

Edgar Filing: FIRST TRUST MORTGAGE INCOME FUND - Form N-Q

FIRST TRUST MORTGAGE INCOME FUND

Form N-Q

September 21, 2017

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 811-21727

First Trust Mortgage Income Fund

(Exact name of registrant as specified in charter)

120 East Liberty Drive, Suite 400
Wheaton, IL 60187

(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.

First Trust Portfolios L.P.
120 East Liberty Drive, Suite 400
Wheaton, IL 60187

(Name and address of agent for service)

Registrant's telephone number, including area code: 630-765-8000

Date of fiscal year end: October 31

Date of reporting period: July 31, 2017

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.

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ITEM 1. SCHEDULE OF INVESTMENTS. The Schedule of Investments is attached herewith.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
 PORTFOLIO OF INVESTMENTS
 JULY 31, 2017 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STAT MATUR

MORTGAGE-BACKED SECURITIES - 62.7%			
COLLATERALIZED MORTGAGE OBLIGATIONS - 53.0%			
	Accredited Mortgage Loan Trust		
\$ 380,145	Series 2003-2, Class A1	4.98%	10/01
	ACE Securities Corp. Home Equity Loan Trust		
969,323	Series 2006-ASAP6, Class A2D (a).....	1.45%	12/25
	Banc of America Funding Corp.		
127,102	Series 2008-R2, Class 1A4 (b).....	6.00%	09/01
	Banc of America Mortgage Trust		
53,106	Series 2002-L, Class 1A1 (a).....	2.52%	12/01
278,511	Series 2005-A, Class 2A1 (a).....	3.43%	02/01
	Chase Mortgage Finance Trust		
239,617	Series 2007-A1, Class 1A3 (a).....	3.48%	02/01
	Citigroup Mortgage Loan Trust		
409,128	Series 2005-6, Class A1 (a).....	2.69%	09/01
954,611	Series 2012-7, Class 10A2 (a) (b).....	3.56%	09/01
	Countrywide Asset-Backed Certificates		
107,742	Series 2006-S8, Class A6	5.51%	04/01
	Countrywide Home Loan Mortgage Pass-Through Trust		
522,080	Series 2003-46, Class 2A1 (a).....	3.30%	01/01
341,681	Series 2006-21, Class A8	5.75%	02/01
573,966	Series 2006-HYB5, Class 3A1A (a).....	3.30%	09/01
	Credit Suisse First Boston Mortgage Securities Corp.		
376,275	Series 2004-AR2, Class 1A1 (a).....	3.40%	03/01
639,826	Series 2004-AR8, Class 6A1 (a).....	3.31%	09/01
197,211	Series 2005-5, Class 3A2 (a).....	1.53%	07/25
	Deutsche ALT-A Securities Inc Mortgage Loan Trust		
35,496	Series 2003-3, Class 3A1	5.00%	10/01
	DSL A Mortgage Loan Trust		
792,505	Series 2004-AR3, Class 2A2A (a).....	1.60%	07/19
864,815	Series 2007-AR1, Class 2A1A (a).....	1.37%	04/19
	GMAC Mortgage Corporation Loan Trust		
145,914	Series 2004-AR1, Class 22A (a).....	3.96%	06/01
	GSR Mortgage Loan Trust		
15,782	Series 2003-10, Class 1A12 (a).....	3.26%	10/01
285,438	Series 2005-AR1, Class 4A1 (a).....	2.75%	01/01
	Harborview Mortgage Loan Trust		
487,548	Series 2004-6, Class 3A1 (a).....	3.78%	08/01
	Home Equity Asset Trust		
65,000	Series 2005-3, Class M4 (a).....	1.87%	08/25
520,000	Series 2005-9, Class M1 (a).....	1.64%	04/25
	Impac CMB Trust		
298,976	Series 2004-6, Class 1A2 (a).....	2.01%	10/25
	IXIS Real Estate Capital Trust		
1,178,447	Series 2007-HE1, Class A3 (a).....	1.39%	05/25
	JP Morgan Mortgage Trust		

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1,289,310 Series 2005-ALT1, Class 4A1 (a)..... 3.56% 10/01

See Notes to Portfolio of Investments

FIRST TRUST MORTGAGE INCOME FUND (FMY)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JULY 31, 2017 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STAT MATUR
MORTGAGE-BACKED SECURITIES (CONTINUED)			
COLLATERALIZED MORTGAGE OBLIGATIONS (CONTINUED)			
	JP Morgan Mortgage Trust (Continued)		
\$ 1,174,527	Series 2006-A2, Class 4A1 (a).....	3.71%	08/01
286,737	Series 2006-A2, Class 5A3 (a).....	3.15%	11/01
	JP Morgan Re-REMIC		
310,716	Series 2009-7, Class 12A1 (b).....	6.25%	01/03
	MASTR Alternative Loan Trust		
3,959,093	Series 2006-2, Class 2A3 (a).....	1.58%	03/25
	MASTR Asset Backed Securities Trust		
945,023	Series 2006-HE5, Class A3 (a).....	1.39%	11/25
1,420,963	Series 2006-NC2, Class A3 (a).....	1.34%	08/25
648,602	Series 2006-NC2, Class A5 (a).....	1.47%	08/25
	MASTR Asset Securitization Trust		
23,269	Series 2003-11, Class 5A2	5.25%	12/01
90,471	Series 2003-11, Class 6A16	5.25%	12/01
	Mellon Residential Funding Corp. Mortgage Pass-Through Trust		
370,105	Series 2001-TBC1, Class A1 (a).....	1.93%	11/15
384,874	Series 2002-TBC2, Class A (a).....	2.09%	08/15
	Meritage Mortgage Loan Trust		
318,139	Series 2004-2, Class M3 (a).....	2.21%	01/25
	Morgan Stanley Mortgage Loan Trust		
790,954	Series 2004-7AR, Class 2A6 (a).....	3.34%	09/01
	MortgageIT Trust		
329,934	Series 2005-2, Class 2A (a).....	2.88%	05/01
	Nomura Asset Acceptance Corporation		
663,684	Series 2004-AR4, Class M1 (a).....	1.83%	12/25
	Nomura Resecuritization Trust		
1,263,000	Series 2015-6R, Class 2A4 (a) (b).....	6.81%	01/02
	Provident Funding Mortgage Loan Trust		
113,020	Series 2004-1, Class 1A1 (a).....	3.26%	04/01
396,665	Series 2005-1, Class 1A1 (a).....	3.45%	05/01
	Residential Accredit Loans, Inc.		
162,954	Series 2006-Q01, Class 2A1 (a).....	1.50%	02/25
2,030,019	Series 2006-QS6, Class 1AV, IO (a).....	0.76%	06/01
	Residential Asset Securitization Trust		
49,191	Series 2004-A3, Class A7	5.25%	06/01
	Saxon Asset Securities Trust		
1,008,323	Series 2007-2, Class A2D (a).....	1.53%	05/25
	Springleaf Mortgage Loan Trust		

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120,434	Series 2013-3A, Class A (b).....	1.87%	09/01
850,000	Series 2013-3A, Class M3 (b).....	5.00%	09/01
	Structured Adjustable Rate Mortgage Loan Trust		
489,409	Series 2004-2, Class 4A2 (a).....	3.34%	03/01
	Structured Asset Securities Corp. Mortgage		
	Pass-Through Certificates		
49,997	Series 2001-SB1, Class A2	3.38%	08/01
	Thornburg Mortgage Securities Trust		
412,896	Series 2003-4, Class A1 (a).....	1.87%	09/25

See Notes to Portfolio of Investments

FIRST TRUST MORTGAGE INCOME FUND (FMY)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JULY 31, 2017 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STAT MATUR
MORTGAGE-BACKED SECURITIES (CONTINUED)			
COLLATERALIZED MORTGAGE OBLIGATIONS (CONTINUED)			
	Towd Point Mortgage Trust		
\$ 656,324	Series 2015-2, Class 2A1 (a) (b).....	3.75%	11/01
	Wachovia Mortgage Loan Trust, LLC		
381,546	Series 2006-A, Class 3A1 (a).....	3.16%	05/01
	WaMu Mortgage Pass-Through Certificates		
195,591	Series 2003-AR5, Class A7 (a).....	3.06%	06/01
540,203	Series 2004-AR1, Class A (a).....	3.14%	03/01
616,627	Series 2004-AR10, Class A1B (a).....	1.65%	07/25
479,348	Series 2004-AR13, Class A1A (a).....	1.95%	11/25
94,560	Series 2004-AR3, Class A2 (a).....	3.14%	06/01
635,182	Series 2005-AR1, Class A1A (a).....	1.87%	01/25
912,332	Series 2005-AR11, Class A1A (a).....	1.55%	08/25
848,933	Series 2005-AR6, Class 2A1A (a).....	1.46%	04/25
355,498	Series 2005-AR9, Class A1A (a).....	1.87%	07/25
617,523	Series 2006-AR2, Class 1A1 (a).....	2.92%	03/01
	Washington Mutual Alternative Mortgage Pass-Through		
	Certificates		
28,557	Series 2007-5, Class A11 (c).....	32.09%	06/25
	Washington Mutual MSC Mortgage Pass-Through		
	Certificates		
418,010	Series 2004-RA1, Class 2A	7.00%	03/01
	Wells Fargo Mortgage Backed Securities Trust		
472,952	Series 2003-H, Class A1 (a).....	3.09%	09/01
547,364	Series 2004-A, Class A1 (a).....	3.11%	02/01
56,199	Series 2004-EE, Class 3A1 (a).....	3.60%	12/01
1,012,378	Series 2004-R, Class 1A1 (a).....	3.07%	09/01
257,966	Series 2004-S, Class A1 (a).....	3.30%	09/01
509,679	Series 2004-Y, Class 1A2 (a).....	3.00%	11/01
6,785	Series 2004-Z, Class 2A1 (a).....	3.00%	12/01
28,580	Series 2004-Z, Class 2A2 (a).....	3.00%	12/01
264,705	Series 2005-AR10, Class 2A17 (a).....	3.20%	06/01

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548,198	Series 2005-AR16, Class 1A1 (a).....	3.42%	08/01
401,136	Series 2005-AR3, Class 2A1 (a).....	3.36%	03/01
398,472	Series 2005-AR8, Class 1A1 (a).....	3.29%	06/01
460,762	Series 2006-13, Class A5	6.00%	10/01
148,753	Series 2007-16, Class 1A1	6.00%	12/04
229,106	Series 2007-2, Class 1A13	6.00%	03/01
54,187	Series 2007-8, Class 2A2	6.00%	07/01

COMMERCIAL MORTGAGE-BACKED SECURITIES - 9.7%

Banc of America Commercial Mortgage Trust			
16,403	Series 2007-3, Class AJ, STRIP (a).....	5.88%	06/01
Bayview Commercial Asset Trust			
485,882	Series 2004-2, Class A (a) (b).....	1.66%	08/25

See Notes to Portfolio of Investments

FIRST TRUST MORTGAGE INCOME FUND (FMY)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JULY 31, 2017 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STATED MATUR

MORTGAGE-BACKED SECURITIES (CONTINUED)			
COMMERCIAL MORTGAGE-BACKED SECURITIES (CONTINUED)			
BXHTL Mortgage Trust			
\$ 800,000	Series 2015-JWRZ, Class B (a) (d).....	2.93%	05/15
Greenwich Capital Commercial Funding Corp.			
700,000	Series 2007-GG11, Class AJ (a).....	6.27%	12/01
Hudsons Bay Simon JV Trust			
510,000	Series 2015-HBFL, Class DFL (a) (b).....	4.88%	08/05
Hyatt Hotel Portfolio Trust			
1,040,000	Series 2015-HYT, Class B (a) (b).....	2.93%	11/15
UBS-Barclays Commercial Mortgage Trust			
14,726,534	Series 2013-C5, Class XA, IO (a) (b).....	1.14%	03/01
Wachovia Bank Commercial Mortgage Trust			
448,544	Series 2007-C30, Class AJ	5.41%	12/01
650,000	Series 2007-C33, Class AJ, STRIP (a).....	6.00%	02/01
Waldorf Astoria Boca Raton Trust			
1,000,000	Series 2016-BOCA, Class E (a) (d).....	5.58%	06/15
TOTAL MORTGAGE-BACKED SECURITIES.....			
(Cost \$40,861,284)			

U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES - 31.0%

COLLATERALIZED MORTGAGE OBLIGATIONS - 20.4%

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Federal Home Loan Mortgage Corp.			
28,665	Series 1007, Class H (c)	19.23%	10/15
44,109	Series 1394, Class ID (c)	9.57%	10/15
43,868	Series 2303, Class SW (c)	10.00%	03/01
435,034	Series 2439, Class XI, IO (c)	6.50%	03/01
994,945	Series 2807, Class SB, IO (c)	6.22%	11/15
2,003,020	Series 2975, Class SJ, IO (c)	5.42%	05/15
45,347	Series 3012, Class GK (c)	19.23%	06/15
198,039	Series 3108, Class QZ	6.00%	02/01
13,874	Series 3195, Class SX (c)	38.18%	07/15
160,255	Series 3410, Class HC	5.50%	02/01
337,580	Series 3619, Class EI, IO	4.50%	05/01
256,957	Series 3692, Class PS, IO (c)	5.37%	05/15
1,554,074	Series 3726, Class KI, IO	3.50%	04/01
2,072,346	Series 3784, Class BI, IO	3.50%	01/01
250,000	Series 3797, Class KB	4.50%	01/01
1,333,336	Series 3870, Class WS, IO (c)	5.37%	06/15
440,126	Series 3898, Class NI, IO	5.00%	07/01
98,182	Series 4021, Class IP, IO	3.00%	03/01
1,203,489	Series 4206, Class IA, IO	3.00%	03/01
501,231	Series 4615, Class GT (c)	4.00%	10/15
8,926,143	Series 4619, Class IB, IO	4.00%	12/01
Federal National Mortgage Association			
141,385	Series 2003-15, Class MS, IO (c)	6.77%	03/25
26,798	Series 2004-74, Class SW (c)	13.05%	11/25

See Notes to Portfolio of Investments

FIRST TRUST MORTGAGE INCOME FUND (FMY)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JULY 31, 2017 (UNAUDITED)

PRINCIPAL		DESCRIPTION	STATED	STAT
VALUE			COUPON	MATUR

U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES (CONTINUED)				
COLLATERALIZED MORTGAGE OBLIGATIONS (CONTINUED)				
Federal National Mortgage Association (Continued)				
\$	500,000	Series 2004-W10, Class A6	5.75%	08/01
	305,184	Series 2005-122, Class SN (c)	23.67%	01/25
	169,388	Series 2006-5, Class 3A2 (a)	3.25%	05/01
	212,379	Series 2007-30, Class ZM	4.25%	04/01
	453,273	Series 2007-37, Class SB, IO (a)	5.52%	05/25
	291,957	Series 2008-17, Class BE	5.50%	10/01
	6,837	Series 2008-50, Class AI, IO	5.50%	06/01
	353,000	Series 2009-28, Class HX	5.00%	05/01
	161,311	Series 2009-37, Class NZ	5.71%	02/01
	1,204,627	Series 2010-10, Class NI, IO	5.00%	01/01
	2,183,068	Series 2010-103, Class ID, IO	5.00%	09/01
	1,099,649	Series 2010-104, Class CI, IO	4.00%	09/01
	3,022,182	Series 2010-139, Class KI, IO	1.09%	12/01
	64,502	Series 2010-142, Class PS, IO (c)	4.82%	05/25

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374,011	Series 2010-145, Class TI, IO	3.50%	12/01
413,042	Series 2010-40, Class MI, IO	4.50%	08/01
238,272	Series 2011-5, Class IK, IO	8.00%	02/01
250,000	Series 2011-52, Class LB	5.50%	06/01
3,110,013	Series 2011-66, Class QI, IO	3.50%	07/01
209,290	Series 2012-111, Class B	7.00%	10/01
2,406,962	Series 2012-112, Class BI, IO	3.00%	09/01
2,046,876	Series 2012-125, Class MI, IO	3.50%	11/01
2,741,329	Series 2013-32, Class IG, IO	3.50%	04/01
648,139	Series 2013-51, Class PI, IO	3.00%	11/01
2,291,427	Series 2015-20, Class ES, IO (c)	4.92%	04/25
2,032,312	Series 2015-76, Class BI, IO	4.00%	10/01
5,280,135	Series 2015-97, Class AI, IO	4.00%	09/01
168,142	Series 2016-74, Class LI, IO	3.50%	09/01
	Federal National Mortgage Association, STRIP		
94,852	Series 305, Class 12, IO (a)	6.50%	12/01
100,861	Series 355, Class 18, IO	7.50%	11/01
1,426,801	Series 406, Class 6, IO	4.00%	01/01
	Government National Mortgage Association		
176,638	Series 2004-95, Class QZ	4.50%	11/01
365,992	Series 2005-33, Class AY	5.50%	04/01
120,304	Series 2005-68, Class DP (c)	13.48%	06/17
525,646	Series 2005-68, Class KI, IO (c)	5.07%	09/20
139,672	Series 2007-50, Class AI, IO (c)	5.55%	08/20
450,141	Series 2007-68, Class PI, IO (c)	5.42%	11/20
100,000	Series 2008-2, Class HB	5.50%	01/01
220,000	Series 2008-32, Class JD	5.50%	04/01
383,013	Series 2008-73, Class SK, IO (c)	5.51%	08/20
200,996	Series 2009-65, Class NJ, IO	5.50%	07/01
113,305	Series 2009-79, Class PZ	6.00%	09/01
1,631,401	Series 2009-100, Class SL, IO (c)	5.27%	05/16
1,150,219	Series 2010-115, Class IQ, IO	4.50%	11/01
715,000	Series 2010-61, Class KE	5.00%	05/01

See Notes to Portfolio of Investments

FIRST TRUST MORTGAGE INCOME FUND (FMY)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JULY 31, 2017 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STAT MATUR
U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES (CONTINUED)			
COLLATERALIZED MORTGAGE OBLIGATIONS (CONTINUED)			
Government National Mortgage Association (Continued)			
\$ 959,952	Series 2011-131, Class EI, IO	4.50%	08/01
69,462	Series 2016-139, Class MZ	1.50%	07/01
133,992	Series 2017-4, Class CZ	3.00%	01/01

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COMMERCIAL MORTGAGE-BACKED SECURITIES - 0.3%			
Government National Mortgage Association			
218,000	Series 2013-57, Class D	2.35%	06/01
PASS-THROUGH SECURITIES - 10.3%			
Federal Home Loan Mortgage Corp.			
939,031	Gold Pool	3.00%	08/01
665,910	Pool A94738	4.50%	11/01
547,777	Pool K36017	5.00%	09/01
Federal National Mortgage Association			
25,030	Pool 535919	6.50%	05/01
1,107,579	Pool 831145	6.00%	12/01
1,120,944	Pool 843971	6.00%	11/01
966,939	Pool AS9194	4.50%	12/01
860,928	Pool AT2720	3.00%	05/01
TOTAL U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES.....			
(Cost \$21,849,633)			
ASSET-BACKED SECURITIES - 1.7%			
Green Tree Financial Corp.			
11,301	Series 1997-3, Class A6	7.32%	03/15
1,563	Series 1997-7, Class A6	6.76%	07/15
103,757	Series 1998-4, Class A7 (a).....	6.87%	04/01
Mid-State Capital Corp. Trust			
441,944	Series 2004-1, Class M1	6.50%	08/01
450,606	Series 2005-1, Class A	5.75%	01/01
TOTAL ASSET-BACKED SECURITIES.....			
(Cost \$1,074,364)			
TOTAL INVESTMENTS - 95.4%.....			
(Cost \$63,785,281) (e)			
NET OTHER ASSETS AND LIABILITIES - 4.6%.....			
NET ASSETS - 100.0%.....			

(a) Floating or variable rate security. The interest rate shown reflects the rate in effect at July 31, 2017.

See Notes to Portfolio of Investments

FIRST TRUST MORTGAGE INCOME FUND (FMY)
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 JULY 31, 2017 (UNAUDITED)

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- (b) This security, sold within the terms of a private placement memorandum, is exempt from registration upon resale under Rule 144A of the Securities Act of 1933, as amended (the "1933 Act"), and may be resold in transactions exempt from registration, normally to qualified institutional buyers. Pursuant to procedures adopted by the Fund's Board of Trustees, this security has been determined to be liquid by First Trust Advisors L.P. ("First Trust" or the "Advisor"), the Fund's advisor. Although market instability can result in periods of increased overall market illiquidity, liquidity for each security is determined based on security specific factors and assumptions, which require subjective judgment. At July 31, 2017, securities noted as such amounted to \$6,723,138, or 10.28% of net assets.
- (c) Inverse floating rate instrument. The interest rate shown reflects the rate in effect at July 31, 2017.
- (d) This security, sold within the terms of a private placement memorandum, is exempt from registration upon resale under Rule 144A of the 1933 Act, and may be resold in transactions exempt from registration, normally to qualified institutional buyers (see Note 2C - Restricted Securities in the Notes to Portfolio of Investments).
- (e) Aggregate cost for financial reporting purposes, which approximates the aggregate cost for federal income tax purposes. As of July 31, 2017, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$1,975,428 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$3,362,366.
- IO Interest-Only Security - Principal amount shown represents par value on which interest payments are based.

STRIP Separate Trading of Registered Interest and Principal of Securities

 VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of July 31, 2017 is as follows (see Note 2A - Portfolio Valuation in the Notes to Portfolio of Investments):

ASSETS TABLE

	TOTAL VALUE AT 7/31/2017	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	S UN
	-----	-----	-----	-----
Mortgage-Backed Securities.....	\$ 40,998,462	\$ --	\$ 40,998,462	\$
U.S. Government Agency Mortgage-Backed Securities.....	20,305,710	--	20,305,710	
Asset-Backed Securities.....	1,094,171	--	1,094,171	
Total Investments.....	62,398,343	--	62,398,343	
Futures Contracts.....	3,156	3,156	--	
Total.....	\$ 62,401,499	\$ 3,156	\$ 62,398,343	\$

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LIABILITIES TABLE

	TOTAL VALUE AT 7/31/2017	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	S UN
Futures Contracts.....	\$ (664)	\$ (664)	\$ --	\$

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 July 31, 2017.

See Notes to Portfolio of Investments

FIRST TRUST MORTGAGE INCOME FUND (FMY)
PORTFOLIO OF INVESTMENTS (CONTINUED)
JULY 31, 2017 (UNAUDITED)

OPEN FUTURES CONTRACTS AT JULY 31, 2017 (see Note 2D - Futures Contracts in the Notes to Portfolio of Investments):

LONG FUTURES CONTRACTS	NUMBER OF CONTRACTS	EXPIRATION MONTH	NOTIONAL VALUE
U.S. Treasury 10-Year Notes	5	Sep-2017	\$ 629,45
U.S. Treasury Long Bond Futures	8	Sep-2017	1,223,75
			\$ 1,853,20

See Notes to Portfolio of Investments

NOTES TO PORTFOLIO OF INVESTMENTS

FIRST TRUST MORTGAGE INCOME FUND (FMY)
JULY 31, 2017 (UNAUDITED)

1. ORGANIZATION

First Trust Mortgage Income Fund (the "Fund") is a diversified, closed-end management investment company organized as a Massachusetts business trust on

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February 22, 2005, and is registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund trades under the ticker symbol FMY on the New York Stock Exchange ("NYSE").

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."

2. VALUATION AND INVESTMENT PRACTICES

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. Domestic debt securities and foreign securities are priced using data reflecting the earlier closing of the principal markets for those securities. The NAV per Common Share is calculated by dividing the value of all assets of the Fund (including accrued 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:

U.S. government securities, mortgage-backed securities, asset-backed securities and other debt securities are fair valued on the basis of valuations provided by dealers who make markets in such securities or by a third-party pricing service approved by the Fund's Board of Trustees, which may use the following valuation inputs when available:

- 1) benchmark yields;
- 2) reported trades;
- 3) broker/dealer quotes;
- 4) issuer spreads;
- 5) benchmark securities;
- 6) bids and offers; and
- 7) reference data including market research publications.

Exchange-traded futures contracts are valued at the closing price in the market where such contracts are principally traded. If no closing price is available, exchange-traded futures contracts are fair valued at the mean of their most recent bid and asked price, if available, and otherwise at their closing bid price.

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Fixed income and other debt securities having a remaining maturity of sixty days or less when purchased are fair valued at cost adjusted for amortization of premiums and accretion of discounts (amortized cost), provided the Advisor's Pricing Committee has determined that the use of amortized cost is an appropriate reflection of fair value given market and issuer-specific conditions existing at the time of the determination. Factors that may be considered in determining the appropriateness of the use of amortized cost include, but are not limited to, the following:

- 1) the credit conditions in the relevant market and changes thereto;
- 2) the liquidity conditions in the relevant market and changes thereto;
- 3) the interest rate conditions in the relevant market and changes thereto (such as significant changes in interest rates);
- 4) issuer-specific conditions (such as significant credit deterioration); and
- 5) any other market-based data the Advisor's Pricing Committee considers relevant. In this regard, the Advisor's Pricing Committee may use last-obtained market-based data to assist it when valuing portfolio securities using amortized cost.

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 (the "1933 Act")) for which a third-party pricing service is unable to provide a market price; securities whose trading has been formally

NOTES TO PORTFOLIO OF INVESTMENTS (CONTINUED)

FIRST TRUST MORTGAGE INCOME FUND (FMY) JULY 31, 2017 (UNAUDITED)

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 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 fundamental business data relating to the issuer;
- 2) an evaluation of the forces which influence the market in which these securities are purchased and sold;
- 3) the type, size and cost of security;

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- 4) the financial statements of the issuer;
- 5) the credit quality and cash flow of the issuer, based on the Advisor's or external analysis;
- 6) the information as to any transactions in or offers for the security;
- 7) the price and extent of public trading in similar securities (or equity securities) of the issuer/borrower, or comparable companies;
- 8) the coupon payments;
- 9) the quality, value and salability of collateral, if any, securing the security;
- 10) the business prospects of the issuer, including any ability to obtain money or resources from a parent or affiliate and an assessment of the issuer's management;
- 11) the prospects for the issuer's industry, and multiples (of earnings and/or cash flows) being paid for similar businesses in that industry; and
- 12) other relevant factors.

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:

- o 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.
- o 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.
- o 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.

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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 July 31, 2017, 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. Interest income is recorded daily on the accrual basis. Amortization of premiums and the accretion of discounts are recorded using the effective interest method.

The Fund invests in interest-only securities. For these securities, if there is a change in the estimated cash flows, based on an evaluation of current information, then the estimated yield is adjusted. Additionally, if the evaluation of current information indicates a permanent impairment of the security, the cost basis of the security is written down and a loss is recognized. Debt obligations may be placed on non-accrual status and the related interest income may be reduced by ceasing current accruals and writing off interest receivables when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is reasonably assured.

Securities purchased or sold on a when-issued, delayed-delivery or forward purchase commitment basis may have extended settlement periods. The value of the security so purchased is subject to market fluctuations during this period. The Fund maintains liquid assets with a current value at least equal to the amount

NOTES TO PORTFOLIO OF INVESTMENTS (CONTINUED)

FIRST TRUST MORTGAGE INCOME FUND (FMY) JULY 31, 2017 (UNAUDITED)

of its when-issued, delayed-delivery or forward purchase commitments until payment is made. At July 31, 2017, the Fund had no when-issued, delayed-delivery or forward purchase commitments.

C. RESTRICTED SECURITIES

The Fund invests in restricted securities, which are securities that may not be offered for public sale without first being registered under the 1933 Act. Prior to registration, restricted securities may only be resold in transactions exempt from registration under Rule 144A under the 1933 Act, normally to qualified institutional buyers. As of July 31, 2017, the Fund held restricted securities as shown in the following table that the Advisor has deemed illiquid pursuant to procedures adopted by the Fund's Board of Trustees. Although market instability can result in periods of increased overall market illiquidity, liquidity for each security is determined based on security-specific factors and assumptions, which require subjective judgment. The Fund does not have the right to demand that such securities be registered. These securities are valued according to the valuation procedures as stated in the Portfolio Valuation note (Note 2A) and are not expressed as a discount to the carrying value of a comparable unrestricted security. There are no unrestricted securities with the same maturity dates and yields for these issuers.

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SECURITY	ACQUISITION DATE	PRINCIPAL VALUE	CURRENT PRICE	CARRY COST
BXHTL Mortgage Trust, Series 2015-JWRZ, Class B	6/19/15	\$ 800,000	\$ 100.45	\$ 800
Waldorf Astoria Boca Raton Trust, Series 2016-BOCA, Class E	7/12/16	1,000,000	101.00	1,000
				----- \$ 1,800 -----

D. FUTURES CONTRACTS

The Fund may purchase or sell (i.e., is long or short) exchange-listed futures contracts to hedge against changes in interest rates (interest rate risk). Futures contracts are agreements between the Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and at a specified date. Depending on the terms of the contract, futures contracts are settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. Open futures contracts can also be closed out prior to settlement by entering into an offsetting transaction in a matching futures contract. If the Fund is not able to enter into an offsetting transaction, the Fund will continue to be required to maintain margin deposits on the futures contract. When the contract is closed or expires, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed or expired.

Upon entering into a futures contract, the Fund must deposit funds, called margin, with its custodian in the name of the clearing broker equal to a specified percentage of the current value of the contract. Open futures contracts are marked to market daily. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin.

If market conditions change unexpectedly, the Fund may not achieve the anticipated benefits of the futures contract and may realize a loss. The use of futures contracts involves the risk of imperfect correlation in movements in the price of the futures contracts, interest rates and the underlying instruments.

E. INVERSE FLOATING-RATE SECURITIES

An inverse floating-rate security is one where the coupon is inversely indexed to a short-term floating interest rate multiplied by a specific factor. As the floating rate rises, the coupon is reduced. Conversely, as the floating rate declines, the coupon is increased. The price of these securities may be more volatile than the price of a comparable fixed-rate security. These instruments are typically used to enhance the yield of the portfolio and have the effect of creating leverage. These securities, if any, are identified on the Portfolio of Investments.

F. STRIPPED MORTGAGE-BACKED SECURITIES

Stripped Mortgage-Backed Securities are created by segregating the cash flows from underlying mortgage loans or mortgage securities to create two or more new securities, each with a specified percentage of the underlying security's principal or interest payments. Mortgage securities may be partially stripped so that each investor class receives some interest and some principal. When securities are completely stripped, however, all of the interest is distributed to holders of one type of security known as an interest-only security ("IO

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Security") and all of the principal is distributed to holders of another type of security known as a principal-only security. These securities, if any, are identified on the Portfolio of Investments.

NOTES TO PORTFOLIO OF INVESTMENTS (CONTINUED)

FIRST TRUST MORTGAGE INCOME FUND (FMY) JULY 31, 2017 (UNAUDITED)

G. INTEREST-ONLY SECURITIES

An IO Security is the interest-only portion of a mortgage-backed security that receives some or all of the interest portion of the underlying mortgage-backed security and little or no principal. A reference principal value called a notional value is used to calculate the amount of interest due to the IO Security. IO Securities are sold at a deep discount to their notional principal amount. Generally speaking, when interest rates are falling and prepayment rates are increasing, the value of an IO Security will fall. Conversely, when interest rates are rising and prepayment rates are decreasing, generally the value of an IO Security will rise. These securities, if any, are identified on the Portfolio of Investments.

3. DERIVATIVE TRANSACTIONS

During the fiscal year-to-date period (November 1, 2016 to July 31, 2017), the amount of notional values of futures contracts opened and closed in the Fund were \$10,124,388 and \$8,271,185, respectively.

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

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

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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 Mortgage Income Fund

By (Signature and Title)*

/s/ James M. Dykas

James M. Dykas, President and
Chief Executive Officer
(principal executive officer)

Date: September 19, 2017

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: September 19, 2017

By (Signature and Title)*

/s/ Donald P. Swade

Donald P. Swade, Treasurer,
Chief Financial Officer and
Chief Accounting Officer
(principal financial officer)

Date: September 19, 2017

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