

BlackRock Enhanced Government Fund, Inc.
Form N-Q
November 22, 2016

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: 811-21793

Name of Fund: BlackRock Enhanced Government Fund, Inc. (EGF)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Enhanced
Government Fund, Inc., 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 12/31/2016

Date of reporting period: 09/30/2016

Item 1 Schedule of Investments

Schedule of Investments September 30, 2016 (Unaudited)

BlackRock Enhanced Government Fund, Inc. (EGF)

(Percentages shown are based on Net Assets)

	Par	
	(000)	Value
Asset-Backed Securities		
Securitized Asset Backed Receivables LLC Trust (a):		
Series 2005-OP1, Class M2, 1.20%, 1/25/35	\$ 970	\$ 892,458
Series 2005-OP2, Class M1, 0.96%, 10/25/35	1,025	936,149
Total Asset-Backed Securities 1.8%		1,828,607
Non-Agency Mortgage-Backed Securities		
Collateralized Mortgage Obligations 0.9%		
Bank of America Mortgage Securities, Inc., Series 2003-J, Class 2A1, 3.04%, 11/25/33 (a)	111	110,707
Bear Stearns ALT-A Trust, Series 2004-13, Class A1, 1.27%, 11/25/34 (a)	138	135,075
Homebanc Mortgage Trust, Series 2005-4, Class A1, 0.80%, 10/25/35 (a)	801	737,095
		982,877
Interest Only Collateralized Mortgage Obligations 0.1%		
CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 5/25/37	226	60,514
Total Non-Agency Mortgage-Backed Securities 1.0%		1,043,391
Preferred Securities		
Capital Trusts		
Diversified Financial Services 0.5%		
ZFS Finance (USA) Trust V, 6.50%, 5/09/37 (a)(b)	504	508,763
Electric Utilities 1.7%		
PPL Capital Funding, Inc., Series A, 6.70%, 3/30/67 (a)	2,000	1,765,000
Total Preferred Securities 2.2%		2,273,763
U.S. Government Sponsored Agency Securities		
Agency Obligations 3.8%		
Federal Farm Credit Bank, 4.55%, 6/08/20	3,500	3,926,405
	Par	
	(000)	Value
U.S. Government Sponsored Agency Securities		
Collateralized Mortgage Obligations 6.6%		
Fannie Mae Mortgage-Backed Securities, Series 2014-28, Class BD, 3.50%, 8/25/43	\$ 1,439	\$ 1,533,189
Freddie Mac Mortgage-Backed Securities, Series 4480, Class ZX, 4.00%, 11/15/44	657	741,260
Ginnie Mae Mortgage-Backed Securities, Series 2006-3, Class C, 5.24%, 4/16/39 (a)	4,518	4,573,972
		6,848,421
Interest Only Collateralized Mortgage Obligations 1.6%		
Fannie Mae Mortgage-Backed Securities:		
Series 2012-M9, Class X1, 4.20%, 12/25/17 (a)	3,415	97,916
Series 2012-47, Class NI, 4.50%, 4/25/42	1,470	270,948
Series 2012-96, Class DI, 4.00%, 2/25/27	1,509	112,137
Ginnie Mae Mortgage-Backed Securities (a):		
Series 2006-30, Class IO, 2.16%, 5/16/46	399	27,607
Series 2009-78, Class SD, 5.67%, 9/20/32	1,523	288,121
Series 2009-116, Class KS, 5.94%, 12/16/39	481	74,366
Series 2011-52, Class NS, 6.14%, 4/16/41	4,144	841,116
		1,712,211
Mortgage-Backed Securities 54.1%		
Fannie Mae Mortgage-Backed Securities:		
2.50%, 4/01/28	5,936	6,157,550
3.00%, 6/01/42 4/01/43	6,777	7,080,968

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3.50%, 8/01/26	8/01/44	12,607	13,395,866
4.00%, 4/01/24	2/01/41	10,896	11,702,134
4.50%, 4/01/39	8/01/40	7,510	8,291,007
5.00%, 11/01/33	2/01/40	4,140	4,662,152
5.50%, 10/01/23	10/01/46 (d)	3,621	4,108,622
6.00%, 2/01/36	3/01/38	637	731,264
Freddie Mac Mortgage-Backed Securities, 4.50%, 5/01/34		159	173,468

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2016

1

Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

	Par	Value
	(000)	
U.S. Government Sponsored Agency Securities		
Mortgage-Backed Securities (continued)		
Ginnie Mae Mortgage-Backed Securities, 5.00%, 11/15/35	\$ 5	\$ 5,717
		56,308,748
Total U.S. Government Sponsored Agency Securities 66.1%		68,795,785
U.S. Treasury Obligations		
U.S. Treasury Bonds, 4.38%, 5/15/41 (e)	6,000	8,427,654
U.S. Treasury Notes:		
0.75%, 4/30/18	6,000	6,000,702
1.38%, 4/30/20 (e)	17,000	17,221,136
1.50%, 5/31/20	1,300	1,322,292
3.13%, 5/15/21	6,500	7,072,306
2.00%, 11/30/22	4,500	4,675,779
2.00%, 2/15/25 (e)	6,000	6,213,282
2.25%, 11/15/25	2,800	2,955,750
1.63%, 2/15/26	2,800	2,804,813
Total U.S. Treasury Obligations 54.5%		56,693,714
Total Long-Term Investments		
(Cost \$124,761,734) 125.6%		130,635,260
Short-Term Securities 4.6%		
	Shares	
BlackRock T-Fund, Institutional Class, 0.20% (f)(g)	4,768,738	4,768,738
Total Short-Term Securities		
(Cost \$4,768,738) 4.6%		4,768,738
		Value
Options Purchased		
(Cost \$176,199) 0.2%		\$ 166,238
Total Investments Before TBA Sale Commitments and Options Written		
(Cost \$129,706,671) 130.4%		135,570,236
TBA Sale Commitments		
	Par	
	(000)	
Fannie Mae Mortgage-Backed Securities, 5.50%, 10/01/46 (d)	\$ 3,460	(3,898,988)
Total TBA Sale Commitments		
(Proceeds \$3,894,016) (3.8)%		(3,898,988)
Options Written		
(Premiums Received \$472,841) (0.4)%		(425,239)
Total Investments, Net of TBA Sale Commitments and Options Written		
(Cost \$125,339,814*) 126.2%		131,246,009
Liabilities in Excess of Other Assets (26.2)%		(27,240,621)
Net Assets 100.0%		\$ 104,005,388

* As of September 30, 2016, gross unrealized appreciation and depreciation based on cost for federal income tax purposes were as follows:

Tax cost \$ 129,706,671

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Gross unrealized appreciation	\$	6,602,197
Gross unrealized depreciation		(738,632)
Net unrealized appreciation	\$	5,863,565

Notes to Schedule of Investments

- (a) Variable rate security. Rate as of period end.

- (b) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.

- (c) When-issued security.

- (d) Represents or includes a TBA transaction. As of period end, unsettled TBA transactions were as follows:

Counterparty	Value	Unrealized Depreciation
Credit Suisse Securities (USA) LLC	\$ (2,907,338)	\$ (4,059)
Goldman Sachs & Co	\$ (878,963)	\$ (975)

- (e) All or a portion of security has been pledged as collateral in connection with outstanding reverse repurchase agreements.

- (f) Current yield as of period end.

Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

(g) During the period ended September 30, 2016, investments in issuers considered to be affiliates of the Fund for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held	Net Activity	Shares Held	Value at	
	at December 31, 2015		at September 30, 2016	September 30, 2016	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	2,705,612	(2,705,612)			\$ 10,508
BlackRock T-Fund, Institutional Class		4,768,738	4,768,738	\$ 4,768,738	1,533
Total				\$ 4,768,738	\$ 12,041

Reverse Repurchase Agreements

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Face Value	Face Value Including Accrued Interest	Type of Underlying Collateral	Remaining Contractual Maturity of the Agreements ¹
Deutsche Bank Securities, Inc.	0.52%	06/19/15	Open	\$ 3,925,000	\$ 3,942,199	U.S. Treasury Obligations	Open/Demand
Deutsche Bank Securities, Inc.	0.26%	08/25/15	Open	1,985,000	1,990,777	U.S. Treasury Obligations	Open/Demand
Credit Suisse Securities (USA) LLC	0.47%	03/15/16	Open	8,047,500	8,068,408	U.S. Treasury Obligations	Open/Demand
Credit Suisse Securities (USA) LLC	0.47%	03/15/16	Open	6,022,500	6,038,147	U.S. Treasury Obligations	Open/Demand
Credit Suisse Securities (USA) LLC	0.47%	03/15/16	Open	11,041,250	11,069,936	U.S. Treasury Obligations	Open/Demand
Total				\$ 31,021,250	\$ 31,109,467		

¹ Certain agreements have no stated maturity and can be terminated by either party at any time.

Derivative Financial Instruments Outstanding as of Period End

Forward Foreign Currency Exchange Contracts

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
EUR 400,000	JPY 44,885,880	UBS AG	10/07/16	\$ 6,709
JPY 45,666,000	EUR 400,000	Morgan Stanley & Co. International PLC	10/07/16	985
NOK 4,381,496	USD 520,000	Citibank N.A.	10/07/16	28,061
USD 520,000	NOK 4,383,058	Goldman Sachs International	10/07/16	(28,257)
AUD 345,000	CAD 338,379	BNP Paribas S.A.	10/24/16	5,975
CAD 335,396	AUD 340,000	BNP Paribas S.A.	10/24/16	(4,423)
CAD 342,433	USD 260,000	Citibank N.A.	10/25/16	1,055
CHF 96,305	USD 100,000	Goldman Sachs International	10/25/16	(748)
CHF 106,612	USD 110,000	JPMorgan Chase Bank N.A.	10/25/16	(125)
SEK 2,183,119	USD 260,000	Citibank N.A.	10/25/16	(5,252)
SEK 2,205,967	USD 260,000	Goldman Sachs International	10/25/16	(2,585)
USD 260,000	CAD 341,749	Barclays Bank PLC	10/25/16	(534)
USD 210,000	CHF 203,729	Goldman Sachs International	10/25/16	36

Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

Forward Foreign Currency Exchange Contracts (concluded)

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD	260,000	SEK	2,179,355	Barclays Bank PLC	10/25/16	\$ 5,691
USD	260,000	SEK	2,172,453	Goldman Sachs International	10/25/16	6,496
NOK	2,150,000	SEK	2,210,544	Citibank N.A.	11/14/16	10,771
NOK	3,000,000	SEK	3,149,910	Goldman Sachs International	11/14/16	7,387
USD	260,000	CAD	340,900	BNP Paribas S.A.	11/14/16	77
AUD	275,000	NZD	283,473	HSBC Bank USA PLC	11/21/16	4,235
EUR	10,000	SEK	95,838	HSBC Bank USA PLC	11/21/16	60
SEK	3,112,011	EUR	325,000	BNP Paribas S.A.	11/21/16	(2,267)
SEK	2,678,116	EUR	280,000	JPMorgan Chase Bank N.A.	11/21/16	(2,304)
CAD	344,179	AUD	350,000	JPMorgan Chase Bank N.A.	12/15/16	(4,962)
MXN	1,882,781	USD	100,000	Citibank N.A.	2/03/17	(4,200)
USD	170,000	MXN	3,124,165	HSBC Bank USA PLC	2/03/17	11,035
USD	600,000	MXN	11,551,308	JPMorgan Chase Bank N.A.	2/03/17	12,243
Total						\$ 45,159

OTC Options Purchased

Description	Put/Call	Counterparty	Expiration Date	Strike Price	Notional Amount (000)	Value
AUD Currency	Call	HSBC Bank PLC	11/17/16	NZD 1.05	AUD 2,080	\$ 23,682
AUD Currency	Call	HSBC Bank PLC	11/17/16	NZD 1.06	AUD 2,065	15,631
AUD Currency	Call	Barclays Bank PLC	11/25/16	CAD 1.04	AUD 2,040	4,006
EUR Currency	Call	JPMorgan Chase Bank N.A.	11/25/16	ZAR 16.00	EUR 930	21,268
AUD Currency	Call	Deutsche Bank AG	12/13/16	CAD 1.01	AUD 1,385	12,248
EUR Currency	Call	Deutsche Bank AG	12/22/16	ZAR 16.20	EUR 930	25,644
USD Currency	Put	HSBC Bank PLC	10/21/16	CHF 0.94	USD 1,560	697
USD Currency	Put	UBS AG	10/21/16	SEK 8.25	USD 1,560	513
NOK Currency	Put	Citibank N.A.	11/10/16	SEK 1.01	NOK 12,890	216
EUR Currency	Put	JPMorgan Chase Bank N.A.	11/17/16	SEK 9.45	EUR 1,395	3,412
GBP Currency	Put	HSBC Bank PLC	12/22/16	USD 1.28	GBP 1,195	17,390
CAD Currency	Put	BNP Paribas S.A.	12/23/16	JPY 75.10	CAD 2,055	27,596
GBP Currency	Put	Royal Bank of Scotland PLC	12/29/16	USD 1.26	GBP 800	7,796
USD Currency	Put	JPMorgan Chase Bank N.A.	2/01/17	MXN 17.06	USD 2,400	6,139
Total						\$ 166,238

Schedule of Investments (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

OTC Interest Rate Swaptions Written

Description	Counterparty	Put/ Call	Exercise Rate	Pay/ Receive Exercise Rate	Floating Rate Index	Expiration Date	Notional		Value
							Amount (000)		
2-Year Interest Rate Swap	Barclays Bank PLC	Call	1.01%	Pay	3-Month LIBOR	10/28/16	USD	35,000	\$ (25,237)
5-Year Interest Rate Swap	Barclays Bank PLC	Call	1.17%	Pay	3-Month LIBOR	10/28/16	USD	30,000	(73,263)
10-Year Interest Rate Swap	Barclays Bank PLC	Call	1.44						