

FIRST TRUST SPECIALTY FINANCE & FINANCIAL OPPORTUNITIES FUND
Form N-CSRS
August 08, 2018

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 Specialty Finance and Financial Opportunities Fund
(Exact name of registrant as specified in charter)

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

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

registrant's telephone number, including area code: N30-765-8000

Date of fiscal year end: November 30

Date of reporting period: May 31, 2018

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. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

First Trust
Specialty Finance and Financial
Opportunities Fund (FGB)
Semi-Annual Report
For the Six Months Ended
May 31, 2018

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Semi-Annual Report

May 31, 2018

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Caution Regarding Forward-Looking Statements

This report contains certain forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding the goals, beliefs, plans or current expectations of First Trust Advisors L.P. (“First Trust” or the “Advisor”) and/or Confluence Investment Management LLC (“Confluence” 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 uncertain 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 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 the Advisor and/or Sub-Advisor and their respective representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

Performance and Risk Disclosure

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 by investing in the Fund. See “Risk Considerations” in the Additional Information section of this report for a discussion of certain other risks of investing in the Fund.

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month-end performance figures, please visit www.ftportfolios.com or speak with your financial advisor. Investment returns, net asset value and common share price will fluctuate and Fund shares, when sold, may be worth more or less than their original cost. The Advisor may also periodically provide additional information on Fund performance on the Fund's web page at www.ftportfolios.com.

How to Read This Report

This report contains information that may help you evaluate your investment in the Fund. It includes details about the Fund and presents data and analysis that provide insight into the Fund's performance and investment approach. By reading the portfolio commentary by the portfolio management team of the Fund, you may obtain an understanding of how the market environment affected the Fund's performance. The statistical information that follows may help you understand the Fund's performance compared to that of relevant market benchmarks. It is important to keep in mind that the opinions expressed by personnel of First Trust and Confluence 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 material risks of investing in the Fund are spelled out in the prospectus, the statement of additional information, this report and other Fund regulatory filings.

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Shareholder Letter

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Semi-Annual Letter from the Chairman and CEO

May 31, 2018

Dear Shareholders:

First Trust is pleased to provide you with the semi-annual report for the First Trust Specialty Finance and Financial Opportunities Fund, which contains detailed information about your investment for the six-month period ended May 31, 2018, including a market overview and a performance analysis for the period. We encourage you to read this report carefully and discuss it with your financial advisor.

As you are no doubt aware, 2017 was a very strong year for both the U.S. and global markets. The three major U.S. indices – the S&P 500® Index, the Dow Jones Industrial Average and the Nasdaq Composite – posted their best performance since 2013. And there was more good news for Wall Street as the year ended and analysts collected stock market data:

- The S&P 500® Index did something it had never previously done, finishing 2017 with 12 months of gains;
- The Dow Jones Industrial Average achieved a milestone as well, closing above 24,000 for the first time ever on November 30;
- The Nasdaq Composite set a record by having 11 months of gains in 2017 (June was the only down month, and by just 0.86%); and
- The MSCI AC World Index (containing constituents from 47 countries) ended 2017 at an all-time high and was up 22% at year-end.

As 2017 ended, President Trump signed the “Tax Cuts and Jobs Act of 2017” tax reform bill. As 2018 began, there was much enthusiasm for this tax reform package and the potential increase in take-home pay for many Americans, as well as the reduction in the federal corporate tax rate from 35% to 21%. Early in the year, many investors were also watching the Federal Reserve (the “Fed”) and its signaled intent to continue raising interest rates at a gradual pace. Based on strong job growth and the economic outlook in the U.S., the Fed did, in fact, raise interest rates on March 21, 2018. At the Fed’s May 2018 meeting, interest rates were unchanged, but the statement the Fed released points to the possibility of two or more rate hikes in the latter part of 2018.

For the entire first quarter of 2018, increased volatility was the norm. The S&P 500® Index was off to a strong start in January as it returned over 7.5% from January 2 to January 26. February, however, was a different story. Early in the month, the Dow Jones Industrial Average plunged 567 points and sank into “correction” territory (defined as a drop of 10% from the index’s high) and in just two weeks, was down more than 3,200 points. However, as February came to a close, the Dow Jones Industrial Average was back on track and up from the lows experienced earlier in the month. Volatility continued in March and April with the Dow Jones Industrial Average ending April with a small gain, while May ended with a slight decline. Across the globe, the first quarter saw the Emerging Market and Developing Market countries, as well as Europe, continue with the strong performances experienced in 2017.

The market volatility we saw during the first quarter of 2018 has continued into the second quarter, both in the U.S. and abroad. Both the U.S. and international markets have been affected by talk of a so-called “trade war” and tariffs on imports from China (and other countries), as well as geopolitical concerns around a possible war with Syria, continued concerns regarding North Korea and the potential effects of the political goals of Italy’s new prime minister. This market volatility is why we believe that one should invest for the long term and be prepared for market movements, which can happen at any time. This can be accomplished by keeping current on your portfolio and investing goals and by speaking regularly with your investment professional. As we’ve said before, markets go up and they also go down, but savvy investors are prepared for either through careful attention to their portfolios and investment goals.

At First Trust, we continue to be optimistic about the U.S. economy and we thank you for giving us the opportunity to be a part of your financial plan. We value our relationship with you and will report on your investment again in six months.

Sincerely,

James A. Bowen

Chairman of the Board of Trustees

Chief Executive Officer of First Trust Advisors L.P.

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

“AT A GLANCE”

As of May 31, 2018 (Unaudited)

Fund Statistics

Symbol on New York Stock Exchange	FGB
Common Share Price	\$6.17
Common Share Net Asset Value (“NAV”)	\$5.98
Premium (Discount) to NAV	3.18%
Net Assets Applicable to Common Shares	\$85,812,319
Current Quarterly Distribution per Common Share ⁽¹⁾	\$0.1750
Current Annualized Distribution per Common Share	\$0.7000
Current Distribution Rate on Common Share Price ⁽²⁾	11.35%
Current Distribution Rate on NAV ⁽²⁾	11.71%

Common Share Price & NAV (weekly closing price)

Performance

	Average Annual Total Return				Inception (5/25/07) to 5/31/18
	6 Months Ended 5/31/18	1 Year Ended 5/31/18	5 Years Ended 5/31/18	10 Years Ended 5/31/18	
Fund Performance⁽³⁾					
NAV	-1.16%	-4.52%	3.57%	3.36%	0.06%
Market Value	2.62%	-5.66%	3.92%	3.67%	-0.07%
Index Performance					
Blended Benchmark ⁽⁴⁾	1.43%	2.99%	6.17%	8.26%	4.38%
MSCI U.S. Investable Market Financials Index	-0.50%	16.65%	10.91%	3.79%	0.06%

Asset Classification	% of Total Investments
Common Stocks - Business Development Companies	88.2%
Real Estate Investment Trusts (REITs)	11.8
Total	100.0%

Industry Classification	% of Total Investments
Capital Markets	88.2%
Mortgage Real Estate Investment Trusts	11.8
Total	100.0%

Top Ten Holdings	% of Total Investments
Ares Capital Corp.	11.2%
New Mountain Finance Corp.	7.4
Golub Capital BDC, Inc.	7.3
TCP Capital Corp.	6.8
Hercules Capital, Inc.	6.6

CYS Investments, Inc.	6.3
Solar Capital Ltd.	5.9
TriplePoint Venture Growth BDC Corp.	5.5
THL Credit, Inc.	5.4
PennantPark Investment Corp.	5.1
Total	67.5%

(1) Most recent distribution paid or declared through 5/31/2018. Subject to change in the future.

(2) Distribution rates are calculated by annualizing the most recent distribution paid or declared through the report date and then dividing by Common Share Price or NAV, as applicable, as of 5/31/2018. Subject to change in the future.

Total return is based on the combination of reinvested dividend, capital gain, and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per share for NAV returns and changes in Common Share Price for market value returns. Total returns do not reflect sales load and are not annualized for periods of less than one year. Past performance is not indicative of future results.

Blended Benchmark consists of the following:

(4) Wells Fargo BDC Index (70%), FTSE NAREIT Mortgage REIT Index (20%) and S&P SmallCap Financials Index (10%).

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Portfolio Commentary

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Semi-Annual Report

May 31, 2018 (Unaudited)

Advisor

First Trust Advisors L.P. (“First Trust” or the “Advisor”) is the investment advisor to the First Trust Specialty Finance and Financial Opportunities Fund (the “Fund”). First Trust is responsible for the ongoing monitoring of the Fund’s investment portfolio, managing the Fund’s business affairs and providing certain administrative services necessary for the management of the Fund.

Sub-Advisor

Confluence Investment Management LLC, a registered investment advisor (“Confluence” or the “Sub-Advisor”), located in St. Louis, Missouri, serves as the sub-advisor to the Fund. The investment professionals at Confluence have over 80 years of aggregate portfolio management experience. Confluence professionals have invested in a wide range of specialty finance and other financial company securities during various market cycles, working to provide attractive risk-adjusted returns to clients.

Confluence Portfolio Management Team

Mark Keller, CFA

Chief Executive Officer and Chief Investment Officer

David Miyazaki, CFA

Senior Vice President and Portfolio Manager

Daniel Winter, CFA

Senior Vice President and Portfolio Manager

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

The primary investment objective of the Fund 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, under normal market conditions, 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. Under normal market conditions, the Fund concentrates its investments in securities of companies within industries in the financial sector. “Managed Assets” means the total asset value of the Fund minus the sum of its liabilities, other than the principal amount of borrowings. There can be no assurance that the Fund will achieve its investment objectives. The Fund may not be appropriate for all investors.

Market Recap

The Fund is a financial sector fund with a particular focus on a niche called business development companies (“BDCs”). BDCs lend to and invest in private companies, oftentimes working with those not large enough to efficiently access the public markets. Each BDC has a unique profile, determined by its respective management team. Some specialize in particular industries, while others apply a more generalized approach and maintain a diversified portfolio. Both approaches can work effectively and offer shareholders a unique and differentiated return opportunity derived from the private markets. During the six-month period ended May 31, 2018, the Fund had approximately 88.2% of its assets invested in 25 BDCs. The Fund also maintained an allocation of just over 11% to mortgage-backed securities real estate investment trusts (“MBS REITs”).

Performance Analysis

6 Months

Total Return

Ended 5/31/18

FGB Market Value 2.62%

FGB NAV -1.16%

Blended Benchmark* 1.43%

*Components of the Blended Benchmark: Wells Fargo BDC Index (70%); FTSE NAREIT Mortgage REIT Index (20%); S&P SmallCap Financials Index (10%). Source: Bloomberg, BNY Mellon.

The Fund uses leverage because we believe that, over time, leverage provides opportunities for additional income and total return for common shareholders. However, the use of leverage can also expose common shareholders to additional volatility. For example, as the prices of securities held by the Fund decline, the negative impact of valuation changes on Common Share NAV and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance Common Share returns during periods when the prices of securities held by the Fund generally are rising. For the performance referenced above, the use of leverage had a negative impact on returns. The Blended Benchmark does not use leverage.

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Portfolio Commentary (Continued)

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Semi-Annual Report

May 31, 2018 (Unaudited)

The Fund's market value total return during the first six months of its fiscal year was higher than that of its benchmark, while the Fund's NAV return was below the benchmark. During this time frame, BDCs generally delivered steady operating performance, even as equity market volatility spiked in the first quarter among both small and large cap stocks. BDCs also experienced spikes in volatility, but their path was comparatively milder. We believe low valuations and significant dividends may have played a role in helping BDCs deliver lower volatility relative to the broader equity market.

Also noteworthy during the time frame was a change in regulations for BDCs. When BDCs were first formed in the early 1980s, the regulatory framework limited the amount of debt a BDC could have on its balance sheet. Generally speaking, BDCs were not allowed to issue more debt than equity on their balance sheets, creating a "1:1 debt/equity" limitation that remained in place until this year. However, in the first quarter of 2018, Congress amended the regulation, effectively doubling the leverage limitation to "2:1 debt/equity."

Initially, the market response to the change in regulation was mildly positive, with some of the larger BDCs performing a bit better after the change. However, market enthusiasm waned as debt downgrade warnings emerged from rating agencies. Investors also seemingly took pause to digest whether or not the potential for more leverage among BDCs was a positive development. Fortunately, increasing the leverage ratio for a BDC requires either approval from shareholders, or a one-year waiting period after a BDC's board approves a change to the BDC's debt to equity ratio. In both scenarios, BDC investors are afforded some time to consider the merits and risks associated with more leverage.

The Fund's MBS REIT positions delivered negative performance during the period as rising interest rates created downward pressure on MBS valuations. However, management teams anticipated the increase in rates and had positioned their portfolios to limit some of the downside, while protecting capital in order to invest in higher rates. Accordingly, we believe MBS REITs can deliver positive results and the Fund can continue to pursue its income objective through an allocation to this industry.

Market and Fund Outlook

We have often referenced the ongoing evolution of the BDC industry. Changes have taken place gradually with varying degrees of success, but shareholders have generally benefitted from them over time. For example, base management fees continue to move lower, while incentive management fees are becoming more closely tied to investor returns. We view these changes positively, but have not yet reached the same conclusion for the new 2:1 debt limitation. Our work indicates that BDC operating and debt costs are high enough to limit, or even prevent, meaningful increases in shareholder returns for many BDCs, should their management teams choose to utilize 2:1 leverage. Still, there may be a pathway forward if managers are willing to lower their fees. Two of the Fund's holdings, New Mountain Finance and the Goldman Sachs BDC, recently lowered fees in a manner that can help accrue benefits to shareholders as leverage is moved higher. If more companies were to adopt these kinds of policies, we may consider 2:1 as a positive part of the BDC industry's evolution.

Perhaps of greater consequence are two other regulations that continue to affect BDCs. One is known as Acquired Fund Fees and Expenses ("AFFE") and the second one is known as the 3% rule. Of course, both regulations are complicated but, if we distill them to their basics, AFFE creates a higher fee disclosure when mutual funds, ETFs and closed-end funds own BDCs, while the 3% rule limits ownership of BDCs by these funds. The net result from these regulations has been to discourage institutional ownership of BDCs. And, since 2014, when these regulations precipitated the exclusion of BDCs from the major equity market indices, institutional ownership of BDCs has declined, along with stock trading liquidity and shareholder vote participation. For our part, we believe regulatory adjustments to AFFE and the 3% rule would benefit BDC shareholders and thus we remain hopeful that progress on these fronts can move forward.

Nevertheless, even without changes on the regulatory front, our outlook for BDCs remains cautiously optimistic. In our opinion, consolidation and rationalization continue to improve the industry and high-quality managers are delivering good results with much improved fee structures relative to a few years ago. We believe that the Fund

remains positioned to participate in the ongoing growth and evolution of the BDC industry, while utilizing a smaller allocation to MBS REITs as a complement. It is our pleasure to manage the Fund, and we look forward to pursuing the Fund's income and growth objectives through these unique investments.

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Portfolio of Investments

May 31, 2018 (Unaudited)

Shares	Description	Value
COMMON STOCKS – BUSINESS DEVELOPMENT COMPANIES – 111.6%		
Capital Markets – 111.6%		
172,787	Alcentra Capital Corp. (a)	\$1,157,673
551,102	Apollo Investment Corp. (a)	3,135,770
722,412	Ares Capital Corp. (a)	12,194,314
900	BlackRock Capital Investment Corp.	5,616
130,340	CM Finance, Inc. (a)	1,244,747
10,000	Corporate Capital Trust, Inc. (a)	164,500
210,300	FS Investment Corp. (a)	1,619,310
53,063	Goldman Sachs BDC, Inc.	1,087,261
429,730	Golub Capital BDC, Inc. (a)	7,954,302
16,699	Harvest Capital Credit Corp. (a)	171,165
574,598	Hercules Capital, Inc. (a)	7,119,269
340,472	KCAP Financial, Inc. (a)	1,082,701
49,107	Main Street Capital Corp. (a)	1,886,691
486,714	Medley Capital Corp. (a)	1,722,968
577,564	New Mountain Finance Corp. (a)	8,028,140
202,084	OFS Capital Corp. (a)	2,261,320
755,081	PennantPark Investment Corp. (a)	5,489,439
295,709	Solar Capital Ltd.	6,390,271
15,721	Solar Senior Capital Ltd. (a)	261,440
340,126	Stellus Capital Investment Corp. (a)	4,367,218
501,863	TCP Capital Corp. (a)	7,392,442
747,618	THL Credit, Inc. (a)	5,876,277
206,751	TPG Specialty Lending, Inc.	3,857,974
472,594	Triangle Capital Corp. (a)	5,354,490
473,845	TriplePoint Venture Growth BDC Corp.	5,956,232
	Total Common Stocks - Business Development Companies	95,781,530
	(Cost \$107,463,809)	
REAL ESTATE INVESTMENT TRUSTS – 15.0%		
Mortgage Real Estate		
Investment Trusts – 15.0%		
481,782	Annaly Capital Management, Inc.	5,024,986
108,500	Capstead Mortgage Corp. (a)	992,775
929,380	CYS Investments, Inc. (a)	6,803,062
	Total Real Estate Investment Trusts	12,820,823
	(Cost \$17,648,926)	
	Total Investments – 126.6%	108,602,353
	(Cost \$125,112,735) (b)	
	Outstanding Loan – (29.1)%	(25,000,000)
	Net Other Assets and Liabilities – 2.5%	2,209,966
	Net Assets – 100.0%	\$85,812,319

(a) All or a portion of this security serves as collateral on the outstanding loan.

Aggregate cost for financial reporting purposes approximates the aggregate cost for federal income tax purposes.
 (b) As of May 31, 2018, the aggregate gross unrealized appreciation for all investments in which there was an excess of value over tax cost was \$6,737,673 and the aggregate gross unrealized depreciation for all investments in which there was an excess of tax cost over value was \$23,248,055. The net unrealized depreciation was \$16,510,382.

Valuation Inputs

A summary of the inputs used to value the Fund's investments as of May 31, 2018 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

	Total Value at 5/31/2018	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Common Stocks - Business Development Companies*	\$ 95,781,530	\$ 95,781,530	\$ —	\$ —
Real Estate Investment Trusts*	12,820,823	12,820,823	—	—
Total Investments	\$ 108,602,353	\$ 108,602,353	\$—	\$—

*See Portfolio of Investments for industry breakout.

All transfers in and out of the Levels during the period are assumed to occur on the last day of the period at their current value. There were no transfers between Levels at May 31, 2018.

See Notes to Financial Statements

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Statement of Assets and Liabilities

May 31, 2018 (Unaudited)

ASSETS:

Investments, at value

(Cost \$125,112,735)	\$ 108,602,353
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Cash	1,745,871
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Foreign currency (Cost \$27)	20
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Receivables:

Investment securities sold	414,631
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Dividends	241,529
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Common Shares issued under the Dividend Reinvestment Plan	14,525
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Prepaid expenses	16,200
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Total Assets	111,035,129
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LIABILITIES:

Outstanding loan	25,000,000
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Payables:

Investment advisory fees	94,769
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Interest and fees on loan	66,350
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Audit and tax fees	29,082
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Printing fees	16,994
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Administrative fees	5,069
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Custodian fees	2,997
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Trustees' fees and expenses	2,825
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Transfer agent fees	2,693
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Legal fees	973
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Financial reporting fees	771
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Other liabilities	287
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Total Liabilities	25,222,810
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NET ASSETS	\$85,812,319
<hr/>	
NET ASSETS consist of:	
Paid-in capital	\$ 138,849,310
<hr/>	
Par value	143,497
<hr/>	
Accumulated net investment income (loss)	(2,877,349)
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Accumulated net realized gain (loss) on investments	(33,792,750)
<hr/>	
Net unrealized appreciation (depreciation) on investments and foreign currency translation	(16,510,389)
<hr/>	
NET ASSETS	\$85,812,319
<hr/>	
NET ASSET VALUE, per Common Share (par value \$0.01 per Common Share)	\$5.98
<hr/>	
Number of Common Shares outstanding (unlimited number of Common Shares has been authorized)	14,349,720
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See Notes to Financial Statements

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Statement of Operations

For the Six Months Ended May 31, 2018 (Unaudited)

INVESTMENT

INCOME:

Dividends \$ 5,662,194

Interest 1,619

Total investment income 5,663,813

EXPENSES:

Investment advisory fees 557,522

Interest and fees on loan 323,640

Printing fees 28,000

Administrative fees 24,183

Audit and tax fees 23,826

Transfer agent fees 15,723

Custodian fees 8,762

Trustees' fees and expenses 8,190

Listing expense 7,731

Financial reporting fees 4,625

Legal fees 2,859

Other 4,657

Total expenses 1,009,718

NET
INVESTMENT
INCOME 4,654,095
(LOSS)

NET
REALIZED
AND
UNREALIZED
GAIN (LOSS):
Net realized
gain (loss) on
investments (490,238)

Net change in
unrealized
appreciation
(depreciation) (5,524,065)
on investments

NET
REALIZED
AND
UNREALIZED (6,014,303)
GAIN (LOSS)

NET
INCREASE
(DECREASE)
IN NET
ASSETS \$(1,360,208)
RESULTING
FROM
OPERATIONS

See Notes to Financial Statements

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Statements of Changes in Net Assets

	Six Months Ended 5/31/2018 (Unaudited)	Year Ended 11/30/2017
OPERATIONS:		
Net investment income (loss)	\$ 4,654,095	\$ 7,724,375
Net realized gain (loss)	(490,238)	863,318
Net change in unrealized appreciation (depreciation)	(5,524,065)	(4,242,598)
Net increase (decrease) in net assets resulting from operations	(1,360,208)	4,345,095
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income	(5,021,110)	(8,604,371)
Return of capital	—	(1,432,930)
Total distributions to shareholders	(5,021,110)	(10,037,301)
CAPITAL TRANSACTIONS:		
Proceeds from Common Shares reinvested	28,828	103,673
Net increase (decrease) in net assets resulting from capital transactions	28,828	103,673
Total increase (decrease) in net assets	(6,352,490)	(5,588,533)
NET ASSETS:		
Beginning of period	92,164,809	97,753,342
End of period	\$ 85,812,319	\$ 92,164,809
Accumulated net investment income (loss) at end of period	\$(2,877,349)	\$(2,510,334)
CAPITAL TRANSACTIONS were as follows:		
Common Shares at beginning of period	14,344,765	14,329,772
Common Shares issued as reinvestment under the Dividend Reinvestment Plan	4,955	14,993
Common Shares at end of period	14,349,720	14,344,765

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Statement of Cash Flows

For the Six Months Ended May 31, 2018 (Unaudited)

Cash flows from operating activities:

Net increase (decrease) in net assets resulting from operations	\$(1,360,208)
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Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:

Purchases of investments	(1,822,995)
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Sales, maturities and paydown of investments	3,672,729
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Net realized gain/loss on investments	490,238
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Net change in unrealized appreciation/depreciation on investments	5,524,065
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Changes in assets and liabilities:

Decrease in dividends receivable	93,874
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Increase in prepaid expenses	(12,995)
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Increase in interest and fees payable on loan	19,458
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Decrease in investment advisory fees payable	(3,149)
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Decrease in audit and tax fees payable	(19,296)
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Decrease in legal fees payable	(169)
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Decrease in printing fees payable	(5,847)
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Increase in administrative fees payable	155
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Increase in custodian fees payable	62
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Decrease in transfer agent fees payable	(2,711)
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Increase in Trustees' fees and expenses payable	101
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Increase in other liabilities payable	24
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Cash provided by operating activities	\$6,573,336
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Cash flows from financing activities:

Proceeds from Common Shares reinvested	14,303
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Distributions to Common Shareholders from net investment income	(7,531,444)
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Cash used in financing activities	(7,517,141)
Decrease in cash and foreign currency	(943,805)
Cash and foreign currency at beginning of period	2,689,696
Cash and foreign currency at end of period	\$1,745,891
Supplemental disclosure of cash flow information:	
Cash paid during the period for interest and fees	\$304,182

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

Financial Highlights

For a Common Share outstanding throughout each period

	Six Months Ended 5/31/2018 (Unaudited)	Year Ended November 30,				
		2017	2016	2015	2014	2013
Net asset value, beginning of period	\$ 6.42	\$ 6.82	\$ 6.54	\$ 7.72	\$ 8.61	\$ 7.85
Income from investment operations:						
Net investment income (loss)	0.32	0.54	0.66	0.64	0.65	0.62
Net realized and unrealized gain (loss)	(0.41)	(0.24)	0.32	(1.12) (a)	(0.85)	0.81
Total from investment operations	(0.09)	0.30	0.98	(0.48)	(0.20)	1.43
Distributions paid to shareholders from:						
Net investment income	(0.35)	(0.60)	(0.66)	(0.67)	(0.66)	(0.67)
Return of capital	—	(0.10)	(0.04)	(0.03)	(0.03)	—
Total distributions paid to Common Shareholders	(0.35)	(0.70)	(0.70)	(0.70)	(0.69)	(0.67)
Premiums from shares sold in at the market offering	—	—	—	0.00 (b)	—	—
Net asset value, end of period	\$5.98	\$6.42	\$6.82	\$6.54 (a)	\$7.72	\$8.61
Market value, end of period	\$6.17	\$6.38	\$7.00	\$6.17	\$8.58	\$8.19
Total return based on net asset value (c)	(1.16)%	4.23%	16.39%	(6.25)%	(a)(2.44)%	18.91%
Total return based on market value (c)	2.62%	0.91%	26.63%	(20.42)%	14.00%	10.03%
Ratios to average net assets/supplemental data:						
Net assets, end of period (in 000's)	\$ 85,812	\$ 92,165	\$ 97,753	\$ 93,659	\$ 110,395	\$ 123,081
Ratio of total expenses to average net assets	2.33% (d)	2.02%	1.87%	1.85%	1.71%	1.73%
Ratio of total expenses to average net assets excluding interest expense	1.58% (d)	1.52%	1.54%	1.63%	1.52%	1.50%
Ratio of net investment income (loss) to average net assets	10.75% (d)	7.66%	10.42%	9.14%	8.00%	7.51%
Portfolio turnover rate	2%	5%	13%	10%	14%	13%
Indebtedness:						

Total loan outstanding (in 000's)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per \$1,000 of indebtedness (e)	\$ 4,432	\$ 4,687	\$ 4,910	\$ 4,746	\$ 5,416	\$ 5,923

The Fund received a reimbursement from the sub-advisor in the amount of \$15 in connection with a trade error, (a) which represents less than \$0.01 per share. Since the sub-advisor reimbursed the Fund, there was no effect on the total return.

(b) Amount represents less than \$0.01 per share.

Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in net asset value per share for net asset value returns and changes in Common Share Price for market value returns. Total returns do not reflect sales load and are not annualized for periods of less than one year. Past performance is not indicative of future results.

(d) Annualized.

(e) 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 in 000's.

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Notes to Financial Statements

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

May 31, 2018 (Unaudited)

1. Organization

First Trust 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 primary investment objective of the Fund 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, under normal market conditions, at least 80% of its Managed Assets in a portfolio of securities of specialty finance and other financial companies that Confluence Investment Management LLC (“Confluence” or the “Sub-Advisor”) believes offer attractive opportunities for income and capital appreciation. Under normal market conditions, the Fund concentrates its investments in securities of companies within industries in the financial sector. “Managed Assets” means the total asset value of the Fund minus the sum of its liabilities, other than the principal amount of borrowings. There can be no assurance that the Fund will achieve its investment objectives. The Fund may not be appropriate for all investors.

2. Significant Accounting Policies

The Fund is considered an investment company and follows accounting and reporting guidance under Financial Accounting Standards Board Accounting Standards Codification Topic 946, “Financial Services-Investment Companies.” The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of the financial statements. The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

A. Portfolio Valuation

The net asset value (“NAV”) of the Common Shares of the Fund is determined daily as of the close of regular trading on the NYSE, normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. If the NYSE closes early on a valuation day, the NAV is determined as of that time. Foreign securities are priced using data reflecting the earlier closing of the principal markets for those securities. The Fund’s NAV per Common Share is calculated by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including accrued expenses, dividends declared but unpaid and any borrowings of the Fund), by the total number of Common Shares outstanding.

The Fund’s investments are valued daily at market value or, in the absence of market value with respect to any portfolio securities, at fair value. Market value prices represent last sale or official closing prices from a national or foreign exchange (i.e., a regulated market) and are primarily obtained from third-party pricing services. Fair value prices represent any prices not considered market value prices and are either obtained from a third-party pricing service or are determined by the Pricing Committee of the Fund’s investment advisor, First Trust Advisors L.P. (“First Trust” or the “Advisor”), in accordance with valuation procedures adopted by the Fund’s Board of Trustees, and in accordance with provisions of the 1940 Act. Investments valued by the Advisor’s Pricing Committee, if any, are footnoted as such in the footnotes to the Portfolio of Investments. The Fund’s investments are valued as follows: Common stocks, real estate investment trusts (“REITs”), and other equity securities listed on any national or foreign exchange (excluding The Nasdaq Stock Market LLC (“Nasdaq”) and the London Stock Exchange Alternative Investment Market (“AIM”)) are valued at the last sale price on the exchange on which they are principally traded or, for Nasdaq and AIM securities, the official closing price. Securities traded on more than one securities exchange are valued at the last sale price or official closing price, as applicable, at the close of the securities exchange representing the principal market for such securities.

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

Certain securities may not be able to be priced by pre-established pricing methods. Such securities may be valued by the Fund’s Board of Trustees or its delegate, the Advisor’s Pricing Committee, at fair value. These securities generally

include, but are not limited to, restricted securities (securities which may not be publicly sold without registration under the Securities Act of 1933, as amended) for which a third-party pricing service is unable to provide a market price; securities whose trading has been formally suspended; a security whose market or fair value price is not available from a pre-established pricing source; a security with respect to which an event has occurred that is likely to materially affect the value of the security after the market has closed but before the calculation of the Fund's NAV or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by the third-party pricing service, does not reflect the security's fair value. As a general principle, the current fair value of a security would appear to be the amount which the owner might reasonably expect to receive for the security upon its current sale. When fair value

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Notes to Financial Statements (Continued)

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

May 31, 2018 (Unaudited)

prices are used, generally they will differ from market quotations or official closing prices on the applicable exchanges. A variety of factors may be considered in determining the fair value of such securities, including, but not limited to, the following:

- 1) the type of security;
- 2) the size of the holding;
- 3) the initial cost of the security;
- 4) transactions in comparable securities;
- 5) price quotes from dealers and/or third-party pricing services;
- 6) relationships among various securities;
- 7) information obtained by contacting the issuer, analysts, or the appropriate stock exchange;
- 8) an analysis of the issuer's financial statements; and
- 9) the existence of merger proposals or tender offers that might affect the value of the security.

If the securities in question are foreign securities, the following additional information may be considered:

- 1) the value of similar foreign securities traded on other foreign markets;
- 2) ADR trading of similar securities;
- 3) closed-end fund trading of similar securities;
- 4) foreign currency exchange activity;
- 5) the trading prices of financial products that are tied to baskets of foreign securities;
- 6) factors relating to the event that precipitated the pricing problem;
- 7) whether the event is likely to recur; and
- 8) whether the effects of the event are isolated or whether they affect entire markets, countries or regions.

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 investments. An active market is a market in which transactions for the investment occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Level 2 inputs are observable inputs, either directly or indirectly, and include the following:
 - o Quoted prices for similar investments in active markets.
 - o Quoted prices for identical or similar investments in markets that are non-active. A non-active market is a market where there are few transactions for the investment, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
 - o Inputs other than quoted prices that are observable for the investment (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
 - o Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Level 3 inputs are unobservable inputs. Unobservable inputs may reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the investment.

The inputs or methodologies used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. A summary of the inputs used to value the Fund's investments as of May 31, 2018, is included with the Fund's Portfolio of Investments.

B. Securities Transactions and Investment Income

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

The Fund holds shares of business development companies (“BDCs”) and may hold shares of exchange-traded funds (“ETFs”). The Fund records the character of distributions received from the BDCs during the year based on estimates available. The tax character of distributions received from these securities may vary when reported by the issuer after their tax reporting periods conclude.

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Notes to Financial Statements (Continued)

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

May 31, 2018 (Unaudited)

Distributions received from the Fund's investments in REITs may be comprised of return of capital, capital gains, and income. The actual character of the amounts received during the year are not known until after the REIT's fiscal year end. The Fund records the character of distributions received from the REITs during the year based on estimates available. The characterization of distributions received by the Fund may be subsequently revised based on information received from the REITs after their tax reporting periods conclude.

C. Dividends and Distributions to Shareholders

Dividends from net investment income of the Fund are declared and paid quarterly or as the Board of Trustees may determine from time to time. Distributions of any net realized 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 realized capital gains are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These permanent differences are primarily due to the varying treatment of income and gain/loss on portfolio securities held by the Fund and have no impact on net assets or NAV per share. Temporary differences, which arise from recognizing certain items of income, expense and gain/loss in different periods for financial statement and tax purposes, will reverse at some point in the future.

The tax character of distributions paid by the Fund during the fiscal year ended November 30, 2017, was as follows:

Distributions paid from:

Ordinary income	\$8,601,747
Capital gains	—
Return of capital	1,432,930

As of November 30, 2017, the components of distributable earnings and net assets on a tax basis were as follows:

Undistributed ordinary income	\$—
Undistributed capital gains	—
Total undistributed earnings	—
Accumulated capital and other losses	(30,871,677)
Net unrealized appreciation (depreciation)	(13,417,159)
Total accumulated earnings (losses)	(44,288,836)
Other	(2,510,334)
Paid-in capital	138,963,979
Total net assets	\$92,164,809

D. Income Taxes

The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended, which includes distributing substantially all of its net investment income and net realized gains to shareholders. Accordingly, no provision has been made for federal and state income taxes. However, due to the timing and amount of distributions, the Fund may be subject to an excise tax of 4% of the amount by which approximately 98% of the Fund's taxable income exceeds the distributions from such taxable income for the calendar year.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses arising in taxable years beginning after December 22, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for up to eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. At November 30, 2017, for federal income tax purposes, the Fund had capital loss carryforwards available that are shown in the following table, to the extent provided by

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Notes to Financial Statements (Continued)

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

May 31, 2018 (Unaudited)

regulations, to offset future capital gains through the years indicated. To the extent that these loss carryforwards are used to offset future capital gains, it is probable that the capital gains offset will not be distributed to Fund shareholders.

Capital Loss Available Through 2018	Capital Loss Available Through 2019	Post-Effective (No Expiration)	Total Capital Loss Available
\$14,556,882	\$5,452,015	\$10,367,385	\$30,376,282

During the taxable year ended November 30, 2017, the Fund utilized \$933,831 of the Fund's post-enactment capital loss carryforwards.

At the taxable year ended November 30, 2017, \$55,647,845 of the Fund's capital loss carryforward expired.

Certain losses realized during the current fiscal year may be deferred and treated as occurring on the first day of the following fiscal year for federal income tax purposes. For the fiscal year ended November 30, 2017, the Fund did not incur any net ordinary losses.

The Fund is subject to certain limitations under the U.S. tax rules on the use of capital loss carryforwards and net unrealized built-in losses. These limitations apply when there has been a 50% change in ownership.

The Fund is subject to accounting standards that establish a minimum threshold for recognizing, and a system for measuring, the benefits of a tax position taken or expected to be taken in a tax return. Taxable years ended 2014, 2015, 2016, and 2017 remain open to federal and state audit. As of May 31, 2018, management has evaluated the application of these standards to the Fund, and has determined that no provision for income tax is required in the Fund's financial statements for uncertain tax positions.

E. Expenses

The Fund will pay all expenses directly related to its operations.

F. New and Amended Financial Reporting Rules and Forms

On October 13, 2016, the SEC adopted new rules and forms, and amended existing rules and forms. The new and amended rules and forms are intended to modernize the reporting of information provided by funds and to improve the quality and type of information that funds provide to the SEC and investors. In part, the new and amended rules and forms amend Regulation S-X and require standardized, enhanced disclosures about derivatives in a fund's financial statements, as well as other amendments. The compliance date for the amendments of Regulation S-X was August 1, 2017, which resulted in no change to the financial statements. The new form types and other rule amendments will be effective for the First Trust funds, including the Fund, for reporting periods beginning on and after June 1, 2018. Management is evaluating the new form types and other rule amendments that are effective on and after June 1, 2018 to determine the impact to the Fund.

3. Investment Advisory Fee, Affiliated Transactions and Other Fee Arrangements

First Trust, the investment advisor to the Fund, is a limited partnership with one limited partner, Grace Partners of DuPage L.P., and one general partner, The Charger Corporation. The Charger Corporation is an Illinois corporation controlled by James A. Bowen, Chief Executive Officer of First Trust. First Trust is responsible for the ongoing monitoring of the Fund's investment portfolio, managing the Fund's business affairs and providing certain administrative services necessary for the management of the Fund. For these investment management services, First Trust is entitled to a monthly fee calculated at an annual rate of 1.00% of the Fund's Managed Assets (the average daily total asset value of the Fund minus the sum of the Fund's liabilities other than the principal amount of borrowings). First Trust also provides fund reporting services to the Fund for a flat annual fee in the amount of \$9,250.

Confluence 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 the Fund's Managed Assets that is paid by First Trust from its investment advisory fee.

BNY Mellon Investment Servicing (US) Inc. ("BNYM IS") serves as the Fund's transfer agent in accordance with certain fee arrangements. As transfer agent, BNYM IS is responsible for maintaining shareholder records for the Fund.

The Bank of New York Mellon (“BNYM”) serves as the Fund’s administrator, fund accountant, and custodian in accordance with certain fee arrangements. As administrator and fund accountant, BNYM is responsible for providing certain administrative and accounting services to the Fund, including maintaining the Fund’s books of account, records of the Fund’s securities transactions, and certain other books and records. As custodian, BNYM is responsible for custody of the Fund’s assets. BNYM IS and BNYM are subsidiaries of The Bank of New York Mellon Corporation, a financial holding company.

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Notes to Financial Statements (Continued)

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

May 31, 2018 (Unaudited)

Each Trustee who is not an officer or employee of First Trust, any sub-advisor or any of their affiliates (“Independent Trustees”) is paid a fixed annual retainer that is allocated equally among each fund in the First Trust Fund Complex. Each Independent Trustee is also paid an annual per fund fee that varies based on whether the fund is a closed-end or other actively managed fund, or is an index fund.

Additionally, the Lead Independent Trustee and the Chairmen of the Audit Committee, Nominating and Governance Committee and Valuation Committee are paid annual fees to serve in such capacities, with such compensation allocated pro rata among each fund in the First Trust Fund Complex based on net assets. Independent Trustees are reimbursed for travel and out-of-pocket expenses in connection with all meetings. The Lead Independent Trustee and Committee Chairmen rotate every three years. The officers and “Interested” Trustee receive no compensation from the Fund for acting in such capacities.

4. Purchases and Sales of Securities

The cost of purchases and proceeds from sales of securities, excluding short-term investments, for the six months ended May 31, 2018, were \$1,822,995 and \$4,087,360, respectively.

5. Borrowings

The Fund has a committed facility agreement (the “BNP Facility”) with BNP Paribas Prime Brokerage, Inc. (“BNP”), which currently has a maximum commitment amount of \$25,000,000. Absent certain events of default or failure to maintain certain collateral requirements, BNP may not terminate the BNP Facility except upon 179 calendar days’ prior notice. The interest rate under the BNP Facility is equal to the 1-month LIBOR plus 85 basis points. In addition, under the BNP Facility, the Fund pays a commitment fee of 0.85% on the undrawn amount.

The average amount outstanding for the six-months ended May 31, 2018 was \$25,000,000, with a weighted average interest rate of 2.57%. As of May 31, 2018, the Fund had outstanding borrowings of \$25,000,000 under the BNP Facility. The high and low annual interest rates for the six-months ended May 31, 2018 were 2.83% and 2.23%, respectively, and the interest rate at May 31, 2018 was 2.83%.

6. Indemnification

The Fund has a variety of indemnification obligations under contracts with its service providers. The Fund’s maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

7. Financial Sector Concentration Risk

Under normal market conditions, the Fund invests at least 80% of its Managed Assets in securities of companies within industries in the financial sector. A fund concentrated in a single industry or sector 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.

8. Subsequent Events

Management has evaluated the impact of all subsequent events to the Fund through the date the financial statements were issued, and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements that have not already been disclosed.

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Additional Information

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

May 31, 2018 (Unaudited)

Dividend Reinvestment Plan

If your Common Shares are registered directly with the Fund or if you hold your Common Shares with a brokerage firm that participates in the Fund's Dividend Reinvestment Plan (the "Plan"), unless you elect, by written notice to the Fund, to receive cash distributions, all dividends, including any capital gain distributions, on your Common Shares will be automatically reinvested by BNY Mellon Investment Servicing (US) Inc. (the "Plan Agent"), in additional Common Shares under the Plan. If you elect to receive cash distributions, you will receive all distributions in cash paid by check mailed directly to you by the Plan Agent, as the dividend paying agent.

If you decide to participate in the Plan, the number of Common Shares you will receive will be determined as follows:

- If Common Shares are trading at or above net asset value ("NAV") at the time of valuation, the Fund will issue
- (1) 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.

- 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
- (2) Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Shares issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase Common Shares in the open market within 30 days of the valuation date except where temporary curtailment or suspension of purchases is necessary to comply with federal securities laws. Interest will not be paid on any uninvested cash payments.

You may elect to opt-out of or withdraw from the Plan at any time by giving written notice to the Plan Agent, or by telephone at (866) 340-1104, in accordance with such reasonable requirements as the Plan Agent and the Fund may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan, and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions.

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

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

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

If you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above. The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Trustees the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained by writing BNY Mellon Investment Servicing (US) Inc., 301 Bellevue Parkway, Wilmington, Delaware 19809.

Proxy Voting Policies and Procedures

A description of the policies and procedures that the Fund uses to determine how to vote proxies and information on how the Fund voted proxies relating to portfolio investments during the most recent 12-month period ended June 30 is available (1) without charge, upon request, by calling (800) 988-5891; (2) on the Fund's website at www.ftportfolios.com; and (3) on the Securities and Exchange Commission's ("SEC") website at www.sec.gov.

Portfolio Holdings

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Qs are available (1) by calling (800) 988-5891; (2) on the Fund's website at www.ftportfolios.com;

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Additional Information (Continued)

First Trust Specialty Finance and Financial Opportunities Fund (FGB)

May 31, 2018 (Unaudited)

(3) on the SEC's website at www.sec.gov; and (4) for review and copying at the SEC's Public Reference Room ("PRR") in Washington, DC. Information regarding the operation of the PRR may be obtained by calling (800) SEC-0330.

Submission of Matters to a Vote of Shareholders

The Fund held its Annual Meeting of Shareholders (the "Annual Meeting") on April 23, 2018. At the Annual Meeting, Richard E. Erickson and Thomas R. Kadlec were elected by the Common Shareholders of the First Trust Specialty Finance and Financial Opportunities Fund as Class II Trustees for a three-year term expiring at the Fund's annual meeting of shareholders in 2021. The number of votes cast in favor of Mr. Erickson was 12,823,440, the number of votes against was 550,805 and the number of broker non-votes was 973,046. The number of votes cast in favor of Mr. Kadlec was 12,797,783, the number of votes against was 576,462 and the number of broker non-votes was 973,046. James A. Bowen, Robert F. Keith and Niel B. Nielson are the other current and continuing Trustees.

Risk Considerations

The following discussion summarizes certain (but not all) of the principal risks associated with investing in the Fund. The Fund is subject to the informational requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940 and, in accordance therewith, files reports, proxy statements and other information that is available for review.

Business Development Company ("BDC") 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 could 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. Certain BDCs in which the Fund invests employ the use of leverage in their portfolios through borrowings or in the issuance of preferred stock. While leverage often serves to increase the yield of a BDC, the leverage also subjects the BDC to increased risks, including the likelihood of increased volatility and the possibility that the BDC's common share income will fall if the dividend rate on any preferred shares or the interest rate on any borrowings rises. In addition, the market price for BDCs, together with other dividend paying stocks, may be negatively affected by a rise in interest rates. 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.

Cyber Security Risk. As the use of Internet technology has become more prevalent in the course of business, the Fund has become more susceptible to potential operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information, suffer data corruption or lose operational capacity. Such events could cause the Fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. Cyber security breaches may involve unauthorized access to the Fund's digital information systems through "hacking" or malicious software coding, but may also result from outside attacks such as denial-of-service attacks through efforts to make network services unavailable to intended users. In addition, cyber security breaches of the Fund's third-party service providers, such as its administrator, transfer agent, custodian, or sub-advisor, as applicable, or issuers in which the Fund invests, can also subject the Fund to many of the same risks associated with direct cyber security breaches. The Fund has established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed, especially because the Fund does not directly control the cyber security systems of issuers or third party service providers.

Financial Sector Concentration Risk. Under normal market conditions, the Fund invests at least 80% of its managed assets in securities of companies within industries in the financial sector. A fund concentrated in a single industry or sector 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 may be negatively impacted by changes in tax laws which affect the types of transactions in which such companies engage.

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First Trust Specialty Finance and Financial Opportunities Fund (FGB)

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Illiquid Securities Risk. Illiquid securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. The market price of illiquid securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Fund pays for or recovers upon the sale of such securities. Illiquid securities are also more difficult to value, especially in challenging markets.

Income Risk. The income common shareholders receive from the Fund is based primarily on the dividends and interest it earns from its investments, which can vary widely over the short and long-term. If prevailing market interest rates drop, distribution rates of the Fund's portfolio holdings may decline which then may adversely affect the Fund's distributions on its common shares as well. The Fund's income also would likely be adversely affected when prevailing short-term interest rates increase and the Fund is utilizing leverage.

Leverage Risk. The use of leverage by the Fund can magnify the effect of any losses. If the income and gains from the securities and investments purchased with leverage proceeds do not cover the cost of leverage, the return to the common shares will be less than if leverage had not been used. Leverage involves risks and special considerations for common shareholders including: the likelihood of greater volatility of net asset value and market price of the common shares than a comparable portfolio without leverage; the risk that fluctuations in interest rates on borrowings will reduce the return to the common shareholders or will result in fluctuations in the dividends paid on the common shares; in a declining market, the use of leverage is likely to cause a greater decline in the net asset value of the common shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the common shares; and when the Fund uses certain types of leverage, the investment advisory fee payable to the Advisor and by the Advisor to the Sub-Advisor will be higher than if the Fund did not use leverage.

Management Risk and Reliance on Key Personnel. The implementation of the Fund's investment strategy depends upon the continued contributions of certain key employees of the Advisor and Sub-Advisor, some of whom have unique talents and experience and would be difficult to replace. The loss or interruption of the services of a key member of the portfolio management team could have a negative impact on the Fund.

Market Discount from Net Asset Value. Shares of closed-end investment companies such as the Fund frequently trade at a discount from their net asset value. The Fund cannot predict whether its common shares will trade at, below or above net asset value.

Non-Diversification. The Fund is a non-diversified investment company under the 1940 Act and will not be treated as a regulated investment company under the Internal Revenue Code of 1986. Accordingly, the diversification-specific regulatory requirements under the 1940 Act and the Internal Revenue Code of 1986 regarding the minimum number or size of portfolio securities do not apply to the Fund.

Potential Conflicts of Interest Risk. First Trust, Confluence and the portfolio managers have interests which may conflict with the interests of the Fund. In particular, First Trust and Confluence currently manage and may in the future manage and/or advise other investment funds or accounts with the same or substantially similar investment objective and strategies as the Fund. In addition, while the Fund is using leverage, the amount of the fees paid to First Trust (and by First Trust to Confluence) for investment advisory and management services are higher than if the Fund did not use leverage because the fees paid are calculated based on managed assets. Therefore, First Trust and Confluence have a financial incentive to leverage the Fund.

REIT, Mortgage-Related and Asset-Backed Securities Risk. Investing in REITs involves certain unique risks in addition to investing in the real estate industry in general. REITs are subject to interest rate risk (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 of 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.

Specialty Finance and Other Financial Companies Risks. The profitability of specialty finance and other financial companies in which the Fund may invest is largely dependent upon the availability and cost of capital, and may fluctuate significantly in response to

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changes in interest rates, as well as changes in general economic conditions. Any impediments to a specialty finance or other financial company's access to capital markets, such as those caused by general economic conditions or a negative perception in the capital markets of the company's financial condition or prospects, could adversely affect such company's business. From time to time, severe competition may also affect the profitability of specialty finance and other financial companies. Specialty finance and other financial companies are subject to rapid business changes, significant competition, value fluctuations due to the concentration of loans in particular industries significantly affected by economic conditions (such as real estate or energy) and volatile performance based upon the availability and cost of capital and prevailing interest rates. In addition, credit and other losses resulting from the financial difficulties of borrowers or other third parties potentially may have an adverse effect on companies in these industries. Valuation Risk. The valuation of the Fund's investments may carry more risk than that of traditional common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes may lead to inaccurate asset pricing.

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INVESTMENT ADVISOR

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Wheaton, IL 60187

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TRANSFER AGENT

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ADMINISTRATOR,
FUND ACCOUNTANT, AND
CUSTODIAN

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INDEPENDENT REGISTERED
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111 S. Wacker Drive
Chicago, IL 60606

LEGAL COUNSEL

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

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Item 2. Code of Ethics.

Not applicable.

Item 3. Audit Committee Financial Expert.

Not applicable.

Item 4. Principal Accountant Fees and Services.

Not applicable.

Item 5. Audit Committee of Listed registrants.

Not applicable.

Item 6. Investments.

(a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.

(b) Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

(a) Not applicable.

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

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

Not applicable.

Item 10. Submission of Matters to a Vote of Security Holders.

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's board of trustees, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

Item 11. Controls and Procedures.

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 (a) days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.

- (a) Not applicable.
- (b) Not applicable.

Item 13. Exhibits.

- (a)(1) Not applicable.
- (a)(2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a)(3) Not applicable.
- (a)(4) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

SIGNATURES

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

(registrant) First Trust Specialty Finance and Financial Opportunities Fund

By (Signature and Title)* /s/ James M. Dykas
James M. Dykas, President and Chief Executive Officer
(principal executive officer)

Date August 8, 2018

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

By (Signature and Title)* /s/ James M. Dykas
James M. Dykas, President and Chief Executive Officer
(principal executive officer)

Date August 8, 2018

By (Signature and Title)* /s/ Donald P. Swade
Donald P. Swade, Treasurer, Chief Financial Officer
and Chief Accounting Officer
(principal financial officer)

Date August 8, 2018

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