transfer agent fees ....
Custodian fees ....
Legal fees ....
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 ....
Net unrealized appreciation (depreciation) on investments ....

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) .....

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED NOVEMBER 30, 2007 (a)

INVESTMENT INCOME:	
Dividends (net of foreign withholding tax of $138,862)	$ 12,069,233
Total investment income	12,069,233
EXPENSES:	
Investment advisory fees	1,262,178
Interest and fees on loan	658,774
Administration fees	121,357
Printing fees	53,169
Audit fees	33,845
Legal fees	33,759
Trustees' fees and expenses	30,580
Transfer agent fees	27,256
Custodian fees	15,274
Other	26,292
Total expenses	2,262,484
NET INVESTMENT INCOME	9,806,749
NET REALIZED AND UNREALIZED GAIN (LOSS):	
Net realized gain (loss) on:	
Investments	(6,750,266)
Foreign currency transactions	(16)
Net realized gain (loss)	(6,750,282)
Net change in unrealized appreciation (depreciation) on investments	(67,963,020)
NET REALIZED AND UNREALIZED GAIN (LOSS)	(74,713,302)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ (64,906,553)

(a) Initial seed date of April 23, 2007. The Fund commenced operations on May 25, 2007.

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
STATEMENT OF CHANGES IN NET ASSETS

	PERIOD ENDED 11/30/2007 (a)
OPERATIONS:	
Net investment income (loss)	$ 9,806,749
Net realized gain (loss)	(6,750,282)
Net change in unrealized appreciation (depreciation)	(67,963,020)
Net increase (decrease) in net assets resulting from operations	(64,906,553)
DISTRIBUTIONS TO SHAREHOLDERS FROM:	
Net investment income	(9,973,682)
Total distributions to shareholders	(9,973,682)
CAPITAL TRANSACTIONS:	
Proceeds from sale of 14,030,236 Common Shares	267,977,508
Proceeds from 33,930 Common Shares reinvested	534,400
Offering costs	(561,210)
Total capital transactions	267,950,698
Net increase (decrease) in net assets	193,070,463
NET ASSETS:	
Beginning of period	--
End of period	$ 193,070,463
Accumulated net investment income (loss) at end of period	$ (166,949)

(a) Initial seed date of April 23, 2007. The Fund commenced operations on May 25, 2007.

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED NOVEMBER 30, 2007 (a)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net decrease in net assets resulting from operations	$ (64,906,553)	
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used for operating activities:		
Purchases of investments	(314,189,416)	
Sales of investments	6,073,612	
Net realized loss on investments	6,750,266	
Net change in unrealized appreciation (depreciation) on investments ..	67,963,020	
CHANGES IN ASSETS AND LIABILITIES:		
Increase in dividends receivable	(1,023,586)	
Increase in investment advisory fees payable	192,146	
Increase in interest and fees due on loan	182,139	
Increase in offering costs payable	115,591	
Increase in printing fees payable	37,339	
Increase in audit fees payable	33,845	
Increase in administrative fees payable	18,658	
Increase in Trustees' fees and expenses payable	10,530	
Increase in transfer agent fees payable	4,132	
Increase in custodian fees payable	3,332	
Increase in legal fees payable	2,504	
Increase in accrued expenses and other liabilities	8,390	

CASH USED FOR OPERATING ACTIVITIES		$(298
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Common Shares issued	267,977,508	
Proceeds from Common Shares reinvested	534,400	
Offering costs	(561,210)	
Distributions to Common Shareholders	(4,910,582)	
Issuances of loan	39,500,000	
Repayments of loan	(3,500,000)	

CASH PROVIDED BY FINANCING ACTIVITIES		299

Increase in cash		
Cash at beginning of period		

Cash at end of period		$
		=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest and fees		$
		=====

(a) Initial seed date of April 23, 2007. The Fund commenced operations on May 25, 2007.

 See Notes to Financial Statements.

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
FINANCIAL HIGHLIGHTS
FOR A COMMON SHARE OUTSTANDING THROUGHOUT THE PERIOD

PERIOD

	ENDED 11/30/07 (a)
Net asset value, beginning of period	$ 19.10(b)
INCOME FROM INVESTMENT OPERATIONS:	
Net investment income (loss)	0.70
Net realized and unrealized gain (loss)	(5.32)
Total from investment operations	(4.62)
DISTRIBUTIONS PAID TO SHAREHOLDERS FROM:	
Net investment income	(0.71)
Total from distributions	(0.71)
Common Shares offering costs charged to paid-in capital	(0.04)
Net asset value, end of period	$ 13.73
Market value, end of period	$ 14.23
TOTAL RETURN BASED ON NET ASSET VALUE (c) (e)	(24.53)%
TOTAL RETURN BASED ON MARKET VALUE (d) (e)	(25.36)%
RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA:	
Net assets, end of period (in 000's)	$ 193,070
Ratio of total expenses to average net assets	1.99%(f)
Ratio of total expenses to average net assets excluding interest expense and fees	1.41%(f)
Ratio of net investment income to average net assets	8.64%(f)
Portfolio turnover rate.	3%
INDEBTEDNESS:	
Loan outstanding (in 000's)	$ 36,000
Asset Coverage per $1,000 of indebtedness (g)	$ 6,363

(a) Initial seed date of April 23, 2007. The Fund commenced operations on May 25, 2007.

(b) Net of sales load of $0.90 per share on initial offering.

(c) 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.

(d) 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 market price per share.

(e) Total return is not annualized for periods less than one year.

(f) Annualized

(g) Calculated by subtracting the Fund's total liabilities (not including the loan outstanding) from the Fund's total assets, and dividing by the outstanding loan balance.

NOTES TO FINANCIAL STATEMENTS

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007

1. FUND DESCRIPTION

First Trust/Gallatin Specialty Finance and Financial Opportunities Fund (the "Fund") is a non-diversified, closed-end management investment company organized as a Massachusetts business trust on March 20, 2007, 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 FGB on the New York Stock Exchange ("NYSE").

The Fund's primary investment objective is to seek a high level of current income. The Fund seeks attractive total return as a secondary objective. Under normal market conditions, the Fund will invest at least 80% of its Managed Assets in a portfolio of securities of specialty finance and other financial companies that Gallatin Asset Management, Inc. ("Gallatin" or the "Sub-Advisor") believes offer attractive opportunities for income and capital appreciation. There can be no assurance that the Fund's investment objectives will be achieved. Under normal market conditions, the Fund will concentrate its investments in securities of companies within industries in the financial sector. Managed Assets are defined as the value of the securities and other investments the Fund holds plus cash and other assets, including interest accrued but not yet received, minus accrued liabilities other than the principal amount of any borrowings.

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 subtracting the Fund's liabilities (including accrued expenses, dividends payable and any borrowings of the Fund) from the Fund's Total Assets (the value of the securities and other investments the Fund holds plus cash or other assets, including interest accrued but not yet received) and dividing the result 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, First Trust Advisors L.P. ("First Trust") may 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 1940 Act.

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 are valued at amortized cost.

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.

C. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS:

Dividends from net investment income, if any, of the Fund are declared and paid quarterly or as the Board of Trustees may determine from time to time. Distributions of any net 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 fiscal period ended November 30, 2007, resulting in book and tax accounting differences, have been reclassified at period end to reflect a decrease in accumulated net investment income (loss) by $16 and an increase in accumulated net realized gain (loss) on investments by $16. Net assets were not affected by this reclassification.

The tax character of distributions paid during the fiscal period ended November 30, 2007 was as follows:

Distributions paid from:

Ordinary Income	$ 9,973,682

As of November 30, 2007, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	$ 4,896,152
Net Unrealized Appreciation (Depreciation)	(67,963,028)

D. INCOME TAXES:

The Fund intends to qualify as a regulated investment company by complying with the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended, and by 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 loss and offset such loss against any future realized capital gains. At November 30, 2007, the Fund had an available realized capital loss of $6,750,256 to offset future net capital gains through the fiscal year ending 2015.

In June 2006, Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109 ("FIN 48"), was issued and is effective for fiscal years beginning after December 15, 2006. This Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. As of November 30, 2007, management has evaluated the application of FIN 48 to the Fund, and has determined that there is no material impact resulting from the adoption of this Interpretation on the Fund's financial statements.

E. EXPENSES:

The Fund pays all expenses directly related to its operations.

F. ORGANIZATION AND OFFERING COSTS:

Organization costs consist of costs incurred to establish the Fund and enable it to legally do business. These costs include filing fees, listing fees, legal services pertaining to the organization of the business and audit fees relating to the initial registration and auditing the initial statement of assets and liabilities, among other fees. Offering costs consist of legal fees pertaining to the Fund's Common Shares offered for sale, registration fees, underwriting fees, and printing of the initial prospectus, among other fees. First Trust and Gallatin have paid all organization expenses and all offering costs of the Fund (other than sales load) that exceeded $0.04 per Common Share. The Fund's share of Common Share offering costs, $561,210, was recorded as a reduction of the proceeds from the sale of Common Shares during the fiscal period ended November 30, 2007.

G. ACCOUNTING PRONOUNCEMENT:

In September 2006, Statement of Financial Accounting Standards No. 157 Fair Value Measurements ("SFAS 157") was issued by FASB and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. At this time, management is evaluating the implications of SFAS 157 and its impact on the Fund's financial statements, if any has not been determined.

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007

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 certain administrative services necessary for the management of the Fund. For these investment management services, First Trust is entitled to a monthly fee calculated at an annual rate of 1.00% of the Fund's Managed Assets.

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

On May 24, 2007, the Fund entered into the original sub-advisory agreement with the Advisor and Gallatin, which was then a wholly-owned subsidiary of A.G. Edwards, Inc. ("A.G. EDWARDS"). On May 31, 2007, A.G. Edwards and Wachovia Corporation ("WACHOVIA CORP.") announced that they had agreed that Wachovia Corp. would acquire A.G. Edwards, (the "TRANSACTION"). On September 28, 2007, A.G. Edwards announced that its shareholders had approved the Transaction.

The consummation of the Transaction resulted in a change of control of the Sub-Advisor, which constituted an "assignment" of the original sub-advisory agreement, as that term is used in the 1940 Act. Pursuant to the terms of the original sub-advisory agreement and the requirements of the 1940 Act, the original sub-advisory agreement automatically terminated upon its assignment on October 1, 2007. At a meeting of the Board held on September 21, 2007, the Board, after careful consideration (see "Sub-Advisory Agreements" below under Additional Information), determined that following the Transaction, it was in the best interests of the Fund for Gallatin to continue to act as sub-advisor to the Fund. The Board approved an interim sub-advisory agreement to ensure the continuation of investment sub-advisory services to the Fund upon the termination of the original sub-advisory agreement. The interim sub-advisory agreement has been in effect since October 1, 2007 and, pursuant to Rule 15a-4 under the 1940 Act, will be in effect no longer than through February 28, 2008. In addition, at its meeting on September 21, 2007, the Board approved, subject to shareholder approval, a new sub-advisory agreement among the Fund, the Advisor and Gallatin. The terms of the new sub-advisory agreement are substantially identical to the terms of the original sub-advisory agreement except for the effective date and the initial term. To permit Gallatin to continue to serve as the Fund's current sub-advisor after the expiration of the interim sub-advisory agreement, shareholders of the Fund were asked to approve the new sub-advisory agreement at a Special Shareholders meeting held on January 23, 2008 which was subsequently adjourned until February 20, 2008, in order to continue the solicitation process to obtain the requisite shareholder approval. Please refer to the Funds' Proxy Statement dated December 7, 2007 for additional information. The Proxy Statement is available by calling 1-800-988-5891 or on the SEC's website at http://www.sec.gov.

PFPC Inc. ("PFPC"), an indirect, majority-owned subsidiary of The PNC Financial Services Group, Inc., serves as the Fund's Administrator and Transfer Agent 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 added to 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, Thomas R. Kadlec is paid $10,000 annually to serve as the Lead Independent Trustee and Niel B. Nielson is paid $5,000 annually to serve as the chairman of the Audit Committee, with such compensation paid by the trusts in the First Trust Fund Complex and divided among those trusts. Independent 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 will be paid $2,500 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, each committee chairman will serve two years before rotating to serve as a chairman of another committee.

For the fiscal period ended November 30, 2007, the Fund paid brokerage commissions to A.G. Edwards & Sons, Inc., an affiliate of the Sub-Advisor, totaling $8,894.

4. PURCHASES AND SALES OF SECURITIES

Cost of purchases and proceeds from sales of investment securities, excluding U.S. government and short-term investments, for the period ended November 30, 2007, were $314,189,416 and $6,073,612, respectively.

As of November 30, 2007, the aggregate gross unrealized appreciation for all securities in which there as an excess of value over tax cost was $1,198,773 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was $69,161,801.

5. COMMON SHARES

As of November 30, 2007, 14,064,166 of $0.01 par value Common Shares were issued. An unlimited number of Common Shares has been authorized under the Fund's Dividend Reinvestment Plan.

COMMON SHARE TRANSACTIONS WERE AS FOLLOWS:

	PERIOD ENDED NOVEMBER 30, 2007	
	SHARES	AMOUNT
Proceeds from Common Shares sold	14,030,236	$267,977,508
Common Shares issued as reinvestment of dividends under the Dividend Reinvestment Plan	33,930	534,400
Offering costs	--	(561,210)
	14,064,166	$267,950,698

6. LOAN AND PLEDGE AGREEMENT

On July 11, 2007, the Fund entered into a Loan and Pledge Agreement with Custodial Trust Company, 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 Loan and Pledge Agreement is $120,000,000. For the period ended November 30, 2007, the average amount outstanding was $30,487,903. The high and low annual interest rates during the period ended November 30, 2007 were 6.50% and 5.78%, respectively, and the weighted average interest rate was 6.15%. Total interest and fees incurred during the period ended November 30, 2007 were $658,774. The interest rate at November 30, 2007 was 5.78%.

7. 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.

8. CONCENTRATION OF RISK

INVESTMENT AND MARKET RISK: An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal invested. An investment in Common Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Common Shares at any point in time may be worth less than the original investment, even after taking into account the reinvestment of Fund dividends and distributions. Security prices can fluctuate for several reasons including the general condition of the equity market, or when political or economic events affecting the issuers occur.

FINANCIAL SECTOR CONCENTRATION RISK: Under normal market conditions, the Fund will invest at least 25% of its total assets in securities of companies within industries in the financial sector. A fund concentrated in a single industry or group of industries is likely to present more risks than a fund that is broadly diversified over several industries or groups of industries. Compared to the broad market, an individual sector may be more strongly affected by changes in the economic climate, broad market shifts, moves in a particular dominant stock, or regulatory changes. Specialty Finance and other financial companies in general are subject to extensive government regulation, which may change frequently. The profitability of specialty finance and other financial companies is largely dependent upon the availability and cost of capital funds, and may fluctuate significantly in response to changes in interest rates, as well as changes in general economic conditions. From time to time, severe competition may also affect the profitability of specialty finance and other financial companies. Financial companies can be highly dependent upon access to capital markets and any impediments to such access, such as general economic conditions or a negative perception in the capital markets of a company's financial condition or prospects could adversely affect its business. Leasing companies can be negatively impacted by changes in tax laws which affect the types of transactions in which such companies engage.

BUSINESS DEVELOPMENT COMPANY RISK: Investments in closed-end funds that elect to be treated as BDCs may be subject to a high degree of risk. BDCs typically invest in small and medium-sized private and certain public companies that may not have access to public equity markets or capital raising. As a result, a BDC's portfolio typically will include a substantial amount of securities purchased in private placements, and its portfolio may carry risks similar to those of a private equity or venture capital fund. Securities that are not

publicly registered may be difficult to value and may be difficult to sell at a price representative of their intrinsic value. Investments in BDCs are subject to various risks, including management's ability to meet the BDC's investment objective, and to manage the BDC's portfolio when the underlying securities are redeemed or sold, during periods of market turmoil and as investors' perceptions regarding a BDC or its underlying investments change. BDC shares are not redeemable at the option of the BDC shareholder and, as with shares of other closed-end funds, they may trade in the secondary market at a discount to their NAV.

REIT, MORTGAGE-RELATED AND ASSET-BACKED SECURITIES RISKS: Investing in REITs involves certain unique risks in addition to investing in the real estate industry in general. REITs are subject to interest rate risks (especially Mortgage REITs) and the risk of default by lessees or borrowers. An Equity REIT may be affected by changes in the value of the underlying properties owned by the REIT. A Mortgage REIT may be affected by the ability of the issuers of its portfolio mortgages to repay their obligations. REITs whose underlying assets are concentrated in properties used by a particular industry are also subject to risks associated with such industry. REITs may have limited financial resources, their securities may trade less frequently and in a limited volume, and their securities may be subject to more abrupt or erratic price movements than larger company securities.

In addition to REITs, the Fund may invest in a variety of other mortgage-related securities, including commercial mortgage securities and other mortgage-backed instruments. Rising interest rates tend to extend the duration of mortgage-related securities, making them more sensitive to changes in interest rates, and may reduce the market value of the securities. In addition, mortgage-related securities are subject to prepayment risk-the risk that borrowers may pay off their mortgages sooner than expected, particularly when interest rates decline. This can reduce the Fund's returns because the Fund may have to reinvest that money at lower prevailing interest rates.

The Fund's investments in other asset-backed securities are subject to risks similar to those associated with mortgage-backed securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

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 the payment of dividends or upon liquidation. 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.

NON-DIVERSIFICATION RISK: Because the Fund is non-diversified, it is only limited as to the percentage of its assets which may be invested in the securities of any one issuer by the diversification requirements imposed by the Internal Revenue Code of 1986, as amended. Because the Fund may invest a relatively high percentage of its assets in a limited number of issuers, the Fund may be more susceptible to any single economic, political or regulatory occurrence and to the financial conditions of the issuers in which it invests.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF TRUSTEES AND SHAREHOLDERS OF FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND:

We have audited the accompanying statement of assets and liabilities of First Trust/Gallatin Specialty Finance and Financial Opportunities Fund (the "Fund"), including the portfolio of investments, as of November 30, 2007, and the related statements of operations, cash flows, and changes in net assets and the financial highlights for the period May 25, 2007 (commencement of operations) through November 30, 2007. These financial statements and the 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 November 30, 2007, by correspondence with the Fund's custodian. We believe that our audit provides 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/Gallatin Specialty Finance and Financial Opportunities Fund as of November 30, 2007, the results of its operations and cash flows, the changes in its net assets, and the financial highlights for the period May 25, 2007 (commencement of operations) through November 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
January 22, 2008

ADDITIONAL INFORMATION

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007 (UNAUDITED)

DIVIDEND REINVESTMENT PLAN

If your Common Shares are registered directly with the Fund or if you hold your Common Shares with a brokerage firm that participates in the Fund's Dividend Reinvestment Plan (the "Plan"), unless you elect, by written notice to the Fund, to receive cash distributions, all dividends, including any capital gain distributions, on your Common Shares will be automatically reinvested by PFPC 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 PFPC Inc., 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 Fund may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions.

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

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

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

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

The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Trustees the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained by writing PFPC 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 at http://www.sec.gov.

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007 (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.

TAX INFORMATION

Of the ordinary income (including short-term capital gain) distributions made by the Fund during the period ended November 30, 2007, none qualified for the corporate dividend received deduction available to corporate shareholders.

The Fund hereby designates as qualified dividend income distributions 9.70% of ordinary income distributions (including short-term capital gains), for the period end November 30, 2007.

NYSE CERTIFICATION INFORMATION

In accordance with Section 303A-12 of the New York Stock Exchange ("NYSE") Listed Company Manual, the Fund's President has certified to the NYSE that, as of April 27, 2007, he was not aware of any violation by the Fund of NYSE corporate governance listing standards. In addition, the Fund's reports to the SEC on Forms N-CSR, N-CSRS and N-Q will contain certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's public disclosure in such reports and are required by Rule 30a-2 under the 1940 Act.

BY-LAW AMENDMENTS

On June 11, 2007, the Board of Trustees of the Fund approved certain changes to the By-Laws of the Fund relating to the staggered Board of Trustees. These changes were not required to be, and were not, approved by the Fund's Shareholders. To receive a copy of the amended By-Laws, investors may call the Fund at (800) 988-5891.

SUB-ADVISORY AGREEMENTS

BOARD CONSIDERATIONS REGARDING APPROVAL OF SUB-ADVISORY AGREEMENTS

The Board of Trustees of First Trust/Gallatin Specialty Finance and Financial Opportunities Fund (the "Fund"), including a majority of the Independent Trustees, approved the Interim Sub-Advisory Agreement and the New Sub-Advisory Agreement (collectively, the "Agreements") among the Fund, First Trust Advisors L.P. (the "Advisor") and Gallatin Asset Management, Inc. ("Gallatin") at a meeting held on September 21, 2007. The Board determined that the terms of the Agreements are fair and reasonable and in the best interests of the Fund. Based on information provided by the Advisor and Gallatin, the Board concluded that it believes that the scope and quality of services to be provided to the Fund under the Agreements will be at least equivalent to the scope and quality of services provided under the current Sub-Advisory Agreement among the Fund, the Advisor and Gallatin (the "Current Sub-Advisory Agreement").

In late May 2007, shortly after the launch of the Fund, the Board was informed that A.G. Edwards, Inc., the parent company of Gallatin, had entered into an Agreement and Plan of Merger with Wachovia Corporation ("Wachovia Corp.")

pursuant to which A.G. Edwards would be combined with Wachovia Securities, LLC, a subsidiary of Wachovia Corp. (the "Transaction"). The Board was also informed that, if the Transaction was consummated, the Current Sub-Advisory Agreement would terminate pursuant to its terms and the requirements of the Investment Company Act of 1940, as amended (the "1940 Act"). On June 13, 2007, counsel to the Independent Trustees forwarded to Gallatin a request for information regarding the Transaction. In late August 2007, the Board was informed that the Transaction was expected to close on October 1, 2007. In light of the expected consummation of the Transaction, the Board held a special meeting on September 21, 2007, to consider the information provided by Gallatin in response to the Independent Trustees' request for information and to consider the approval of the Agreements. As part of its considerations, the Board reviewed information regarding: the structure of the Transaction, the organizational structure of Wachovia Corp., the strategic plan for Gallatin following the Transaction, benefits to Wachovia Corp. from the Transaction, conflicts of interests arising in connection with the Transaction and regulatory issues relating to Wachovia Corp. and its affiliates. The Board also met on several occasions, prior to September 21, 2007, with representatives of the Advisor to discuss the Transaction. Throughout the entire process, the Independent Trustees were advised by their independent legal counsel.

To reach its determination, the Board considered its duties under the 1940 Act, as well as under the general principles of state law in reviewing and approving advisory contracts; the requirements of the 1940 Act in such matters; the fiduciary duty of investment advisors with respect to advisory agreements and compensation; the standards used by courts in determining whether investment company boards have fulfilled their duties; and the factors to be considered by the Board in voting on such agreements. In connection with its

deliberations regarding the Agreements, the Board noted the Advisor's representation that apart from their effective and termination dates and any provisions of the Interim Sub-Advisory Agreement required by Rule 15a-4 under the 1940 Act, the Agreements were the same in all material respects as the Current Sub-Advisory Agreement. The Board considered that it had recently considered Gallatin's capabilities and the terms of the Current Sub-Advisory Agreement at a meeting held on April 16, 2007. Because the Board determined that any differences between the Current Sub-Advisory Agreement and the Agreements were immaterial, the Board determined that much of its previous analysis in approving the Current Sub-Advisory Agreement applied to its review and consideration of the Agreements. Accordingly, the Board took note of such prior analysis and supplemented it with the additional considerations noted below.

In reviewing the Agreements, the Board considered the nature, quality and extent of services to be provided by Gallatin under the Agreements. The Board noted the background and experience of Gallatin's portfolio managers and Gallatin's investment style. The Board considered that the Fund's portfolio managers were expected to remain the same following the Transaction and that no changes to the services provided by Gallatin to the Fund were expected as a result of the Transaction. Due to the limited operating history of the Fund and the volatility of the markets since the Fund's launch, the Board did not give extensive consideration to the investment performance of the Fund. In light of the information presented and the considerations made, the Board concluded that the nature, quality and extent of services to be provided to the Fund by Gallatin under the Agreements are expected to be satisfactory.

The Board considered the sub-advisory fees to be paid under the Agreements, noting that they would be the same as the fees paid under the Current Sub-Advisory Agreement. The Board also considered how the sub-advisory fee relates to the overall management fee structure of the Fund, noting that the sub-advisory fee is paid by the Advisor from its advisory fee. The Board reviewed its prior consideration of the fees that Gallatin charges to other clients for a similar investment strategy, noting that such fees are higher than the Fund's sub-advisory fee. The Board concluded that the sub-advisory fees were reasonable and appropriate in light of the nature, quality and extent of services expected to be provided by Gallatin under the Agreements.

The Board considered that Gallatin was unable to estimate the profitability of the Agreements to Gallatin, but the Board noted that the sub-advisory fee rate was negotiated at arm's length between the Advisor and Gallatin, and that Gallatin would be paid by the Advisor. The Board noted its previous determination that the overall management fee structure reflects an appropriate level of sharing of any economies of scale. The Board also considered the fall-out benefits expected to be realized by Gallatin and Wachovia Corp. from Gallatin's relationship with the Fund. The Board considered that Wachovia Corp. would benefit to the extent that the Fund executes portfolio securities transactions with affiliates of Wachovia Corp., but that the Fund will be subject to substantial restrictions with respect to its ability to engage in investment transactions with Wachovia Corp. or its affiliates. The Board noted that Gallatin does not utilize soft dollars in connection with its management of the Fund's portfolio. The Board considered that the Fund would not bear any costs associated with soliciting shareholder approval of the New Gallatin Sub-Advisory Agreement and that such costs would be borne by Wachovia Corp. or its affiliates.

Based on all of the information considered and the conclusions reached, the Board, including a majority of the Independent Trustees, determined that the terms of the Agreements are fair and reasonable and that the approval of the Agreements is in the best interests of the Fund. No single factor was determinative in the Board's analysis.

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 advisor 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

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

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007 (UNAUDITED)

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:

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

- o 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.

BOARD OF TRUSTEES AND OFFICERS

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007 (UNAUDITED)

NAME, ADDRESS, DATE OF BIRTH AND POSITION WITH THE FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	NUM PORTF THE FI FUND OVERSEEN
INDEPENDENT TRUSTEES			
Richard E. Erickson, Trustee c/o First Trust Advisors L.P. 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 04/51	o Two Year Term o 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 Partnership; Limited Partner, Sportsmed LLC	
Thomas R. Kadlec, Trustee c/o First Trust Advisors L.P. 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 11/57	o Two Year Term o 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 Services, Inc. (Futures Commission Merchant); Vice 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 c/o First Trust Advisors L.P. 1001 Warrenville Road, Suite 300 Lisle, IL 60532	o One Year Term o Since Fund Inception	President (2003 to Present), Hibs Enterprises (Financial and Management Consulting); President	

D.O.B. 11/56		(2001 to 2003), Aramark Service Master Management; President and Chief Operating Officer (1998 to 2003), Service Master Management Services	

BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007 (UNAUDITED)

NAME, ADDRESS, DATE OF BIRTH AND POSITION WITH THE FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	NUM PORTF THE FI FUND OVERSEEN
		INDEPENDENT TRUSTEE - (CONTINUED)	
Niel B. Nielson, Trustee c/o First Trust Advisors L.P. 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 03/54	o Three Year Term o Since Fund Inception	President (June 2002 to Present), Covenant College	
		INTERESTED TRUSTEES	
James A. Bowen, Trustee, President, Chairman of the Board and CEO 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 09/55	o Three Year Trustee Term and Indefinite Officer Term o Since Fund Inception	President, First Trust Advisors L.P. and First Trust Portfolios L.P.; Chairman of the Board of Directors, BondWave LLC (Software Development Company/Broker-Dealer) and Stonebridge Advisors LLC (Investment Advisor)	

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE
		OFFICERS WHO ARE NOT TRUSTEES

Mark R. Bradley 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 11/57	Treasurer, Controller, Chief Financial Officer and Chief Accounting Officer	o Indefinite Term o Since Fund Inception

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1 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.

BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007 (UNAUDITED)

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE
	OFFICERS WHO ARE NOT TRUSTEES - (CONTINUED)	
Kelley Christensen 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 09/70	Vice President	o Indefinite Term o Since Fund Inception
James M. Dykas 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 01/66	Assistant Treasurer	o Indefinite Term o Since Fund Inception
Christopher Fallow 1001 Warrenville Road, Suite 300 Lisle, IL 60532	Assistant Vice President	o Indefinite Term o Since Fund Inception

D.O.B. 04/79		
W. Scott Jardine 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 05/60	Secretary and Chief Compliance Officer	o Indefinite Term o Since Fund Inception

BOARD OF TRUSTEES AND OFFICERS - (CONTINUED)

FIRST TRUST/GALLATIN SPECIALTY FINANCE AND FINANCIAL OPPORTUNITIES FUND
NOVEMBER 30, 2007 (UNAUDITED)

NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE
	OFFICERS WHO ARE NOT TRUSTEES - (CONTINUED)	
Daniel J. Lindquist 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 02/70	Vice President	o Indefinite Term o Since Fund Inception
Kristi A. Maher 1001 Warrenville Road, Suite 300 Lisle, IL 60532 D.O.B. 12/66	Assistant Secretary	o Indefinite Term o Since Fund Inception

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[LOGO] FIRSTTRUST
ADVISORS L.P.

INVESTMENT ADVISOR
First Trust Advisors L.P.
1001 Warrenville Road
Lisle, IL 60532

INVESTMENT SUB-ADVISOR
Gallatin Asset Management, Inc.
One North Jefferson
St. Louis, MO 63103

ADMINISTRATOR, CUSTODIAN,
FUND ACCOUNTANT,
TRANSFER AGENT &
BOARD ADMINISTRATOR
PFPC Inc.
301 Bellevue Parkway
Wilmington, DE 19809

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 description.

(d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) AUDIT FEES (REGISTRANT) -- The aggregate fees billed from Registrant's inception on May 25, 2007 through November 30, 2007 for professional services rendered by the principal accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for such fiscal years were $55,000.

(b) AUDIT-RELATED FEES (REGISTRANT) -- The aggregate fees billed from Registrant's inception on May 25, 2007 through November 30, 2007 for assurance and related services by the principal accountant that ar