

FIRST TRUST VALUE LINE R & IBBOTSON EQUITY ALLOCATION FUND

Form N-Q

October 30, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21517

FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND

(Exact name of registrant as specified in charter)

1001 Warrenville Road
Suite 300
LISLE, IL 60532

(Address of principal executive offices) (Zip code)

W. Scott Jardine
First Trust Portfolios L.P.
1001 Warrenville Road
Suite 300
LISLE, IL 60532

(Name and address of agent for service)

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

Date of fiscal year end: MAY 31

Date of reporting period: AUGUST 31, 2006

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

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

Edgar Filing: FIRST TRUST VALUE LINE R & IBBOTSON EQUITY ALLOCATION FUND - Form N-Q

ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND
 PORTFOLIO OF INVESTMENTS
 AUGUST 31, 2006 (UNAUDITED)

SHARES -----		MARKET VALUE -----
COMMON STOCKS - 99.4%		
	AEROSPACE & DEFENSE - 1.3%	
39,808	Raytheon Company	\$ 1,879,336

	AIRLINES - 1.3%	
111,003	Southwest Airlines Company	1,922,572

	AUTOMOBILE COMPONENTS - 0.4%	
84,192	Ballard Power Systems, Inc.*	519,465

	AUTOMOBILES - 2.5%	
61,923	General Motors Corp.	1,806,913
30,025	Harley-Davidson, Inc.	1,756,763

		3,563,676

	BIOTECHNOLOGY - 0.8%	
37,230	Applera Corp. - Celera Genomics Group*	518,242
52,814	Millennium Pharmaceuticals, Inc.*	573,560

		1,091,802

	CAPITAL MARKETS - 2.2%	
13,571	Bear Stearns Companies (The), Inc.	1,768,980
13,647	Federated Investors, Inc., Class B	456,902
30,167	Knight Capital Group, Inc., Class A*	526,716
8,789	SEI Investments Company	448,591

		3,201,189

	CHEMICALS - 0.7%	
13,246	OM Group, Inc.*	529,840
6,315	Sigma-Aldrich Corp.	458,658

		988,498

	COMMERCIAL SERVICES & SUPPLIES - 0.4%	
25,660	Korn/Ferry International*	523,977

	COMMUNICATIONS EQUIPMENT - 1.9%	
18,175	CommScope, Inc.*	530,892
75,975	Motorola, Inc.	1,776,296
135,952	Sycamore Networks, Inc.*	498,944

		2,806,132

	COMPUTERS & PERIPHERALS - 0.3%	
25,803	Western Digital Corp.*	472,195

Edgar Filing: FIRST TRUST VALUE LINE R & IBBOTSON EQUITY ALLOCATION FUND - Form N-Q

CONSTRUCTION & ENGINEERING - 0.3%		
9,107	Granite Construction, Inc.	488,591

DIVERSIFIED FINANCIAL SERVICES - 1.3%		
41,523	JPMorgan Chase & Company	1,895,940

DIVERSIFIED TELECOMMUNICATION SERVICES - 3.3%		
61,781	AT&T, Inc.	1,923,243
36,150	BT Group PLC, Sponsored ADR	1,701,219
14,545	CenturyTel, Inc.	579,182
107,794	Cincinnati Bell, Inc.*	544,360

		4,748,004

See Notes to Quarterly Portfolio of Investments.

Page 1

FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND
 PORTFOLIO OF INVESTMENTS - (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES		MARKET
-----		VALUE
-----		-----
COMMON STOCKS - CONTINUED		
ELECTRIC UTILITIES - 6.9%		
20,980	Cleco Corp.	\$ 523,661
20,480	Empire District Electric (The) Company	462,848
33,581	FirstEnergy Corp.	1,916,132
43,134	FPL Group, Inc.	1,917,306
13,559	IDACORP, Inc.	520,937
15,868	Otter Tail Corp.	478,420
12,605	Pinnacle West Capital Corp.	579,074
42,773	Progress Energy, Inc.	1,896,127
39,593	Sierra Pacific Resources*	583,997
14,401	UIL Holdings Corp.	526,213
23,835	Westar Energy, Inc.	581,336

		9,986,051

ELECTRICAL EQUIPMENT - 0.8%		
15,952	Belden CDT, Inc.	570,124
24,400	II-VI, Inc.*	514,108

		1,084,232

ELECTRONIC EQUIPMENT & INSTRUMENTS - 1.5%		
7,914	CDW Corp.	461,386
20,463	FLIR Systems, Inc.*	566,825
167,400	Sanmina-SCI Corp.*	567,486
41,217	Vishay Intertechnology, Inc.*	577,450

		2,173,147

ENERGY EQUIPMENT & SERVICES - 3.0%		
23,365	Baker Hughes, Inc.	1,663,121
48,478	BJ Services Company	1,663,280
6,932	Core Laboratories N.V.*	508,601
53,729	Input/Output, Inc.*	535,678

Edgar Filing: FIRST TRUST VALUE LINE R & IBBOTSON EQUITY ALLOCATION FUND - Form N-Q

		4,370,680

	FOOD & STAPLES RETAILING - 1.7%	
76,105	Kroger (The) Company	1,812,060
129,820	Rite Aid Corp.*	563,419

		2,375,479

	FOOD PRODUCTS - 4.0%	
46,865	Campbell Soup Company	1,760,718
12,031	Hormel Foods Corp.	440,936
57,530	Kraft Foods, Inc., Class A	1,950,842
12,042	Lancaster Colony Corp.	531,534
10,559	Ralcorp Holdings, Inc.*	522,354
12,661	Smucker, J.M. (The) Company	615,704

		5,822,088

	GAS UTILITIES - 1.4%	
10,864	Energen Corp.	474,105
14,752	ONEOK, Inc.	564,559
5,178	Questar Corp.	448,104
15,427	Southwest Gas Corp.	519,890

		2,006,658

Page 2 See Notes to Quarterly Portfolio of Investments.

FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND
 PORTFOLIO OF INVESTMENTS - (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES		MARKET
-----		VALUE
-----		-----
COMMON STOCKS - CONTINUED		
	HEALTH CARE PROVIDERS & SERVICES - 0.7%	
16,944	IMS Health, Inc.	\$ 462,402
13,474	Triad Hospitals, Inc.*	593,664

		1,056,066

	HEALTH CARE EQUIPMENT & SUPPLIES - 0.4%	
26,316	Immucor, Inc.*	546,583

	HOTELS, RESTAURANTS & LEISURE - 1.5%	
19,162	Bob Evans Farms, Inc.	543,051
14,187	CBRL Group, Inc.	536,836
11,014	Jack in the Box, Inc.*	528,452
15,290	Papa John's International, Inc.*	519,860

		2,128,199

	HOUSEHOLD DURABLES - 2.4%	

Edgar Filing: FIRST TRUST VALUE LINE R & IBBOTSON EQUITY ALLOCATION FUND - Form N-Q

22,510	American Greetings Corp., Class A	551,945
39,265	Garmin Ltd.	1,836,031
33,029	Tempur-Pedic International, Inc.*	530,115
21,022	The Yankee Candle Company, Inc.	543,419

		3,461,510

	HOUSEHOLD PRODUCTS - 0.3%	
7,207	Energizer Holdings, Inc.*	481,860

	INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 1.3%	
27,355	TXU Corp.	1,811,175

	INDUSTRIAL CONGLOMERATES - 0.4%	
6,115	Sequa Corp., Class A*	561,357

	INSURANCE - 6.1%	
22,282	Ambac Financial Group, Inc.	1,929,398
597	Berkshire Hathaway, Inc., Class B*	1,912,490
40,735	Cincinnati Financial Corp.	1,900,695
31,347	Lincoln National Corp.	1,902,763
26,967	Old Republic International Corp.	563,610
11,099	Reinsurance Group of America, Inc.	573,596

		8,782,552

	INTERNET SOFTWARE & SERVICES - 1.1%	
11,663	Akamai Technologies, Inc.*	457,190
50,814	RealNetworks, Inc.*	560,478
14,040	WebEx Communications Inc.*	501,228

		1,518,896

	INTERNET & CATALOG RETAIL - 0.4%	
15,898	Priceline.com, Inc.*	530,834

	IT SERVICES - 1.9%	
40,428	Infosys Technologies Ltd., Sponsored ADR	1,813,196
37,149	MPS Group, Inc.*	522,315
20,148	Total System Services, Inc.	449,099

		2,784,610

See Notes to Quarterly Portfolio of Investments.

Page 3

FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND
 PORTFOLIO OF INVESTMENTS - (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES		MARKET VALUE
-----		-----
COMMON STOCKS - CONTINUED		
	LEISURE EQUIPMENT & PRODUCTS - 1.4%	
39,243	Callaway Golf Company	\$ 526,249
25,061	Marvel Entertainment, Inc.*	537,308
25,262	Mattel, Inc.	475,936

Edgar Filing: FIRST TRUST VALUE LINE R & IBBOTSON EQUITY ALLOCATION FUND - Form N-Q

13,740	Polaris Industries, Inc.	523,494

		2,062,987

	LIFE SCIENCES TOOLS & SERVICES - 0.3%	
14,554	Applera Corp. - Applied Biosystems Group	446,080

	MACHINERY - 1.9%	
7,972	Lincoln Electric Holdings, Inc.	438,699
31,241	PACCAR, Inc.	1,707,945
10,765	SPX Corp.	568,392

		2,715,036

	MEDIA - 2.1%	
18,067	Catalina Marketing Corp.	517,620
17,891	Scholastic Corp*	537,803
115,200	Time Warner, Inc.	1,914,624

		2,970,047

	METALS & MINING - 2.3%	
34,704	Nucor Corp.	1,695,984
24,475	Teck Cominco Ltd., Class B	1,629,748

		3,325,732

	MULTI-UTILITIES - 6.7%	
22,064	Avista Corp.	534,831
9,611	CH Energy Group, Inc.	472,092
41,523	Consolidated Edison, Inc.	1,918,363
62,704	Duke Energy Corp.	1,881,120
23,169	Energy East Corp.	561,848
15,789	OGE Energy Corp.	587,982
20,505	PNM Resources Inc.	587,878
14,084	SCANA Corp.	582,373
13,528	Wisconsin Energy Corp.	581,704
90,569	Xcel Energy, Inc.	1,883,835

		9,592,026

	MULTILINE RETAIL - 0.4%	
17,540	Dillard's Inc., Class A	546,897

	OIL, GAS & CONSUMABLE FUELS - 13.9%	
8,488	Cabot Oil & Gas Corp.	433,397
28,223	ConocoPhillips	1,790,185
35,078	EnCana Corp.	1,850,014
25,511	Exxon Mobil Corp.	1,726,329
13,279	Frontier Oil Corp.	434,223
10,910	Frontline Ltd.	445,019
38,345	Hess Corp.	1,755,434
9,554	Holly Corp.	437,764
46,134	Imperial Oil Ltd.	1,742,481

Page 4

See Notes to Quarterly Portfolio of Investments.

FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND
PORTFOLIO OF INVESTMENTS - (CONTINUED)

Edgar Filing: FIRST TRUST VALUE LINE R & IBBOTSON EQUITY ALLOCATION FUND - Form N-Q

AUGUST 31, 2006 (UNAUDITED)

SHARES		MARKET VALUE

COMMON STOCKS - CONTINUED		
OIL, GAS & CONSUMABLE FUELS - (CONTINUED)		
21,233	Marathon Oil Corp.	\$ 1,772,956
8,796	Overseas Shipholding Group, Inc.	586,693
19,100	Petroleo Brasileiro S.A., ADR	1,712,506
22,140	Suncor Energy, Inc.	1,717,621
22,704	Sunoco, Inc.	1,632,645
60,245	TransCanada Corp.	1,959,167

		19,996,434

PHARMACEUTICALS - 4.1%		
13,627	Endo Pharmaceuticals Holdings, Inc.*	450,100
36,982	Forest Laboratories, Inc.*	1,848,360
27,606	Johnson & Johnson	1,785,004
44,716	Merck & Company, Inc.	1,813,234

		5,896,698

REAL ESTATE INVESTMENT TRUSTS (REITS) - 1.8%		
36,346	Archstone-Smith Trust	1,932,880
21,386	New Plan Excel Realty Trust	590,040

		2,522,920

SEMICONDUCTORS		
& SEMICONDUCTOR EQUIPMENT - 6.5%		
184,713	Applied Micro Circuits Corp.*	504,266
107,614	Atmel Corp.*	620,933
24,352	Intersil Corp., Class A	617,323
77,134	Lattice Semiconductor Corp.*	564,621
115,907	Micron Technology, Inc.*	2,002,873
25,122	MKS Instruments, Inc.*	524,799
28,483	OmniVision Technologies, Inc.*	472,818
190,427	Taiwan Semiconductor Manufacturing Company Ltd., Sponsored ADR	1,772,875
54,508	Texas Instruments, Inc.	1,776,416
30,615	Zoran Corp.*	545,559

		9,402,483

SPECIALTY RETAIL - 4.8%		
20,390	Aeropostale, Inc.*	517,906
12,243	American Eagle Outfitters, Inc.	472,947
23,592	bebe Stores, Inc.	525,630
18,402	Christopher & Banks Corp.	448,089
24,856	Dress Barn (The), Inc.*	438,708
68,923	Limited Brands, Inc.	1,773,389
12,562	Men's Wearhouse (The), Inc.	445,323
9,052	Sherwin-Williams (The) Company	467,445
65,806	TJX Companies (The), Inc.	1,760,311

		6,849,748

TEXTILES, APPAREL & LUXURY GOODS - 0.3%		
9,494	Gildan Activewear Inc.*	474,320

FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND
 PORTFOLIO OF INVESTMENTS - (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES		MARKET VALUE
-----		-----
COMMON STOCKS - CONTINUED		
	WIRELESS TELECOMMUNICATION SERVICES - 0.4%	
13,608	Telephone and Data Systems, Inc.	\$ 577,115
	TOTAL COMMON STOCKS	142,961,877
	(Cost \$139,227,861)	
	TOTAL INVESTMENTS - 99.4%	142,961,877
	(Cost \$139,227,861)**	
	NET OTHER ASSETS & LIABILITIES - 0.6%	804,162
	NET ASSETS - 100.0%	\$ 143,766,039
		=====

* Non-income producing security.

** Aggregate cost for federal income tax and financial reporting purposes.

ADR American Depository Receipt

NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS (UNAUDITED)

FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND
 AUGUST 31, 2006

1. VALUATION AND INVESTMENT PRACTICES

A. PORTFOLIO VALUATION:

The First Trust/Value Line(R) & Ibbotson Equity Allocation Fund (the "Fund") determines the net asset value ("NAV") of its shares daily, as of the close of regular session trading on the New York Stock Exchange ("NYSE"), normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. The NAV is computed by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including accrued expenses and dividends declared but unpaid), by the total number of shares outstanding.

The Fund's investments are valued at market value or, in the absence of market value with respect to any portfolio securities, at fair value according to procedures adopted by the Fund's Board of Trustees. Portfolio securities listed on any exchange other than the NASDAQ National Market ("NASDAQ") are valued at

the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked prices on such day. Securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price as determined by NASDAQ. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities. Portfolio securities traded in the over-the-counter market, but excluding securities traded on the NASDAQ, are valued at the closing bid prices. Short-term investments that mature in less than 60 days are valued at amortized cost.

Foreign securities traded outside the United States are generally valued as of the time their trading is complete, which is usually different from the close of the NYSE. Occasionally, events affecting the value of such securities may occur between such times and the close of the NYSE that will not always be reflected in such securities' value. If events materially affecting the value of such securities occur during such period, these securities will be valued at their fair value according to procedures adopted by the Fund's Board of Trustees. All securities and other assets of the Fund denominated in foreign currencies will be converted to U.S. dollars using exchange rates in effect at the time of valuation.

The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the exchange rates prevailing at the end of the period. Purchases and sales of investment securities are translated on the respective dates of such transactions. Net realized foreign currency gains and losses include the effect of changes in exchange rates between trade date and settlement date on investment security and foreign currency transactions.

B. SECURITIES TRANSACTIONS:

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

2. UNREALIZED APPRECIATION/(DEPRECIATION)

As of August 31, 2006, the aggregate gross unrealized appreciation of all securities in which there was an excess of value over tax cost was \$5,868,137 and the aggregate gross unrealized depreciation of all securities in which there was an excess of value over tax cost was \$2,134,121.

Page 7

ITEM 2. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant's internal control over

Edgar Filing: FIRST TRUST VALUE LINE R & IBBOTSON EQUITY ALLOCATION FUND - Form N-Q

financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

SIGNATURES

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

(Registrant) FIRST TRUST/VALUE LINE(R) & IBBOTSON EQUITY ALLOCATION FUND

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

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

Date OCTOBER 24, 2006

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

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

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

Date OCTOBER 24, 2006

By (Signature and Title)* /S/ MARK R. BRADLEY

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

Date OCTOBER 24, 2006

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