

DIVIDEND & INCOME FUND  
Form N-CSRS  
September 08, 2014

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

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-08747

Dividend and Income Fund  
(Exact name of registrant as specified in charter)

11 Hanover Square, New York, NY 10005  
(Address of principal executive offices) (Zipcode)

John F. Ramírez, Esq.  
11 Hanover Square  
New York, NY 10005  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-212-785-0900

Date of fiscal year end: 12/31

Date of reporting period: 1/1/14 – 6/30/14

Form N-CSRS is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSRS in its regulatory, disclosure review, inspection, and policy making roles.

A registrant is required to disclose the information specified by Form N-CSRS and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSRS unless the Form displays a current valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under clearance requirements of 44 U.S.C. sec. 3507.



Item 1. Report to Stockholders.

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PORTFOLIO ANALYSIS

June 30, 2014

June 30, 2014

TOP TEN

INDUSTRIES

- 1 Crude  
Petroleum &  
Natural Gas
- 2 Real Estate  
Investment Trusts
- 3 Pharmaceutical  
Preparations
- 4 Petroleum  
Refining
- 5 National  
Commercial  
Banks
- 6 Railroads,  
Line-Haul  
Operating
- 7 Telephone  
Communications
- 8 Fire, Marine  
& Casualty  
Insurance
- 9 Electric  
Services
- 10 Motor  
Vehicles &  
Passenger Car  
Bodies

Holdings are subject to change. The above portfolio information should not be considered as a recommendation to purchase or sell a particular security and there is no assurance that any securities will remain in or out of the Fund.

Holdings by Security Type on June 30, 2014\*



TO OUR SHAREHOLDERS

June 30, 2014

Dear Fellow Shareholders:

We are delighted to submit this 2014 Semi-Annual Report for Dividend and Income Fund and to welcome all shareholders new to the Fund. The Fund's primary investment objective is high current income and its secondary objective is capital appreciation. The Fund invests, under normal circumstances, at least 50% of its total assets in income generating equity securities. These securities include dividend paying common stocks, convertible securities, preferred stocks, securities of registered investment companies, exchange traded funds organized as investment companies or otherwise, real estate investment trusts, depositary receipts, and other equity related securities. Of course, there can be no assurance that the Fund will achieve its objectives.

Economic and Market Report

At the June 2014 meeting of the Federal Open Market Committee (FOMC) of the Federal Reserve Bank (the "Fed"), the staff's review of the economy suggested that real gross domestic product (GDP) had "dropped significantly early in the year but that economic growth had bounced back in recent months." The staff also observed that the average rate of employment gains had increased, as the unemployment rate, although still elevated, declined. Notwithstanding recent increases in consumer price inflation, the staff indicated that measures of longer-run inflation expectations remained stable. Specifically, over the 12 months ending in May, both total and core consumer price index inflation were about 2%, whereas real personal consumption expenditures inflation was about 1.5% over the 12 months ending in April, below the FOMC's objective of 2%. Interestingly, the continuing rise of real disposable income and increases in households' net worth as equity prices and home values advance did not positively impact consumer sentiment; in fact, according to the Thomson Reuters/University of Michigan Surveys, consumer sentiment declined in May and early June.

The change in real U.S. GDP for 2014 projected by the Fed's board members and bank presidents has shrunk to a 1.9% to 2.4% range, in contrast to the 2.2% to 3.3% range projected in December 2013. Likewise, the World Bank recently moderated its outlook for the global economy, now projected to expand by 2.8% in 2014, down from its prior forecast of 3.2%. Yet, the World Bank maintains a buoyant outlook, with projections of 3.4% and 3.5% global growth in 2015 and 2016, respectively.

Real GDP growth has also recently slowed in China and some other emerging market economies, and remains weak in the Eurozone, while apparently strengthening in the United Kingdom and Japan. The FOMC meeting minutes record that indicators for the second quarter generally suggest that foreign economic growth picked up from the first quarter.

We have been somewhat disappointed by recent broad global economic data, and have increasing concerns. Equity prices generally have risen in 2014, in good part because of higher valuations, and only partially from rising profits. Some securities, however, appear to us to continue to offer value and attractive prospects. Should market complacency continue, however, cautious investors might expect greater market volatility through the second half of the year.

Investment Strategy and Returns

In view of these economic and market developments, the Fund's general strategy in the first half of 2014 was to emphasize large, quality companies across a broad array of industries, while reducing leverage and selling off holdings that were perceived to be fully valued. At June 30, 2014, the Fund's portfolio included over 100 securities,

with the top ten (including a 6.53% holding of money market fund shares) amounting to approximately 21% of total assets. At that time, the Fund's investments and net assets each totaled approximately \$154 million, reflecting the use of no leverage. Income generating equity and other assets comprised about 91% of the investment portfolio, with the balance represented by fixed income securities and money market fund shares. Relative to the S&P 500 Index of stocks, the Fund is overweight energy companies, and underweight technology companies. As the Fund pursues its primary investment objective of seeking high current income, with capital appreciation as a secondary objective, these holdings and allocations are subject to change at any time.

In the first six months of 2014, the Fund's net asset value return was 9.28%, including the reinvestment of dividends, and its market return, also including the reinvestment of dividends, was 11.22%. Generally, the Fund's total return on a market value basis will be higher than total return on a net asset value basis in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. For comparison, in the same period, the S&P 500 Index total return was 7.14% and the BofA Merrill Lynch US High Yield Master II Total Return Index returned 5.64%. These indexes are unmanaged and do not reflect fees and expenses, nor are they available for direct investment.

#### Results of 2014 Annual Meeting

At the Fund's 2014 Annual Meeting of Shareholders, shareholders (1) re-elected James E. Hunt to the Board of Trustees of the Fund as a Class III Trustee to serve until 2017 or until his successor is elected and qualifies; (2) approved amendments to the Fund's Amended and Restated Agreement and Declaration of Trust ("Declaration") regarding limitations on the ability of persons to own more than 4.99% of the Fund's outstanding shares without the Trustees' prior approval; and (3) approved certain changes to the Fund's fundamental investment policies and restrictions, including (a) changing the Fund from diversified to non-diversified; (b) removing the fundamental policy relating to investments in companies for the purpose of exercising control or management; (c) revising the fundamental policy relating to real estate; (d) removing the fundamental policy relating to short sales of securities; (e) revising the fundamental policy relating to commodities; (f) revising the fundamental policy relating to lending; (g) revising the fundamental policy relating to underwriting; and (h) revising the fundamental policy relating to industry concentration. The proposal to change the Fund's investment objectives from fundamental to non-fundamental did not receive sufficient votes to be approved. Although changing the sub classification of the Fund from a "diversified" fund to a "non-diversified" fund will materially change the management of the Fund, the Fund's investment manager has advised the Board that it does not otherwise currently intend to materially change the manner in which it manages the Fund with respect to these policies, or to materially increase the Fund's risk profile. Any material changes made will be subject to review by the Board.

TO OUR SHAREHOLDERS

June 30, 2014

#### 4.99% Share Ownership Limitations

Pursuant to the amendments approved by shareholders at the Fund's Annual Meeting, the Declaration limits the ability of persons to own more than 4.99% of the Fund's outstanding shares without the Trustees' prior approval ("4.99% Share Limitations"). The Declaration provides that any purchase or acquisition of Fund shares attempted to be made in violation of the 4.99% Share Limitations will be null and void ab initio to the fullest extent permitted by law and contains detailed terms that seek to achieve that result. It also provides that any person who knowingly violates the 4.99% Share Limitations, or any persons in the same control group with such a person, shall be liable to the Fund for, and shall indemnify and hold it harmless against, any and all damages suffered as a result of the violation, including damages resulting from a reduction in or elimination of the Fund's ability to use its capital loss carryovers and attorneys' and auditors' fees incurred in connection with such violation. A copy of the Declaration and a more detailed description of the 4.99% Share Limitations are available on the Fund's web site at [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com).

#### Quarterly Dividends

On June 2, 2014, the Fund declared its second quarterly dividend for the year, amounting to \$0.408 per share. The quarterly dividend distribution reflects the Fund's current distribution policy to provide shareholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its net asset value per share. The policy may be changed or discontinued without notice. The distributions are paid from ordinary income and any net capital gains, with the balance representing return of capital. As of June 2, 2014 and based on the Fund's results and estimates for the quarter, the distributions included approximately 100%, 0%, and 0% from net investment income, capital gains, and return of capital, respectively.

The Fund's distributions are not tied to its investment income or realized capital gains and do not represent yield or investment return. The amounts and sources of distributions reported above are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the entirety of its fiscal year and may be subject to changes based on tax regulations. In early 2015, the Fund intends to send a Form 1099-DIV for the calendar year concerning the tax treatment of the dividend distributions that were paid to shareholders of record during the 12 months ended December 31, 2014.

#### Fund Website and Dividend Reinvestment Plan

The Fund's website, [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com), provides investors with investment information, news, and other material regarding the Fund. The website also has links to the most recent S&P Stock Report on the Fund and to performance and daily net asset value reporting. You are invited to use this excellent resource to learn more about the Fund. For those shareholders currently receiving the Fund's quarterly dividends in cash but are interested in adding to their account through the Fund's Dividend Reinvestment Plan, we encourage you to review the Plan set forth later in this document and contact the Transfer Agent, who will be pleased to assist you with no obligation on your part.

#### Long Term Strategies

Our view of the markets suggests that the Fund may benefit over the long term from a disciplined portfolio selection strategy, employing leverage and other investment techniques as deemed appropriate, in seeking to provide



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shareholders with high current income, and secondarily, capital appreciation. We thank you for investing in the Fund and share your enthusiasm for its potential, as evidenced by the fact that affiliates of the Fund's investment manager own approximately 6% of the Fund's shares at June 30, 2014, pursuant to the Fund's governing documents that permit ownership of more than 4.99% of the Fund's outstanding shares with the prior approval of the Fund's Board of Trustees. We look forward to serving your investment needs over the years ahead.

Sincerely,

Thomas Winmill

President, Portfolio Manager

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SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2014 (Unaudited)  
Financial Statements

Shares	Common Stocks (83.56%)	Value
	Agricultural Chemicals (1.11%)	
45,000	Potash Corporation of Saskatchewan Inc.	\$ 1,708,200
	Arrangement of Transportation of Freight & Cargo (1.03%)	
25,000	C.H. Robinson Worldwide, Inc.	1,594,750
	Beverages (2.28%)	
45,000	Coca-Cola Company (a)	1,906,200
18,000	PepsiCo, Inc. (a)	1,608,120
		3,514,320
	Biological Products (0.93%)	
12,100	Amgen Inc. (a)	1,432,277
	Cable & Other Pay Television Services (1.82%)	
32,500	Rogers Communications Inc.	1,308,125
21,400	Time Warner Inc. (a)	1,503,350
		2,811,475
	Cigarettes (0.55%)	
10,000	Philip Morris International, Inc. (a)	843,100
	Commercial Banks (1.92%)	
149,000	Banco Santander (Brasil) S.A.	1,031,080
60,000	Westpac Banking Corporation	1,927,200
		2,958,280
	Computer Communications Equipment (1.37%)	
85,000	Cisco Systems, Inc. (a)	2,112,250
	Construction, Mining & Materials Handling Machinery & Equipment (0.80%)	
13,500	Dover Corp. (a)	1,227,825
	Crude Petroleum & Natural Gas (5.56%)	
16,000	Apache Corporation	1,609,920
55,000	Canadian Natural Resources Limited	2,525,050
30,000	Devon Energy Corporation	2,382,000
20,000	Occidental Petroleum Corporation (a)	2,052,600
		8,569,570
	Deep Sea Foreign Transportation of Freight (0.76%)	
50,000	Seaspan Corp. (a)	1,170,500
	Dolls & Stuffed Toys (0.63%)	

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25,000	Mattel, Inc. (a)	974,250
	Drilling Oil & Gas Wells (0.98%)	
33,700	Transocean Ltd.	1,517,511
	Electric Services (2.40%)	
11,000	Entergy Corp. (a)	902,990
18,600	FirstEnergy Corp. (a)	645,792
47,500	Southern Company (a)	2,155,550
		3,704,332
	Electromedical & Electrotherapeutic Apparatus (0.84%)	
20,200	Medtronic, Inc. (a)	1,287,952

See notes to financial statements.

SCHEDULE OF PORTFOLIO INVESTMENTS

June 30, 2014 (Unaudited)  
Financial Statements

Common Stocks (continued)