

FIRST TRUST HEDGED STRATEGIES FUND

Class A Shares – HDGAX

Class I Shares – HFLEX

Annual Report

March 31, 2024



First Trust Hedged Strategies Fund

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This report and the financial statements contained herein are provided for the general information of the shareholders of the First Trust Hedged Strategies Fund (the "Fund"). This report is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus.



FIRST TRUST HEDGED STRATEGIES FUND MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Executive-Level Overview

We like to preface our Annual Shareholder Letter with an Executive-Level Overview to reinforce our investment process and current mindset in present market conditions.

The prior year was marked by aggressive responses to rapid inflation through monetary policy, increasing geopolitical tension, and developed economies displaying resilience despite recessionary fears. However, while headline inflation has shown signs of easing and the economy has outperformed consensus expectations, persistent high core inflation along with seismic shifts in the economy and geopolitics pose a multifaceted challenge for asset allocators going forward. These shifts indicate a transition to a new investment landscape, prompting a reassessment of risk asset behaviors. Our primary focus remains guiding investors through this evolving environment. Amidst amplified volatility in both equity and debt markets, short-term disruptions complicate portfolio management and how to best respond to economic data. Our unwavering approach prioritizes building robust, uncorrelated portfolios that we believe are capable of delivering positive absolute performance across diverse market cycles. This strategy has proven to be prudent, offering investors protection from adverse outcomes despite the increased market turbulence across our range of strategies.

While global interest rates moving higher over the year certainly impacted many long duration asset classes (chiefly public equities), one trend on which we have been acutely focused is the capital flight observed internationally across public and private markets. As the higher-for-longer interest rate environment continues and more companies and assets run into financing issues (either through debt maturities, free-cash-flow problems, or a combination of both), we expect these capital vacuums to present both challenges and opportunities for investors as we move through 2024. Our team remains excited about the prevailing market environment and opportunity set that we expect to unfold over the coming quarters. However, we remain acutely aware of the numerous macro- and micro-level factors that have the potential to drive global risk markets in the months to come.

As is customary in our Annual Shareholder Letter, we will review what we believe to be the important drivers of performance and opportunity in the Fund since its inception.

First Trust Hedged Strategies Fund

Since inception in July 2023, the Fund's Class I Shares have returned 8.42% net of all fees compared to the HFRX Global Hedge Fund Index return of 3.25%, delivering on our absolute return mandate and return target with only two down months during the period ended March 31, 2024.

Amidst evolving market dynamics, we remain confident in the outlook of the Fund and the performance of individual managers across the strategies. The ongoing macroeconomic uncertainty provides a strategic opportunity for our hedge fund managers, as they have consistently demonstrated their ability to navigate volatile markets and mitigate risks through in-depth fundamental research. As market focus shifts towards fundamental indicators such as earnings, we believe that we are well-positioned to capitalize through the expertise of our selected hedge fund managers.

The Fund's long/short equity strategy, executed through five managers, enabled the Fund to exploit mispricing opportunities from both over- and under-valued securities. Additionally, the relative value and market neutral multi-strategy managers sought to generate high-quality return streams differentiated from traditional equity and fixed income exposures. We believe that the resilience of the Fund's diversified strategies positions us adeptly amid market fluctuations, seizing opportunities and delivering distinct returns. One of thirteen managers detracted from overall performance over the fiscal year, with a concentrated long/short strategy having one or two meaningful (over 5%) long positions underperform the market's strong overall results, which led to softness in that strategy's results.



On a go-forward basis, we remain confident in our ability to provide a high conviction portfolio diversified by strategy through our top tier managers and in their ability to navigate complex market environments.

As always, we thank you for your continued support and intend to work hard to maintain it. We truly appreciate your trust and confidence in First Trust Capital Management.

Kind Regards,

A handwritten signature in black ink, appearing to read "M. D. Peck".

Michael D. Peck, CFA

Chief Executive Officer, Co-Chief Investment Officer
mpeck@firsttrustcapital.com

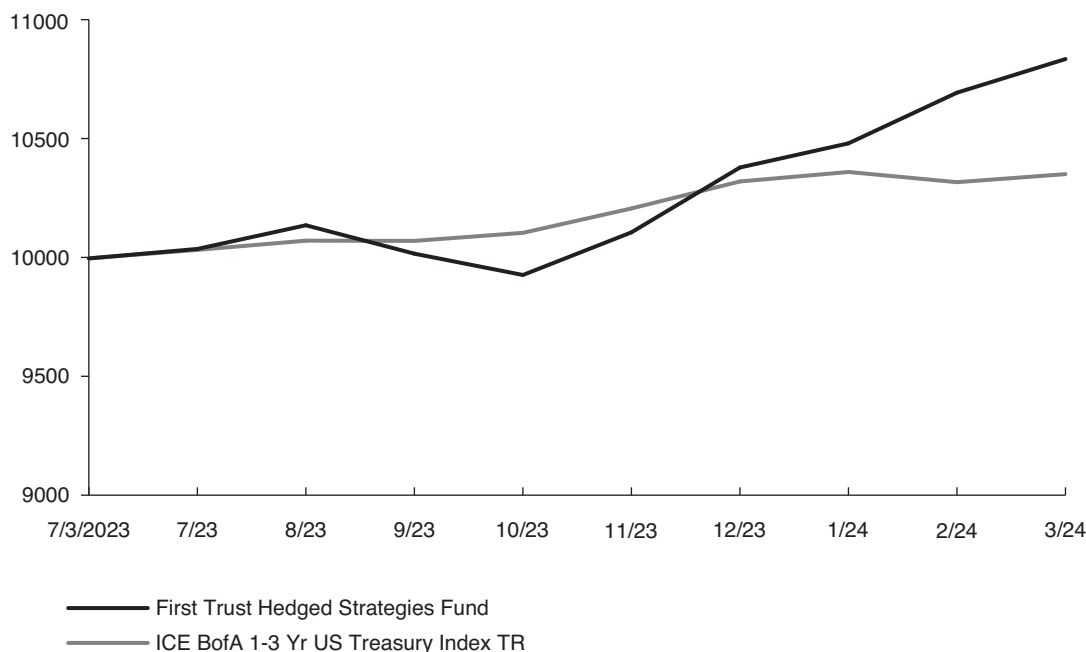
A handwritten signature in black ink, appearing to read "B. R. Murphy".

Brian R. Murphy

Co-Chief Investment Officer
bmurphy@firsttrustcapital.com

First Trust Hedged Strategies Fund
FUND PERFORMANCE
March 31, 2024 (Unaudited)

Performance of a \$10,000 Investment



This graph compares a hypothetical \$10,000 investment in the Fund’s Class I Shares with a similar investment in the ICE BofA 1-3 Yr US Treasury Index TR. Results include the reinvestment of all dividends and capital gains. The index does not reflect expenses, fees, or sales charges, which would lower performance.

Please note that the performance of the Fund’s other share class, Class A, will differ based on the differences in sales load and fees paid by shareholders investing in Class A Shares.

The ICE BofA 1-3 Yr US Treasury Index TR tracks the performance of the direct sovereign debt of the U.S. Government with a maturity of at least one year and less than three years. The index is unmanaged and it is not available for investment.

Cumulative Total Returns as of March 31, 2024	Since Inception
First Trust Hedged Strategies Fund – Class I (Inception Date July 3, 2023)	8.42%
ICE BofA 1-3 Yr US Treasury Index TR	3.56%

The performance data quoted here represents past performance and past performance is not a guarantee of future results. Investment return and principal value will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. The most recent quarter end performance may be obtained by calling 1 (877) 779-1999.

First Trust Hedged Strategies Fund
FUND PERFORMANCE — Continued
March 31, 2024 (Unaudited)

Fund performance is shown net of fees. For the Fund's current expense ratios, please refer to the Financial Highlights Section of this report. Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Returns reflect the reinvestment of distributions made by the Fund, if any. The graph and the performance table above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

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Dallas, TX 75201

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Trustees and Shareholders
First Trust Hedged Strategies Fund

Opinion on the financial statements

We have audited the accompanying statement of assets and liabilities of First Trust Hedged Strategies Fund (the “Fund”), including the schedule of investments, as of March 31, 2024, the related statements of operations, changes in net assets, and cash flows and the financial highlights for the period from July 3, 2023 (commencement of operations) through March 31, 2024 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of March 31, 2024, the results of its operations, changes in net assets and cash flows and the financial highlights, for the period from July 3, 2023 (commencement of operations) through March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31 2024, by correspondence with the custodians, underlying fund managers and brokers, or by other appropriate auditing procedures where replies from brokers were not received. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/S/ GRANT THORNTON LLP

We have served as the auditor of one or more of First Trust Capital Management L.P.’s investment companies since 2016.

Dallas, Texas
June 11, 2024

First Trust Hedged Strategies Fund
SCHEDULE OF INVESTMENTS
As of March 31, 2024

Number of Shares	Cost		Value
PRIVATE INVESTMENT FUNDS – 96.0%			
N/A ¹	\$2,575,711	BBCM Onshore Fund LP (Broad Bay) ^{*,2}	\$ 2,513,332
N/A ¹	2,581,531	Dorsal Capital Partners LP ^{*,2}	2,807,023
N/A ¹	4,544,829	DSC Meridian Credit Opportunities Onshore Fund LP ^{*,2}	5,137,293
N/A ¹	3,000,000	Eisler Capital Multi Strategy Fund Ltd. ^{*,2}	3,176,290
N/A ¹	2,019,164	Hudson Bay Fund, LP ^{*,2}	2,172,659
N/A ¹	4,128,606	Linden Investors LP ^{*,2}	4,526,610
N/A ¹	3,500,000	Old Orchard Credit Fund Ltd. ^{*,2}	3,611,826
N/A ¹	3,000,000	Point72 Capital, LP ^{*,2}	3,290,759
N/A ¹	2,595,825	Prana Absolute Return Fund LP ^{*,2}	2,998,678
N/A ¹	1,979,792	RA Capital Healthcare Fund, LP ^{*,2}	2,843,682
N/A ¹	1,649,018	RiverNorth Capital Partners, L.P. ^{*,2}	1,791,854
N/A ¹	1,653,764	RiverNorth Inst. Partners, L.P. ^{*,2}	1,795,698
N/A ¹	2,959,797	Sachem Head LP ^{*,2}	3,477,184
N/A ¹	2,785,477	Sofinnova BioEquities LP ^{*,2}	2,935,295
N/A ¹	3,697,508	Walleye Opportunities Fund LP ^{*,2}	4,001,212
TOTAL PRIVATE INVESTMENT FUNDS (Cost \$42,671,022)			<u>47,079,395</u>
SHORT-TERM INVESTMENTS – 2.0%			
987,378		Morgan Stanley Institutional Liquidity Fund – Government Portfolio — Institutional Class, 5.22% ³	<u>987,378</u>
TOTAL SHORT-TERM INVESTMENTS (Cost \$987,378)			<u>987,378</u>
TOTAL INVESTMENTS – 98.0% (Cost \$43,658,400)			48,066,773
Other Assets in Excess of Liabilities – 2.0%			979,380
TOTAL NET ASSETS – 100.0%			<u><u>\$49,046,153</u></u>

LP – Limited Partnership

* Non-income producing security.

¹ Investment does not issue shares.

² The value of these securities was determined using significant unobservable inputs. These are reported as Level 3 securities in the Fair Value Hierarchy table located in Note 8.

³ The rate is the annualized seven-day yield at period end.

See accompanying Notes to Financial Statements.

First Trust Hedged Strategies Fund
SCHEDULE OF INVESTMENTS — Continued
As of March 31, 2024

Securities With Restrictions on Redemptions	Redemptions Permitted	Redemption Notice Period	Fair Value	Original Acquisition Date
BBCM Onshore Fund LP (Broad Bay) ¹	Quarterly ²	65 Days	\$ 2,513,332	7/3/2023
Dorsal Capital Partners LP ¹	Quarterly	45 Days	2,807,023	7/3/2023
DSC Meridian Credit Opportunities Onshore Fund LP ¹	Quarterly ³	65 Days	5,137,293	7/3/2023
Eisler Capital Multi Strategy Fund Ltd. ¹	Quarterly ³	65 Days	3,176,290	7/3/2023
Hudson Bay Fund, LP ¹	Quarterly ^{3,4}	65 Days	2,172,659	7/3/2023
Linden Investors LP ¹	Quarterly ³	65 Days	4,526,610	7/3/2023
Old Orchard Credit Fund Ltd. ¹	Quarterly ³	65 Days	3,611,826	9/1/2023
Point72 Capital, LP ¹	Quarterly ³	45 Days	3,290,759	8/1/2023
Prana Absolute Return Fund LP ¹	Quarterly	50 Days	2,998,678	7/3/2023
RA Capital Healthcare Fund, LP ¹	Quarterly ⁵	95 Days	2,843,682	7/3/2023
RiverNorth Capital Partners, L.P. ¹	Quarterly ⁵	65 Days	1,791,854	7/3/2023
RiverNorth Inst. Partners, L.P. ¹	Monthly ⁵	65 Days	1,795,698	7/3/2023
Sachem Head LP ¹	Quarterly ³	70 Days	3,477,184	7/3/2023
Sofinnova BioEquities LP ¹	Quarterly	65 Days	2,935,295	7/3/2023
Walleye Opportunities Fund LP ¹	Monthly ³	30 Days	4,001,212	7/3/2023
Totals:			\$47,079,395	

¹ Securities generally offered in private placement transactions and as such are illiquid and generally restricted as to resale.

² The Private Investment Fund can institute a gate provision on redemptions at the investor level of 50% of the fair value of the investment in the Private Investment Fund.

³ The Private Investment Fund can institute a gate provision on redemptions at the investor level of 25% of the fair value of the investment in the Private Investment Fund.

⁴ The Private Investment Fund can institute a gate provision on redemptions at the investor level of 12.5% of the fair value of the investment in the Private Investment Fund.

⁵ The Private Investment Fund can institute a gate provision on redemptions at the fund level of 10 – 25% of the fair value of the investment in the Private Investment Fund.

See accompanying Notes to Financial Statements.

First Trust Hedged Strategies Fund
SUMMARY OF INVESTMENTS
As of March 31, 2024 (Unaudited)

Security Type/Sector	Percent of Total Net assets
Private Investment Funds	96.0%
Short-Term Investments	<u>2.0%</u>
Total Investments	98.0%
Other Assets in Excess of Liabilities	<u>2.0%</u>
Total Net Assets	<u>100.0%</u>

See accompanying Notes to Financial Statements.

First Trust Hedged Strategies Fund
STATEMENT OF ASSETS AND LIABILITIES
As of March 31, 2024

Assets:

Investments, at fair value (cost \$43,658,400)	\$48,066,773
Receivables:	
Investments purchased in advance	500,000
Receivable for investments redeemed	1,412,862
Deferred organizational and offering costs (see Note 2)	55,795
Due from Investment Adviser	324,694
Fund shares sold	310,488
Dividends and interest	35,032
Prepaid expenses	18,513
Total assets	<u>50,724,157</u>

Liabilities:

Payables:	
Line of credit payable	1,500,000
Distribution fees – Class I & Class A (Note 3)	61,426
Audit fee	48,100
Legal	22,264
Tax service fees	15,000
Interest payable	12,182
Fund services expense	7,812
Shareholder reporting fees	7,584
Accrued other expenses	3,636
Total liabilities	<u>1,678,004</u>

Net Assets **\$49,046,153**

Components of Net Assets

Paid-in Capital (par value of \$0.01 per share with an unlimited number of shares authorized)	\$55,906,778
Total distributable deficit	(6,860,625)

Net Assets **\$49,046,153**

Class A Shares:

Net assets applicable to shares outstanding	\$ 1,079
Shares of beneficial interest issued and outstanding	101
Redemption price per share	<u>\$ 10.68</u>
Maximum sales charge (4.50% of offering price)	0.50
Maximum offering price to public	<u>\$ 11.18</u>

Class I Shares:

Net assets applicable to shares outstanding	\$49,045,074
Shares of beneficial interest issued and outstanding	4,605,398
Net asset value, offering and redemption price per share	<u>\$ 10.65</u>

See accompanying Notes to Financial Statements.

First Trust Hedged Strategies Fund
STATEMENT OF OPERATIONS
For the Period July 3, 2023 (commencement of operations) to March 31, 2024

Investment Income:

Interest	\$ 33,722
Total investment income	<u>33,722</u>

Expenses:

Investment Management Fees	340,971
Loan Expense	94,428
Offering costs (see Note 2)	159,162
Organization costs (see Note 2)	161,022
Legal fees	115,000
Registration fees	14,384
Distribution fees (Note 3)	81,194
Audit fee	48,100
Trustees' fees and expenses	30,000
Pricing expense	40,025
Fund services expense	34,118
Chief Compliance Officer fees	16,200
Tax services	40,166
Shareholder reporting fees	19,639
SEC fees	1,664
Insurance fees	3,074
Miscellaneous	381,449
Total expenses	<u>1,580,596</u>
Waiver	<u>(665,665)</u>
Net expenses	<u>914,931</u>
Net investment loss	<u>(881,209)</u>

Realized and Unrealized gain:

Net realized gain on investments	102,427
Net change in unrealized appreciation/depreciation on investments	4,408,373
Net realized and unrealized gain on investments	<u>4,510,800</u>
Net Increase in Net Assets from Operations	<u>\$3,629,591</u>

See accompanying Notes to Financial Statements.

First Trust Hedged Strategies Fund
STATEMENT OF CHANGES IN NET ASSETS

	<u>For the Period July 3, 2023¹ Through March 31, 2024</u>
Increase (Decrease) in Net Assets From:	
Operations:	
Net investment loss	\$ (881,209)
Net realized gain on investments	102,427
Net change in unrealized appreciation/depreciation on investments	4,408,373
Net increase (decrease) resulting from operations	<u>3,629,591</u>
Distributions to Shareholders	<u>(788,695)</u>
Total distributions to shareholders	<u>(788,695)</u>
Capital Transactions:	
Net proceeds from shares sold:	
Class I	11,463,756
Class A	1,000
Capital issued in connection with reorganization of Fund (Note 1):	
Class I	36,826,763
Reinvestment of distributions:	
Class I	21,861
Class A	15
Cost of shares repurchased:	
Class I	(2,208,138)
Class A	—
Net increase (decrease) resulting from capital transactions	<u>46,105,257</u>
Total increase (decrease) in net assets	<u>48,946,153</u>
Net Assets	
Beginning of period ²	100,000
End of period	<u>\$49,046,153</u>
Capital Share Transactions:	
Shares sold:	
Class I	1,127,441
Class A	100
Shares issued in connection with reorganization of Fund (Note 1):	
Class I	3,682,676
Shares reinvested:	
Class I	2,190
Class A	1
Shares repurchased:	
Class I	(216,909)
Class A	—
Net increase (decrease) in capital share transactions	<u>4,595,499</u>

¹ Commencement of operations

² First Trust Capital Management L.P. (the "Investment Manager") made the initial share purchase of \$100,000 on May 31, 2023. The total initial share purchase of \$100,000 included 10,000 Class I Shares at \$10.00 per share.

See accompanying Notes to Financial Statements.

First Trust Hedged Strategies Fund
STATEMENT OF CASH FLOWS
For the Period July 3, 2023 (commencement of operations) to March 31, 2024

Increase (Decrease) in Cash

Cash flows provided by (used for) operating activities:	
Net increase in net assets resulting from operations	\$ 3,629,591
Adjustments to reconcile net decrease in net assets from operations to net cash used for operating activities:	
Purchase of Underlying Funds	(9,500,000)
Sales of Underlying Funds	3,281,108
Purchase/Sales of short-term investments, net	(987,378)
Increase in investments purchased in advance	(500,000)
Increase in receivable for investments redeemed	(452,615)
Increase in due from adviser	(324,694)
Increase in dividends and interest	(35,032)
Increase in deferred organizational and offering costs (see Note 2)	(55,795)
Increase in prepaid expenses	(18,513)
Increase in audit fee	48,100
Increase in interest payable	12,182
Increase in legal fees	22,264
Increase in distribution fees (Note 3)	61,426
Increase in shareholder reporting fees	7,584
Increase in fund services expense	7,812
Increase in tax service fees	15,000
Increase in accrued other expenses	3,636
Net realized gain on investments	(102,427)
Net change in unrealized appreciation/depreciation on investments	<u>(4,408,373)</u>
Net cash used for operating activities	<u>(9,296,124)</u>
Cash flows provided by (used for) financing activities:	
Proceeds from shares sold	11,154,268
Repayments on line of credit	(6,450,000)
Draw on line of credit	7,950,000
Cash payments in connection with reorganization (Note 1)	(483,187)
Redemption of shares	(2,208,138)
Dividends paid to shareholders, net of reinvestments	<u>(766,819)</u>
Net cash used for financing activities	<u>9,196,124</u>
Net increase in cash	<u>(100,000)</u>
Cash:	
Beginning of period	<u>100,000</u>
End of period	<u>\$ —</u>
Supplemental disclosure of non-cash activities:	
Capital issued in connection with reorganization of Fund (Note 1):	<u>\$36,826,763</u>

See accompanying Notes to Financial Statements.

First Trust Hedged Strategies Fund
FINANCIAL HIGHLIGHTS
Class I

Per share operating performance.
For a capital share outstanding throughout each period.

	For the Period July 3, 2023* Through March 31, 2024
Net asset value, beginning of period	<u>\$ 10.00</u>
Income from Investment Operations:	
Net investment income (loss) ¹	(0.21)
Net realized and unrealized gain (loss) on investments	1.04
Total from investment operations	<u>0.83</u>
Less Distributions:	
From net investment income	(0.18)
From net realized gain	<u>—</u>
Total from distributions	<u>(0.18)</u>
Net asset value, end of period	<u>\$ 10.65</u>
Total return	<u>8.42%</u> ²
Ratios and Supplemental Data:	
Net assets, end of period (in thousands)	\$49,045
Ratio of expenses to average net assets:	
Before fees waived and expenses absorbed	4.87% ³
After fees waived and expenses absorbed	2.82% ^{3,4}
Ratio of net investment income (loss) to average net assets:	
Before fees waived and expenses absorbed	(4.76)% ³
After fees waived and expenses absorbed	(2.71)% ³
Portfolio turnover rate ²	7%

* Commencement of operations.

¹ Based on average shares outstanding for the period.

² Not Annualized.

³ Annualized.

⁴ If Loan Expense had been excluded, the expense ratios would have been lowered by 0.22% for the period ended March 31, 2024.

See accompanying Notes to Financial Statements.

First Trust Hedged Strategies Fund
FINANCIAL HIGHLIGHTS
Class A

Per share operating performance.
For a capital share outstanding throughout each period.

	For the Period July 3, 2023* Through March 31, 2024
Net asset value, beginning of period	<u>\$ 10.00</u>
Income from Investment Operations:	
Net investment income (loss) ¹	(0.26)
Net realized and unrealized gain (loss) on investments	1.09
Total from investment operations	<u>0.83</u>
Less Distributions:	
From net investment income	(0.15)
From net realized gain	<u>—</u>
Total from distributions	<u>(0.15)</u>
Net asset value, end of period	<u>\$ 10.68</u>
Total return	<u>7.87%</u> ²
Ratios and Supplemental Data:	
Net assets, end of period (in thousands)	\$ 1
Ratio of expenses to average net assets:	
Before fees waived and expenses absorbed	5.62% ³
After fees waived and expenses absorbed	3.57% ^{3,4}
Ratio of net investment income (loss) to average net assets:	
Before fees waived and expenses absorbed	(5.52)% ³
After fees waived and expenses absorbed	(3.47)% ³
Portfolio turnover rate ²	7%

* Commencement of operations.

¹ Based on average shares outstanding for the period.

² Not Annualized.

³ Annualized.

⁴ If Loan Expense had been excluded, the expense ratios would have been lowered by 0.22% for the period ended March 31, 2024.

See accompanying Notes to Financial Statements.

Note 1 — Organization

First Trust Hedged Strategies Fund (the “Fund”), is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), as a non-diversified, closed-end management investment company. The Fund operates as an interval fund. The Fund operates under an Agreement and Declaration of Trust dated March 22, 2023 (the “Declaration of Trust”). First Trust Capital Management L.P. serves as the investment adviser (the “Investment Adviser”) of the Fund. The Investment Adviser is an investment adviser registered with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended. The Fund has elected to be treated as a regulated investment company (a “RIC”) under the Internal Revenue Code of 1986, as amended (the “Code”). The Fund currently offers two separate classes of shares of beneficial interest (the “Shares”) in Class I Shares and Class A Shares.

The Fund’s investment objective is to seek to achieve long-term capital appreciation. The Fund is a fund of hedge funds and seeks to invest primarily in private investment funds, or commonly known as “hedge funds,” managed by multiple third-party investment managers (“Underlying Managers”) that employ a variety of alternative investment strategies (“Underlying Funds”). Because Underlying Funds following alternative investment strategies (whether hedged or not) are often described as “hedge funds,” the investment program of the Fund can be referred to as a fund of hedge funds.

The Fund commenced public offering of both Class I and Class A shares on July 3, 2023. The Shares are generally offered for purchase on any business day, which is any day the New York Stock Exchange is open for business, in each case subject to any applicable sales charges and other fees. The Shares are issued at net asset value (“NAV”) per Share. No holder of Shares (each, a “Shareholder”) has the right to require the Fund to redeem its Shares.

The shares of each class represent an interest in the same portfolio of investments of the Fund and have equal rights as to voting, redemptions, dividends and liquidation, subject to the approval of the Fund’s Board of Trustees (the “Board”). Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains and losses on investments are allocated to each class of shares in proportion to their relative shares outstanding. Shareholders of a class that bears distribution and service expenses under the terms of a distribution plan have exclusive voting rights with respect to that distribution plan.

Simultaneous with the commencement of the Fund’s operations (“Commencement of Operations”), the Passport Select: Model Class of FT Alternative Platform I LLC (the “Predecessor Fund”), reorganized with and transferred substantially all its assets into the Fund. During the period there was a transfer of investor capital of \$36,826,763 in connection with the reorganization of the Fund. The Predecessor Fund maintained an investment objective, strategies and investment policies, guidelines and restrictions that are, in all material respects, equivalent to those of the Fund. The Fund and the Predecessor Fund share the same Investment Adviser and portfolio managers.

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 “Financial Services — Investment Companies.”

Note 2 — Accounting Policies

The following is a summary of the significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with the generally accepted accounting principles in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

(a) Valuation of Investments

UMB Fund Services, Inc., the Fund's administrator ("UMBFS"), calculates the Fund's NAV as of the close of business on each business day and at such other times as the Board may determine, including in connection with repurchases of Shares, in accordance with the procedures described below or as may be determined from time to time in accordance with policies established by the Board (each, a "Determination Date").

For purposes of calculating NAV, portfolio securities and other assets for which market quotations are readily available are valued at market value. A market quotation is readily available only when that quotation is a quoted price (unadjusted) in active markets for identical investments that the Fund can access at the measurement date, provided that a quotation will not be readily available if it is not reliable.

Investments for which market quotations are not readily available are valued at fair value as determined in good faith pursuant to Rule 2a-5 under the Investment Company Act. As a general principle, the fair value of a security or other asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Pursuant to Rule 2a-5, the Board has designated the Investment Adviser as the valuation designee ("Valuation Designee") for the Fund to perform in good faith the fair value determination relating to all Fund investments, under the Board's oversight. The Investment Adviser carries out its designated responsibilities as Valuation Designee through its Valuation Committee. The fair values of one or more assets may not be the prices at which those assets are ultimately sold and the differences may be significant.

The Valuation Designee may value Fund portfolio securities for which market quotations are not readily available and other Fund assets utilizing inputs from pricing services, quotation reporting systems, valuation agents and other third-party sources.

As a general matter, the fair value of the Fund's interest in an Underlying Fund (i.e., generally a private funds that is excluded from the definition of "investment company" pursuant to Sections 3(c)(1) or 3(c)(7) of the Investment Company Act) will represent the amount that the Fund could reasonably expect to receive from the Underlying Fund if the Fund's interest was redeemed at the time of valuation, based on information reasonably available at the time the valuation is made and that the Valuation Designee believes to be reliable. The Valuation Designee will determine the fair value of such Underlying Fund based on the most recent final or estimated value reported by the Underlying Fund, as well as any other relevant information available at the time the Valuation Designee values its portfolio. Using the nomenclature of the hedge fund industry, any values reported as "estimated" or "final" values are expected to reasonably reflect market values of securities when available or fair value as of the Fund's valuation date. A substantial amount of time may elapse between the occurrence of an event necessitating the pricing of Fund assets and the receipt of valuation information from the underlying manager of an Underlying Fund.

Between the periodic valuation periods, the NAVs of such Underlying Funds are adjusted daily based on the total return that each Underlying Fund is estimated by the Valuation Designee to generate during the period. The Valuation Designee monitors these estimates regularly and updates them as necessary if macro or individual fund changes warrant any adjustments, subject to the review and supervision of the Board.

The Valuation Designee will consider whether it is appropriate, in light of all relevant circumstances, to value such interests at the NAV as reported by the Underlying Manager at the time of valuation, or whether to adjust such value to reflect a premium or discount to NAV. In accordance with GAAP and industry practice, the Fund may not always apply a discount in cases where there is no contemporaneous redemption activity in a particular Underlying Fund. In other cases, as when an Underlying Fund imposes extraordinary restrictions on redemptions, when other extraordinary

First Trust Hedged Strategies Fund
NOTES TO FINANCIAL STATEMENTS — Continued
March 31, 2024

circumstances exist, or when there have been no recent transactions in Underlying Fund interests, the Fund may determine that it is appropriate to apply a discount to the NAV of the Underlying Fund. Any such decision will be made in good faith by the Valuation Designee, under oversight by the Board.

Where deemed appropriate by the Valuation Designee and consistent with the Investment Company Act, investments in Underlying Funds may be valued at cost. Cost will be used only when cost is determined to best approximate the fair value of the particular security under consideration.

Debt securities will generally be valued using a third-party pricing system, agent, or dealer selected by the Valuation Designee, which may include the use of valuations furnished by a pricing service that employs a matrix to determine valuations for normal institutional size trading units. Debt securities with remaining maturities of 60 days or less, absent unusual circumstances, will be valued at amortized cost, so long as such valuations are determined by the Valuation Designee to represent fair value.

Assets and liabilities initially expressed in foreign currencies will be converted into U.S. dollars using foreign exchange rates provided by a pricing service. Trading in foreign securities generally is completed, and the values of such securities are determined, prior to the close of securities markets in the United States. Foreign exchange rates are also determined prior to such close. On occasion, the values of securities and exchange rates may be affected by events occurring between the time as of which determination of such values or exchange rates are made and the time as of which the NAV of the Fund is determined. When such events materially affect the values of securities held by the Fund or its liabilities, such securities and liabilities will be valued at fair value as determined in good faith by the Valuation Designee.

Investors should be aware that situations involving uncertainties as to the value of portfolio positions could have an adverse effect on the Fund's NAV if the judgments of the Valuation Designee (in reliance on the Underlying Funds and/or their administrators) regarding appropriate valuations should prove incorrect.

Investors should be aware that situations involving uncertainties as to the value of portfolio positions could have an adverse effect on the Fund's NAV if the judgments regarding appropriate valuations should prove incorrect. In no event does the distributor have any responsibility for any valuations of the Fund's investments (including the accuracy, reliability or completeness thereof) or for the valuation processes utilized for the Fund, and the distributor disclaims any and all liability for any direct, incidental, or consequential damages arising out of any inaccuracy or incompleteness in valuations. The distributor has no duty to calculate the NAV of Fund shares or to inquire into, or liability for, the accuracy of the NAV per share (including a Class thereof) as calculated by or for the Fund.

(b) Investment Transactions, Investment Income and Expenses

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Dividend income and expense is recorded net of applicable withholding taxes on the ex-dividend date and interest income and expense, including where applicable, accretion of discount and amortization of premium on investments, is recorded on an accrual basis. Withholding taxes on foreign dividends, if applicable, are paid (a portion of which may be reclaimable) or provided for in accordance with the applicable country's tax rules and rates and are disclosed in the Statement of Operations. Withholding tax reclaims are filed in certain countries to recover a portion of the amounts previously withheld. The Fund records a reclaim receivable based on a number of factors, including a jurisdiction's legal obligation to pay reclaims as well as payment history and market convention. Discounts or premiums on debt securities are accreted or amortized to interest income over the lives of the respective securities using the effective interest method.

(c) Federal Income Taxes

The Fund intends to comply with the requirements of Subchapter M of the Code applicable to RICs and to distribute an amount equal to at least the sum of 90% of its investment company taxable

First Trust Hedged Strategies Fund
NOTES TO FINANCIAL STATEMENTS — Continued
March 31, 2024

income (net investment income and the excess of net short-term capital gain over net long-term capital loss) and 90% of its tax-exempt income, if any, for the year. Therefore, no provision is made for federal income or excise taxes. Due to the timing of dividend distributions and the differences in accounting for income and realized gains and losses for financial statement and federal income tax purposes, the fiscal year in which amounts are distributed may differ from the year in which the income and realized gains and losses are recorded by the Fund.

Accounting for Uncertainty in Income Taxes (the “Income Tax Statement”) requires an evaluation of tax positions taken (or expected to be taken) in the course of preparing a Fund’s tax returns to determine whether these positions meet a “more-likely-than-not” standard that, based on the technical merits, have a more than fifty percent likelihood of being sustained by a taxing authority upon examination. A tax position that meets the “more-likely-than-not” recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations.

The Income Tax Statement requires management of the Fund to analyze tax positions taken in the prior three open tax years, if any, and tax positions expected to be taken in the Fund’s current tax year, as defined by the Internal Revenue Service statute of limitations for all major jurisdictions, including federal tax authorities and certain state tax authorities. For the period from the Commencement of Operations through March 31, 2024, the Fund did not have a liability for any unrecognized tax benefits. The Fund has no examination in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

(d) Distributions to Shareholders

The Fund intends to pay distributions at least annually on the Shares representing substantially all of the net investment income and net capital gains, if any, earned each year (the “Distribution Policy”). The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. The character of distributions made during the year from net investment income or net realized gains may differ from the characterization for federal income tax purposes due to differences in the recognition of income expense and gain (loss) items for financial statement and tax purposes.

For financial reporting purposes, dividends and distributions to Shareholders are recorded on the ex-date. If, for any distribution, available cash is less than the amount of this predetermined dividend rate, then assets of the Fund will be sold and such disposition may generate additional taxable income. The Fund’s final distribution for each calendar year will include any remaining investment company taxable income and net tax-exempt income undistributed during the year, as well as the remaining net capital gain realized during the year. If the total distributions made in any calendar year exceed investment company taxable income, net tax-exempt income and net capital gain, such excess amount distributed would be treated as ordinary dividend income to the extent of the Fund’s current and accumulated earnings and profits. Payments in excess of the earnings and profits would first be a tax-free return of capital to the extent of the adjusted tax basis in the Shares. After such adjusted tax basis is reduced to zero, the payment would constitute capital gain (assuming the Shares are held as capital assets). This Distribution Policy may, under certain circumstances, have certain adverse consequences to the Fund and its shareholders because it may result in a return of capital resulting in less of a shareholder’s assets being invested in the Fund and, over time, increase the Fund’s expense ratio. The Distribution Policy also may cause the Fund to sell a security at a time it would not otherwise do so in order to manage the distribution of income and gains.

A Shareholder whose shares are registered in its own name will automatically be a participant under the Fund’s dividend reinvestment program (the “DRIP”). Unless a Shareholder elects to receive cash by contacting UMBFS, all income dividends and/or capital gains distributions declared on shares will be automatically reinvested in full and fractional Shares at the Fund’s then current NAV.

(e) Organizational and Offering Costs

Organizational costs consist of the costs of forming the Fund; drafting of bylaws and administration, custody and transfer agency agreements; legal services in connection with the initial meeting of trustees; and the Fund's seed audit costs. Offering costs consist of the costs of preparation, review and filing with the SEC the Fund's registration statement; the costs of preparation, review and filing of any associated marketing or similar materials; the costs associated with the printing, mailing or other distribution of the Prospectus, Statement of Additional Information and/or marketing materials; and the amounts of associated filing fees and legal fees associated with the offering. The aggregate amount of the organizational costs and offering costs as of the date of the accompanying financial statements are \$161,022 and \$159,162, respectively, of which \$0 and \$55,795 of the organizational costs and offering costs, respectively, remain to be deferred.

Organizational costs incurred by the Fund are being reimbursed by the Investment Adviser and are subject to recoupment by the Investment Adviser in accordance with the Fund's expense limitation agreement discussed in Note 3. Offering costs, which are also subject to the Fund's expense limitation agreement discussed in Note 3, are amortized to expense over twelve months on a straight-line basis.

Note 3 — Investment Advisory and Other Agreements and Activity with Affiliates

The Fund has entered into an investment management agreement (the "Investment Management Agreement") with the Investment Adviser. Pursuant to the Investment Management Agreement, the Fund pays the Investment Adviser a monthly fee equal to 1.05% on an annualized basis of the Fund's average daily net assets during the month (the "Investment Management Fee"), subject to certain adjustments.

The Investment Adviser has entered into an expense limitation and reimbursement agreement (the "Expense Limitation and Reimbursement Agreement") with the Fund, whereby the Investment Adviser has agreed to waive fees that it would otherwise have been paid, and/or to assume expenses of the Fund (a "Waiver"), in the amount necessary to ensure that Total Annual Expenses of the Fund (excluding any taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses (as determined in accordance with SEC Form N-2), expenses incurred in connection with any merger or reorganization, and extraordinary expenses, (such as litigation expenses)) do not exceed 2.45% and 1.70% of the average daily net assets of Class A Shares and Class I Shares, respectively (the "Expense Limit") for an initial term ending May 31, 2024 ("Initial Term"). The Expense Limitation and Reimbursement Agreement may not be terminated before that date by the Investment Adviser. After the Initial Term, the Expense Limitation and Reimbursement Agreement may be terminated by the Fund or the Investment Adviser upon 30 days' written notice. Unless it is terminated, the Expense Limitation and Reimbursement Agreement automatically renews from year to year. Because taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses, expenses incurred in connection with any merger or reorganization, and extraordinary expenses are excluded from the Expense Limit, Total Annual Expenses (after fee waivers and expense reimbursements) are expected to exceed 2.45% and 1.70% for the Class A Shares and Class I Shares, respectively. For a period not to exceed three years from the date on which a Waiver is made, the Investment Adviser may recoup amounts waived or assumed, provided it is able to affect such recoupment and remain in compliance with the expense limit in effect at the time of the Waiver and the expense limit at the time of the recoupment.

For the period ended March 31, 2024, the Investment Adviser has waived \$665,665 in advisory fees. For a period not to exceed three years from the date on which a Waiver is made or Fund expenses absorbed by the Investment Adviser, the Investment Adviser may recoup amounts waived or absorbed, provided it is able to affect such recoupment and remain in compliance with the Expense Limit. At March 31, 2024, the amount of these potentially recoverable expenses was \$665,665. The Investment Adviser may recapture all or a portion of this amount no later than March 31, 2027.

First Trust Hedged Strategies Fund
NOTES TO FINANCIAL STATEMENTS — Continued
March 31, 2024

Pursuant to exemptive relief from the SEC, the Fund has adopted a distribution and service plan for Class A and Class I Shares (the “Distribution and Servicing Plan”). The Fund may pay a distribution and servicing fee (the “Distribution and Servicing Fee”) of up to 1.00% and 0.25% on an annualized basis of the aggregate net assets of the Fund attributable to Class A and Class I Shares, respectively, to qualified recipients. Payment of the Distribution and Servicing Fee is governed by the Distribution and Service Plan for Class A and Class I Shares which, pursuant to the conditions of the exemptive order issued by the SEC, has been adopted by the Fund with respect to the applicable class in compliance with Rule 12b-1 under the Investment Company Act. Pursuant to the Distribution and Service Plan, the Fund paid \$8, and \$81,186 as Distribution and Servicing Fee for Class A Shares and Class I Shares respectively, as reported on the Statement of Operations.

First Trust Portfolios L.P., an affiliate of the Investment Adviser, currently serves as the Fund’s distributor (the “Distributor”). UMBFS serves as the Fund’s fund accountant, transfer agent and administrator; and UMB Bank, n.a., an affiliate of UMBFS, serves as the Fund’s custodian.

A trustee and certain officers of the Fund are employees of UMBFS. The Fund does not compensate trustees and officers affiliated with UMBFS. For the period ended March 31, 2024, the Fund’s allocated fees incurred for trustees are reported on the Statement of Operations.

Vigilant Compliance, LLC provides Chief Compliance Officer (“CCO”) services to the Fund. The Fund’s fees incurred for CCO services for the period ended March 31, 2024 are reported on the Statement of Operations.

Ernst & Young LLP provides tax services to the Fund. The Fund’s fees incurred for tax services for the period ended March 31, 2024 are reported on the Statement of Operations.

Note 4 — Federal Income Taxes

The Fund has elected to be treated and intends to qualify as a RIC for federal income tax purposes. As a RIC, the Fund will generally not be subject to federal corporate income tax, provided that when it is a RIC, it distributes substantially all of its income and gains each year.

At March 31, 2024, gross unrealized appreciation and depreciation of investments and short securities owned by the Fund, based on cost for federal income tax purposes, were as follows:

Cost of investments	<u>\$52,412,515</u>
Gross unrealized appreciation	\$ 4,408,373
Gross unrealized depreciation	<u>(8,754,115)</u>
Net unrealized depreciation on investments	<u>\$ (4,345,742)</u>

The difference between cost amounts for financial statement and federal income tax purposes is due primarily to timing differences in recognizing certain gains and losses in securities transactions.

GAAP requires that certain components of net assets be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the tax period ended September 30, 2023, permanent differences in book and tax accounting have been reclassified to paid-in capital, and total distributable deficit as follows:

Increase (Decrease)	
Paid-in Capital	Total Distributable Deficit
<u>\$9,969,970</u>	<u>\$(9,969,970)</u>

First Trust Hedged Strategies Fund
NOTES TO FINANCIAL STATEMENTS — Continued
March 31, 2024

As of September 30, 2023, the components of accumulated earnings (deficit) on a tax basis were as follows:

Undistributed ordinary income	\$ —
Undistributed long-term capital gains	—
Tax accumulated earnings	—
Accumulated capital and other losses	(424,328)
Net unrealized appreciation on investments	(616,319)
Total accumulated earnings	<u><u>\$(1,040,647)</u></u>

The tax character of distributions paid during the period ended March 31, 2024 were as follows:

Distribution paid from:	<u>2024</u>
Ordinary income	\$ —
Net long-term capital gains	—
Total taxable distributions	<u><u>\$ —</u></u>

As of March 31, 2024, the Fund had \$275,933 of long-term capital loss carryovers.

Note 5 — Investment Transactions

For the period ended March 31, 2024, purchases and sales of investments, excluding short-term investments, were \$9,500,000 and \$3,281,108, respectively.

Note 6 — Indemnifications

In the normal course of business, the Fund enters into contracts that contain a variety of representations, which provide general indemnifications. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.

Note 7 — Repurchase of Shares

The Fund intends to provide a limited degree of liquidity to the Shareholders by conducting repurchase offers quarterly with a valuation date on or about January 5, April 5, July 5 and October 5 of each year. In each repurchase offer, the Fund may offer to repurchase its shares at their NAV as determined as of approximately January 5, April 5, July 5 and October 5, of each year, as applicable (each such date, a “Valuation Date”). Each repurchase offer will be for no less than 5% of the shares outstanding, but if the value of shares tendered for repurchase exceeds the value the Fund intended to repurchase, the Fund may determine to repurchase less than the full number of shares tendered. In such event, Shareholders will have their shares repurchased on a pro rata basis, and tendering Shareholders will not have all of their tendered shares repurchased by the Fund.

First Trust Hedged Strategies Fund
NOTES TO FINANCIAL STATEMENTS — Continued
March 31, 2024

The results of the repurchase offers conducted for the period ending March 31, 2024, are as follows:

	<u>Repurchase Offer</u>
Commencement Date	December 13, 2023
Repurchase Request Date	January 5, 2024
Repurchase Pricing Date	January 5, 2024
Net Asset Value as of Repurchase Pricing Date	
Class A Shares	\$10.18
Class I Shares	\$10.18
Amount Repurchased	
Class A Shares	\$—
Class I Shares	\$2,208,138
Percentage of Outstanding Shares Repurchased	
Class A Shares	—%
Class I Shares	4.86%

Note 8 — Fair Value Measurements and Disclosure

Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosure about fair value measurements. It also provides guidance on determining when there has been a significant decrease in the volume and level of activity for an asset or a liability, when a transaction is not orderly, and how that information must be incorporated into a fair value measurement.

Under *Fair Value Measurements and Disclosures*, various inputs are used in determining the value of the Fund's investments. These inputs are summarized into three broad levels as described below:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 — Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 — Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

First Trust Hedged Strategies Fund
NOTES TO FINANCIAL STATEMENTS — Continued
March 31, 2024

In accordance with Accounting Standards Update (“ASU”) 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) investments valued at the NAV as practical expedient are no longer included in the fair value hierarchy.

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following table summarizes the Fund’s investments that are measured at fair value by level within the fair value hierarchy as of March 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments				
Private Investment Funds	\$ —	\$ —	\$47,079,395	\$47,079,395
Short-Term Investments	987,378	—	—	987,378
Subtotal	<u>\$987,378</u>	<u>\$ —</u>	<u>\$47,079,395</u>	<u>\$48,066,773</u>
Total Investments				<u>\$48,066,773</u>

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining value:

	<u>Private Investment Funds</u>
Balance as of July 3, 2023	\$ —
Contribution in connection with reorganization of the Fund	36,349,703
Transfers out of Level 3	—
Total gains or losses for the period	
Included in earnings (or changes in net assets)	4,408,373
Included in other comprehensive income	—
Net purchases	9,500,000
Net sales	(3,178,681)
Balance as of March 31, 2024	<u>\$47,079,395</u>
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	<u>\$ 4,408,373</u>

The following table presents additional quantitative information about valuation methodologies and inputs used for investments that are measured at fair value and categorized within Level 3 as of March 31, 2024:

<u>Investments</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range of Input</u>
Private Investments Funds	\$47,079,395	Adjusted Net Asset Value	Reported net asset/ fair value adjustments	N/A

Note 9 — Credit Agreement

The Fund, as the borrower, has entered into a credit agreement, as amended (the “Credit Agreement”), with TriState Capital Bank as the lender. The Credit Agreement provides for borrowings on a committed basis in an aggregate principal amount up to \$3,000,000, which amount may be increased from time to time upon mutual agreement by the parties. The expiration date of the Credit Agreement is June 27, 2024. In connection with the Credit Agreement, the Fund has made certain customary representations and warranties and is required to comply with various customary covenants, reporting requirements and other requirements. The Credit Agreement contains events of default customary for similar

First Trust Hedged Strategies Fund
NOTES TO FINANCIAL STATEMENTS — Continued
March 31, 2024

financing transactions, including: (i) the failure to make principal, interest or other payments when due after the applicable grace period; (ii) the insolvency or bankruptcy of the Fund; or (iii) a change of management of the Fund. Upon the occurrence and during the continuation of an event of default, the lender may declare the outstanding advances and all other obligations under the Credit Agreement immediately due and payable. The Fund's obligations to the lender under the Credit Agreement are secured by a first-priority security interest in substantially all of the assets of the Fund. The Fund complies with Section 8 and Section 18 of the Investment Company Act, governing investment policies and capital structure and leverage.

For the period ended March 31, 2024, the Fund incurred costs related to the setup and maintenance of the Credit Agreement (the "Loan expense") as reported on the Statement of Operations. The average interest rate, average daily loan balance, maximum outstanding and amount recorded as interest expense for the ninety (90) days the Fund had outstanding borrowings were 9.84%, \$1,265,751, \$3,000,000, and \$94,428, respectively. As of March 31, 2024 the Fund had \$1,500,000 in outstanding borrowings and \$12,182 in interest payable.

Note 10 — Risk Factors

An investment in the Fund involves various risks. The Fund invests in and actively trades securities and other financial instruments using a variety of strategies and investment techniques with significant risk characteristics, including the risks arising from the volatility of the equity and fixed income securities.

No guarantee or representation is made that the investment program will be successful.

Certain local, regional or global events such as war, acts of terrorism, the spread of infectious illnesses and/or other public health issues, financial institution instability or other events may have a significant impact on a security or instrument. These types of events and other like them are collectively referred to as "Market Disruptions and Geopolitical Risks" and they may have adverse impacts on the worldwide economy, as well as the economies of individual countries, the financial health of individual companies and the market in general in significant and unforeseen ways. Some of the impacts noted in recent times include but are not limited to embargos, political actions, supply chain disruptions, bank failures, restrictions to investment and/or monetary movement including the forced selling of securities or the inability to participate impacted markets. The duration of these events could adversely affect the Fund's performance, the performance of the securities in which the Fund invests and may lead to losses on your investment. The ultimate impact of "Market Disruptions and Geopolitical Risks" on the financial performance of the Fund's investments is not reasonably estimable at this time. Management is actively monitoring these events.

Note 11 — Recently Issued Accounting Pronouncements and Regulatory Updates

In March 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) — Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provide optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06, Reference Rate Reform (Topic 848) — Deferral of the Sunset Date of Topic 848, which extends the period through December 31, 2024. Management has reviewed the requirements and believes the adoption of these ASUs will not have a material impact on the financial statements.

In June 2022, the FASB issued Accounting Standards Update 2022-03, Fair Value Measurement (Topic 820) — Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03). The accounting standard update clarifies the guidance in Topic 820 when measuring

First Trust Hedged Strategies Fund
NOTES TO FINANCIAL STATEMENTS — Continued
March 31, 2024

the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and introduces new disclosure requirements for equity securities subject to contractual sale restrictions and measured at fair value in accordance with Topic 820. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Management is currently evaluating the impact that adoption of this new accounting standard will have on its financial statements, but the impact of the adoption is not expected to be material.

Note 12 — Events Subsequent to the Period End

In preparing these financial statements, management has evaluated subsequent events through the date of issuance of the financial statements included herein.

The Board authorized the Fund to offer to repurchase Shares from shareholders in an amount up to 5.00% of the net assets of the Fund with an April 5, 2024 Valuation Date. Shareholders that desired to tender Shares for repurchase were required to do so on April 5, 2024. The total amount of tendered Shares was \$1,044,085 for this repurchase offer.

There have been no other subsequent events that occurred during such period that would require disclosure or would be required to be recognized in the consolidated financial statements.

First Trust Hedged Strategies Fund
FUND INFORMATION
March 31, 2024 (Unaudited)

The members of the Board and the Fund’s officers and their brief biographical information, including their addresses, their year of birth and descriptions of their principal occupations during the past five years, is set forth below. The Fund’s Statement of Additional Information includes additional information about the membership of the Board, and is available without charge, upon request, by calling the Fund at (877) 779-1999.

INDEPENDENT TRUSTEES AND ADVISORY BOARD MEMBER

NAME, ADDRESS AND YEAR OF BIRTH	POSITION(S) HELD WITH THE FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX* OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEES
David G. Lee Year of Birth: 1952 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Chairman and Trustee	Chairman since May 2019; Trustee Since Inception	Retired (since 2012); President and Director, Client Opinions, Inc. (2003 – 2012); Chief Operating Officer, Brandywine Global Investment Management (1998 – 2002).	17	None
Robert Seyferth Year of Birth: 1952 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Trustee	Since Inception	Retired (since 2009); Chief Procurement Officer/Senior Managing Director, Bear Stearns/JP Morgan Chase (1993 – 2009).	17	None
Gary E. Shugrue Year of Birth: 1954 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Trustee	Since September 2021	Retired (since 2023); Managing Director, Veritable LP (investment advisory firm) (2016 – 2023); Founder/ President, Ascendant Capital Partners, LP (private equity firm) (2001 – 2015).	17	Trustee, Quaker Investment Trust (3 portfolios) (registered investment company).

**First Trust Hedged Strategies Fund
FUND INFORMATION — Continued
March 31, 2024 (Unaudited)**

INTERESTED TRUSTEE AND OFFICERS

NAME, ADDRESS AND YEAR OF BIRTH	POSITION(S) HELD WITH THE FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX* OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEES
Terrance P. Gallagher** Year of Birth: 1958 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Trustee	Since June 2020	Executive Vice President and Trust Platform Director, UMB Fund Services, Inc. (2024 – Present); President and Trustee, Investment Managers Series Trust II (registered investment company) (2013 – Present); Executive Vice President and Director of Fund Accounting, Administration and Tax, UMB Fund Services, Inc. (2007 – 2023).	17	President and Trustee, Investment Managers Series Trust II (33 portfolios) (registered investment company).
Michael Peck Year of Birth: 1980 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	President	Since Inception	Chief Executive Officer and Co-CIO, First Trust Capital Management L.P. (formerly, Vivaldi Asset Management, LLC) (2012 – Present) President and Co-CIO, Vivaldi Capital Management LP (2012 – March 2024); Portfolio Manager, Coe Capital Management (2010 – 2012); Senior Financial Analyst and Risk Manager, the Bond Companies (2006 – 2008).	N/A	N/A
Chad Eisenberg Year of Birth: 1982 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Treasurer	Since Inception	Chief Operating Officer, First Trust Capital Management L.P. (formerly, Vivaldi Asset Management, LLC) (2012 – Present); Chief Operating Officer, Vivaldi Capital Management LP (2012 – March 2024); Director, Coe Capital Management LLC (2010 – 2011).	N/A	N/A

**First Trust Hedged Strategies Fund
FUND INFORMATION — Continued
March 31, 2024 (Unaudited)**

NAME, ADDRESS AND YEAR OF BIRTH	POSITION(S) HELD WITH THE FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX* OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEES
Bernadette Murphy Year of Birth: 1964 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Chief Compliance Officer	Since 2021	Director, Vigilant Compliance, LLC (investment management solutions firm) (2018 – Present).	N/A	N/A
Ann Maurer Year of Birth: 1972 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Secretary	Since September 2018	Senior Vice President, Client Services (2017 – Present), Vice President, Senior Client Service Manager (2013 – 2017), Assistant Vice President, Client Relations Manager (2002 – 2013), UMB Fund Services, Inc.	N/A	N/A

* As of March 31, 2024 the fund complex consists of the Fund, AFA Private Credit Fund, Agility Multi-Asset Income Fund, Aspiriant Risk-Managed Capital Appreciation Fund, Aspiriant Risk-Managed Real Assets Fund, Destiny Alternative Fund (TEI) LLC, Destiny Alternative Fund LLC, Felicitas Private Markets Fund, First Trust Real Assets Fund, First Trust Private Assets Fund, First Trust Private Credit Fund, First Trust Alternative Opportunities Fund, Infinity Core Alternative Fund, Keystone Private Income Fund, Pender Real Estate Credit Fund, Variant Alternative Income Fund, and Variant Impact Fund.

** Mr. Gallagher is deemed an interested person of the Fund because of his affiliation with the Fund's Administrator.

**First Trust Hedged Strategies Fund
FUND INFORMATION — Continued
March 31, 2024 (Unaudited)**

Availability of Quarterly Portfolio Schedules

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Part F of Form N-PORT. The Fund's Form N-PORT is available on the SEC website at www.sec.gov or without charge and upon request by calling the Fund at (877)-779-1999.

Proxy Voting Record

Information regarding how the Fund voted proxies for portfolio securities, if applicable, during the most recent 12-month period ended June 30, is also available, without charge and upon request by calling the Fund at (877)-779-1999 or by accessing the Fund's Form N-PX on the SEC's website at www.sec.gov.

Proxy Voting Policies and Procedures

A description of the Fund's proxy voting policies and procedures related to portfolio securities is available without charge, upon request, by calling the Fund at (877) 779-1999 or on the SEC website at www.sec.gov.

First Trust Hedged Strategies Fund
235 West Galena Street
Milwaukee, WI 53212
Toll Free: (877) 779-1999

	<u>TICKER</u>	<u>CUSIP</u>
First Trust Hedged Strategies Fund – Class A Shares	HDGAX	336935101
First Trust Hedged Strategies Fund – Class I Shares	HFLEX	336935200