

BlackRock Enhanced Government Fund, Inc.
Form N-CSRS
September 04, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT
COMPANIES**

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: 12/31/2018

Date of reporting period: 06/30/2018

Item 1 Report to Stockholders

JUNE 30, 2018

SEMI-ANNUAL REPORT (UNAUDITED)

BlackRock Enhanced Government Fund, Inc. (EGF)

**Not FDIC Insured May Lose Value No Bank
Guarantee**

The Markets in Review

Dear Shareholder,

In the 12 months ended June 30, 2018, the strongest corporate profits in seven years drove the equity market higher, while rising interest rates constrained bond returns. Though the market's appetite for risk remained healthy, risk taking was tempered somewhat, as shorter-term, higher-quality securities led the bond market, and U.S. equities outperformed most international stock markets.

Strong equity performance worldwide was driven by synchronized economic growth across the most influential economies. However, volatility in emerging market stocks rose, as U.S.-China trade relations and debt concerns weighed heavily on the Chinese stock market.

Short-term U.S. Treasury interest rates rose the fastest, while longer-term rates slightly increased, leading to a substantial flattening of the yield curve. The annual return for the three-month U.S. Treasury bill surpassed 1.0%, but remained well below the annual headline inflation rate of 2.9%. In contrast, the ten-year U.S. Treasury—a bellwether of the bond market—posted a negative return, as rising inflation expectations drove yields higher. Although the fundamentals in credit markets remained relatively solid, investment-grade bonds declined slightly, and high-yield bonds posted modest returns.

In response to rising growth and inflation, the U.S. Federal Reserve (the Fed) increased short-term interest rates three times during the reporting period. The Fed also announced plans to reduce its \$4.4 trillion balance sheet by \$420 billion in 2018, which began the process of gradually reversing its unprecedented stimulus measures after the financial crisis. Meanwhile, the European Central Bank announced that its bond-purchasing program would conclude at the end of the year, while also expressing an open-ended commitment to low interest rates. In contrast, the Bank of Japan continued to expand its balance sheet through bond purchasing while lowering its expectations for inflation.

The U.S. economy continued to gain momentum despite the Fed's modest reduction of economic stimulus; unemployment declined to 4.0%, wages increased, and the number of job openings reached a record high. Strong economic performance may justify a more rapid pace of rate hikes in 2018, as the headline inflation rate and investors' expectations for inflation have already surpassed the Fed's target of 2.0%.

While U.S. monetary policy is seeking to restrain economic growth and inflation, fiscal policy has produced new sources of growth that could nourish the economy for the next few years. Corporate tax cuts and repatriation of capital held abroad could encourage a virtuous cycle of business spending. Lower individual tax rates coupled with the robust job market may refresh consumer spending. Proposed infrastructure spending would deliver growth from the government sector, generate demand, and improve economic activity in other sectors.

We continue to believe the primary risks to economic expansion are trade protectionism, rapidly rising interest rates, and geopolitical tension. Given the deflationary forces of technology and globalization, a substantial increase in inflation is unlikely to materialize as long as the unemployment rate remains above 3.0%. However, we are closely monitoring trade protectionism and the rise of populism in Western nations. In particular, the outcome of trade negotiations between the United States and China is likely to influence the global growth trajectory and set the tone for free trade in many other nations.

In this environment, investors need to think globally, extend their scope across a broad array of asset classes, and be nimble as market conditions change. We encourage you to talk with your financial advisor and visit [blackrock.com](https://www.blackrock.com) for further insight about investing in today's markets.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of June 30, 2018

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	2.65%	14.37%
U.S. small cap equities (Russell 2000® Index)	7.66	17.57
International equities (MSCI Europe, Australasia, Far East Index)	(2.75)	6.84
Emerging market equities (MSCI Emerging Markets Index)	(6.66)	8.20
3-month Treasury bills (ICE BofAML 3-Month U.S. Treasury Bill Index)	0.81	1.36
U.S. Treasury securities (ICE BofAML 10-Year U.S. Treasury Index)	(2.68)	(2.69)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	(1.62)	(0.40)
Tax-exempt municipal bonds (S&P Municipal Bond Index)	(0.02)	1.61
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	0.16	2.62

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Supplemental Information

Section 19(a) Notice

BlackRock Enhanced Government Fund, Inc.'s (EGF) (the Fund) amounts and sources of distributions reported are estimates and are being provided to you pursuant to regulatory requirements and are not being provided for tax reporting purposes. The actual amounts and sources for tax reporting purposes will depend upon the Fund's investment experience during the remainder of the fiscal year and may be subject to changes based on tax regulations. The Fund will provide a Form 1099-DIV each calendar year that will tell you how to report these distributions for U.S. federal income tax purposes.

June 30, 2018

	Total Fiscal Year to Date Cumulative Distributions by Character				Percentage of Fiscal Year to Date Cumulative Distributions by Character				
	<i>Net Realized Capital Gains</i>	<i>Net Realized Capital Gains</i>	<i>Return of Capital</i>	<i>Total Per Common Share</i>	<i>Net Realized Capital Gains</i>	<i>Net Realized Capital Gains</i>	<i>Return of Capital</i>	<i>Total Per Common Share</i>	
EGF	\$ 0.127902	\$	\$ 0.077098	\$ 0.205000	62%	%	%	38%	100%

The Fund estimates that it has distributed more than its income and net-realized capital gains in the current fiscal year; therefore, a portion of your distribution may be a return of capital. A return of capital may occur, for example, when some or all of the shareholder's investment is paid back to the shareholder. A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with yield or income. When distributions exceed total return performance, the difference will reduce the Fund's net asset value per share.

Section 19(a) notices for the Fund, as applicable, are available on the BlackRock website at <http://www.blackrock.com>.

Section 19(b) Disclosure

The Fund, acting pursuant to a U.S. Securities and Exchange Commission (SEC) exemptive order and with the approval of the Fund's Board of Directors (the Board), has adopted a plan, consistent with its investment objectives and policies to support a level distribution of income, capital gains and/or return of capital (the Plan). In accordance with the Plan, the Fund currently distributes fixed amounts of \$0.041 per share on a monthly basis.

The fixed amounts distributed per share are subject to change at the discretion of the Fund's Board. Under its Plan, the Fund will distribute all available investment income to its shareholders, consistent with its primary investment objectives and as required by the Internal Revenue Code of 1986, as amended (the Code). If sufficient investment income is not available on a monthly basis, the Fund will distribute long-term capital gains and/or return of capital to shareholders in order to maintain a level distribution. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential distribution rate increases or decreases to enable the Fund to comply with the distribution requirements imposed by the Code.

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Plan. The Fund's total return performance on net asset value is presented in its financial highlights table.

The Board may amend, suspend or terminate the Fund's Plan at any time without prior notice to the Fund's shareholders if it deems such actions to be in the best interests of the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount. The Fund is subject to risks that could have an adverse impact on its ability to maintain a level distribution. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, decreased market volatility, companies suspending or decreasing corporate dividend distributions and changes in the Code.

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Option Over-Writing

In general, the goal of the Fund is to provide shareholders with current income and gains. The Fund seeks to pursue this goal primarily by investing in a portfolio of U.S. Government and U.S. Agency securities and utilizing an option over-writing strategy in an effort to enhance the Fund's distribution rate and total return performance. However, these objectives cannot be achieved in all market conditions.

The Fund writes call options on individual U.S. Government and U.S. Agency securities or on baskets of such securities or on interest rate swaps (swaptions), and may write call options on other debt securities. When writing (selling) a call option, the Fund grants the counterparty the right to buy an underlying reference security or enter into a defined transaction (e.g., a swap contract, in the case of the swaption) at an agreed-upon price (strike price) within an agreed upon time period. The Fund receives cash premiums from the counterparties upon writing (selling) the option or swaption, which along with net investment income and net realized gains, if any, are generally available to support current or future distributions paid by the Fund. During the option term, the counterparty may elect to exercise the option if the market value of the underlying reference security or underlying contract rises above the strike price, and the Fund is obligated to sell the security or contract to the counterparty at the strike price, realizing a gain or loss. If the option remains unexercised upon its expiration, the Fund realizes gains equal to the premiums received.

Writing call options and swaptions entails certain risks, which include but are not limited to, the following: an increase in the value of the underlying security above the strike price can result in the exercise of a written option (sale by the Fund to the counterparty) when the Fund might not otherwise have sold the security; exercise of the option by the counterparty may result in a sale below the current market value and in a gain or loss realized by the Fund; writing call options and swaptions limits the potential appreciation on the underlying interest rate swap or security and the yield on the Fund could decline; if current market interest rates fall below the strike price, the counterparty could exercise a written swaption when the Fund might not otherwise have entered into an interest rate swap; the Fund is bound by the terms of the underlying interest rate swap agreement upon exercise of the option by the counterparty which can result in a loss to the Fund in excess of the premium received. As such, an option over-writing strategy may outperform the general fixed income market in rising or flat interest rate environments (when bond prices are steady or falling) but underperform in a falling interest rate environment (when bond prices are rising).

The Fund employs a plan to support a level distribution of income, capital gains and/or return of capital. The goal of the plan is to provide shareholders with consistent and predictable cash flows by setting distribution rates based on expected long-term returns of the Fund. Such distributions, under certain circumstances, may exceed the Fund's total return performance. When total distributions exceed total return performance for the period, the difference reduces the Fund's total assets and net asset value per share (NAV) and, therefore, could have the effect of increasing the Fund's expense ratio and/or reducing the amount of assets the Fund has available for long-term investment. In order to make these distributions, the Fund may have to sell portfolio securities at less than opportune times.

The final tax characterization of distributions is determined after the fiscal year and is reported in the Fund's annual report to shareholders. Distributions can be characterized as ordinary income, capital gains and/or return of capital. The Fund's taxable net investment income or net realized capital gains (taxable income) may not be sufficient to support the level of distributions paid. To the extent that distributions exceed the Fund's current and accumulated earnings and profits, the excess may be treated as a non-taxable return of capital. Distributions that exceed the Fund's taxable income but do not exceed the Fund's current and accumulated earnings and profits may be classified as ordinary income, which is taxable to shareholders.

A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with yield or income. A return of capital is a return of a portion of an investor's original investment. A return

of capital is not taxable, but it reduces a shareholder's tax basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent disposition by the shareholder of his or her shares. It is possible that a substantial portion of the distributions paid during a calendar year may ultimately be classified as return of capital for U.S. federal income tax purposes when the final determination of the source and character of the distributions is made.

The Fund intends to write call options and swaptions to varying degrees depending upon market conditions. Please refer to the Schedule of Investments and the Notes to Financial Statements for details of written call options and swaptions.

OPTION OVER-WRITING

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Fund Summary as of June 30, 2018

BlackRock Enhanced Government Fund, Inc.**Investment Objective**

BlackRock Enhanced Government Fund, Inc. s (EGF) (the Fund) investment objective is to provide shareholders with current income and gains. The Fund seeks to achieve its investment objective by investing primarily in a portfolio of U.S. Government securities and U.S. Government Agency securities, including U.S. Government mortgage-backed securities, that pay interest in an attempt to generate current income, and by employing a strategy of writing (selling) call options on individual or baskets of U.S. Government securities, U.S. Government Agency securities or other debt securities held by the Fund in an attempt to generate gains from option premiums.

No assurance can be given that the Fund s investment objective will be achieved.

Fund Information

Symbol on New York Stock Exchange (NYSE)	EGF
Initial Offering Date	October 31, 2005
Current Distribution Rate on Closing Market Price as of June 30, 2018 (\$12.96) ^(a)	3.80%
Current Monthly Distribution per Common Share ^(b)	\$0.041
Current Annualized Distribution per Common Share ^(b)	\$0.492
Economic Leverage as of June 30, 2018 ^(c)	11%

^(a) Current Distribution Rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate consists of income, net realized gains and/or a return of capital. See the Section 19(a) Notice on page 3 for the estimated actual sources and character of distributions. Past performance does not guarantee future results.

^(b) The distribution rate is not constant and is subject to change. A portion of the distribution may be deemed a return of capital or net realized gain.

^(c) Represents reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to reverse repurchase agreements, minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9.

Market Price and Net Asset Value Per Share Summary

	06/30/18	12/31/17	Change	High	Low
Market Price	\$ 12.96	\$ 13.40	(3.28)%	\$ 13.53	\$ 12.70
Net Asset Value	13.68	13.96	(2.01)	13.96	13.58

Market Price and Net Asset Value History For the Past Five Years

Fund Summary as of June 30, 2018 (continued)

BlackRock Enhanced Government Fund, Inc.**Performance and Portfolio Management Commentary**

Returns for the period ended June 30, 2018 were as follows:

	Average Annual Total Returns			
	<i>6 Months</i>	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>
Fund at NAV ^{(a)(b)}	(0.45)%	0.88%	1.88%	1.81%
Fund at Market Price ^{(a)(b)}	(1.75)	1.03	2.46	2.51
Reference Benchmarks:				
ICE BofAML 1-3 Year U.S. Treasury Index^(c)	0.09	0.08	0.42	0.58
FTSE Government/Mortgage Index^(d)	(1.00)	(0.32)	1.17	1.76

(a) All returns reflect reinvestment of dividends and/or distributions at actual reinvestment prices. Performance results reflect the Fund's use of leverage.

(b) The Fund's discount to NAV widened during the period, which accounts for the difference between performance based on market price and performance based on NAV.

(c) An unmanaged index comprised of Treasury securities with maturities ranging from one to three years.

(d) An unmanaged index that tracks the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market. The index includes U.S. Treasury, government-sponsored, and collateralized securities and provides a reliable representation of the U.S. investment-grade bond market.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

Past performance is not indicative of future results.

EGF is presenting Reference Benchmarks to accompany fund performance. The Reference Benchmarks are presented for informational purposes only, as the Fund is actively managed and does not seek to track or replicate the performance of the Reference Benchmarks or any other index. The portfolio investments of the Fund may differ substantially from the securities that comprise the indices within the Reference Benchmarks, which may cause the Fund's performance to differ materially from that of the Reference Benchmarks. The Fund employs leverage as part of its investment strategy, which may change over time at the discretion of BlackRock Advisors, LLC (the Manager) as market and other conditions warrant. In contrast, the Reference Benchmarks are not adjusted for leverage. Therefore, leverage generally may result in the Fund outperforming the Reference Benchmarks in rising markets and underperforming in declining markets. The Board considers additional factors to evaluate the Fund's performance, such as the performance of the Fund relative to a peer group of funds, a leverage-adjusted benchmark and/or other information provided by the Manager.

More information about the Fund's historical performance can be found in the Closed End Funds section of <http://www.blackrock.com>.

The following discussion relates to the Fund's absolute performance based on NAV:

What factors influenced performance?

Performance is reviewed on an absolute basis due to the Fund's unique strategy, which entails writing call options on individual or baskets of U.S. government securities or interest rates. The index returns listed above are for reference purposes only, as these indices do not reflect an option writing strategy.

The Fund's use of derivative strategies was the largest contributor to performance. The Fund used an option overwriting strategy applied to distinct parts of the yield curve. The income received from this unique call writing strategy is used to support the Fund's level distribution plan and designed to help create a more stable income distribution and augment risk-adjusted returns. This strategy continues to be an efficient interest rate management tool and should be viewed in the context of its overall contribution to risk reduction and performance.

Allocations to capital securities and commercial mortgage backed securities (CMBS) also contributed to results.

An allocation to agency mortgage-backed securities, including 15- and 30-year pass throughs, was the primary detractor from performance.

Describe recent portfolio activity.

The Fund used derivatives to generate incremental yield. The Fund also reduced its allocation to agency mortgage-backed securities due to the pickup in volatility and muted demand from banks compared to 2017. It redeployed the proceeds into non-agency mortgage-backed securities.

Describe portfolio positioning at period end.

The Fund continued to employ an options writing strategy as a way to manage duration and generate incremental yield. (Duration is a measure of interest rate sensitivity.)

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Summary as of June 30, 2018 (continued)

BlackRock Enhanced Government Fund, Inc.

Overview of the Fund's Total Investments**PORTFOLIO COMPOSITION**

<i>Asset Type</i>	<i>06/30/18</i>	<i>12/31/17</i>
U.S. Government Sponsored Agency Securities	50%	52%
U.S. Treasury Obligations	45	42
Preferred Securities	2	2
Asset-Backed Securities	2	2
Short-Term Securities	1	2
Non-Agency Mortgage-Backed Securities	(a)	(a)
Options Written	(a)	(a)

(a) Representing less than 1% of the Fund's total investments.

CREDIT QUALITY ALLOCATION (a)(b)

<i>Credit Rating</i>	<i>06/30/18</i>	<i>12/31/17</i>
AAA/Aaa ^(c)	96%	96%
BBB/Baa	2	2
BB/Ba	2	2

(a) For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either Standard & Poor's (S&P) or Moody's Investors Service (Moody's) if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

(b) Excludes Preferred Securities, Short-Term Securities and Options Written.

(c) The investment adviser evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors, individual investments and/or issuer. Using this approach, the investment adviser has deemed U.S. Government Sponsored Agency Securities and U.S. Treasury Obligations as AAA/Aaa.

Derivative Financial Instruments

The Fund may invest in various derivative financial instruments. These instruments are used to obtain exposure to a security, commodity, index, market, and/or other assets without owning or taking physical custody of securities, commodities and/or other referenced assets or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic

leverage and involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the instrument. The Fund's successful use of a derivative financial instrument depends on the investment adviser's ability to predict pertinent market movements accurately, which cannot be assured. The use of these instruments may result in losses greater than if they had not been used, may limit the amount of appreciation the Fund can realize on an investment and/or may result in lower distributions paid to shareholders. The Fund's investments in these instruments, if any, are discussed in detail in the Notes to Financial Statements.

The Benefits and Risks of Leveraging

The Fund may utilize leverage to seek to enhance the distribution rate on, and net asset value (NAV) of, its common shares (Common Shares). However, there is no guarantee that these objectives can be achieved in all interest rate environments.

In general, the concept of leveraging is based on the premise that the financing cost of leverage, which is based on short-term interest rates, is normally lower than the income earned by the Fund on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Fund's shareholders benefit from the incremental net income. The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV.

To illustrate these concepts, assume the Fund's capitalization is \$100 million and it utilizes leverage for an additional \$30 million, creating a total value of \$130 million available for investment in longer-term income securities. If prevailing short-term interest rates are 3% and longer-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund's financing costs on the \$30 million of proceeds obtained from leverage are based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with the proceeds from leverage earn income based on longer-term interest rates. In this case, the Fund's financing cost of leverage is significantly lower than the income earned on the Fund's longer-term investments acquired from such leverage proceeds, and therefore the holders of Common Shares (Common Shareholders) are the beneficiaries of the incremental net income.

However, in order to benefit shareholders, the return on assets purchased with leverage proceeds must exceed the ongoing costs associated with the leverage. If interest and other costs of leverage exceed the Fund's return on assets purchased with leverage proceeds, income to shareholders is lower than if the Fund had not used leverage. Furthermore, the value of the Fund's portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the value of the Fund's obligations under its leverage arrangement generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Fund's NAVs positively or negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that the Fund's intended leveraging strategy will be successful.

The use of leverage also generally causes greater changes in the Fund's NAV, market price and dividend rates than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the NAV and market price of the Fund's shares than if the Fund were not leveraged. In addition, the Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause the Fund to incur losses. The use of leverage may limit the Fund's ability to invest in certain types of securities or use certain types of hedging strategies. The Fund incurs expenses in connection with the use of leverage, all of which are borne by shareholders and may reduce income to the shareholders. Moreover, to the extent the calculation of the Fund's investment advisory fees includes assets purchased with the proceeds of leverage, the investment advisory fees payable to the Fund's investment adviser will be higher than if the Fund did not use leverage.

The Fund may utilize leverage through reverse repurchase agreements as described in the Notes to Financial Statements.

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Under the Investment Company Act of 1940, as amended (the 1940 Act), the Fund is permitted to issue debt up to 33 1/3% of its total managed assets. The Fund may voluntarily elect to limit its leverage to less than the maximum amount permitted under the 1940 Act.

If the Fund segregates or designates on its books and records cash or liquid assets having a value not less than the value of the Fund's obligations under the reverse repurchase agreement (including accrued interest), then such transaction is not considered a senior security and is not subject to the foregoing limitations and requirements imposed by the 1940 Act.

THE BENEFITS AND RISKS OF LEVERAGING

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Schedule of Investments (unaudited)

BlackRock Enhanced Government Fund, Inc. (EGF)

June 30, 2018

(Percentages shown are based on Net Assets)

<i>Security</i>	<i>Par (000)</i>	<i>Value</i>
Asset-Backed Securities 2.0%		
Securitized Asset Backed Receivables LLC Trust ^(a) :		
Series 2005-OP1, Class M2, (1 mo. LIBOR US + 0.68%), 2.77%, 01/25/35	\$ 557	\$ 544,977
Series 2005-OP2, Class M1, (1 mo. LIBOR US + 0.43%), 2.52%, 10/25/35	1,025	1,010,864
Total Asset-Backed Securities 2.0% (Cost \$1,506,033)		1,555,841
Non-Agency Mortgage-Backed Securities 0.2%		
Collateralized Mortgage Obligations 0.1%		
Bank of America Mortgage Trust, Series 2003-J, Class 2A1, 3.73%, 11/25/33 ^(b)	69	69,224
Bear Stearns ALT-A Trust, Series 2004-13, Class A1, (1 mo. LIBOR US + 0.74%), 2.83%, 11/25/34 ^(a)	38	38,310
		107,534
Interest Only Collateralized Mortgage Obligations 0.1%		
CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 05/25/37	162	36,654
Total Non-Agency Mortgage-Backed Securities 0.2% (Cost \$118,168)		144,188
Preferred Securities 2.5%		
Capital Trust 2.5%		
Electric Utilities 2.5%		
PPL Capital Funding, Inc., Series A, 5.00% ^(c)	2,000	2,000,000
Total Preferred Securities 2.5% (Cost \$1,980,520)		2,000,000
U.S. Government Sponsored Agency Securities 56.5%		
Agency Obligations 4.5%		
Federal Farm Credit Bank, 4.55%, 06/08/20	3,500	3,628,537
Collateralized Mortgage Obligations 2.5%		
Freddie Mac Mortgage-Backed Securities, Series 4480, Class ZX, 4.00%, 11/15/44	705	705,358
Ginnie Mae Mortgage-Backed Securities, Series 2006-3, Class C, 5.24%, 04/16/39 ^(b)	1,318	1,318,980
		2,024,338
Interest Only Collateralized Mortgage Obligations 1.2%		

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Fannie Mae Mortgage-Backed Securities:		
Series 2012-96, Class DI, 4.00%, 02/25/27	902	67,455
Series 2012-47, Class NI, 4.50%, 04/25/42	1,014	231,297
Ginnie Mae Mortgage-Backed Securities:		
Series 2006-30, Class IO, 2.30%, 05/16/46 ^(b)	244	14,659
Series 2009-78, Class SD, (1 mo. LIBOR + 6.20%), 4.12%, 09/20/32 ^(a)	1,089	102,489
Series 2009-116, Class KS, (1 mo. LIBOR + 6.47%), 4.38%, 12/16/39 ^(a)	308	36,779
Series 2011-52, Class NS, (1 mo. LIBOR + 6.67%), 4.58%, 04/16/41 ^(a)	3,095	477,981
		930,660

Mortgage-Backed Securities 48.3%

Fannie Mae Mortgage-Backed Securities:		
2.50%, 04/01/28	4,162	4,075,509
3.00%, 06/01/42 - 04/01/43	5,783	5,651,211
3.50%, 08/01/26 - 08/01/44	8,935	8,992,833
4.00%, 10/01/24 - 02/01/41	7,173	7,370,258

	<i>Par</i>	<i>Value</i>
	<i>(000)</i>	
<i>Security</i>		
Mortgage-Backed Securities (continued)		
4.00%, 07/01/33 ^(d)	\$ 585	\$ 600,128
4.50%, 04/01/39 - 08/01/40	5,557	5,835,748
5.00%, 11/01/33 - 02/01/40	2,778	2,979,722
5.50%, 10/01/23 - 09/01/36	2,327	2,527,234
6.00%, 02/01/36 - 03/01/38	394	432,895
Freddie Mac Mortgage-Backed Securities, 4.50%, 05/01/34	148	153,762
Ginnie Mae Mortgage-Backed Securities, 5.00%, 11/15/35	4	4,523
		38,623,823

Total U.S. Government Sponsored Agency Securities 56.5%

(Cost \$45,241,320) 45,207,358

U.S. Treasury Obligations 50.0%

U.S. Treasury Bonds, 4.38%, 05/15/41	5,100	6,300,293
U.S. Treasury Notes:		
1.38%, 04/30/20 ^(e)	13,500	13,223,672
1.50%, 05/31/20	1,300	1,274,914
3.13%, 05/15/21	6,500	6,589,629
2.00%, 11/30/22	3,500	3,396,914
2.00%, 02/15/25	6,000	5,706,328
2.25%, 11/15/25	2,800	2,692,922
1.63%, 02/15/26	900	825,679

Total U.S. Treasury Obligations 50.0%

(Cost \$40,309,486) 40,010,351

Total Long-Term Investments 111.2%

(Cost \$89,155,527) 88,917,738

Shares

Short-Term Securities 1.4%		
BlackRock Liquidity Funds, T-Fund, Institutional Class, 1.80% ^{(f)(g)}	1,124,444	1,124,444
Total Short-Term Securities 1.4%		
(Cost \$1,124,444)		1,124,444
Options Purchased 0.2%		
(Cost \$73,655)		156,498
Total Investments Before Options Written 112.8%		
(Cost \$90,353,626)		90,198,680
Options Written (0.4)%		
(Premiums Received \$369,997)		(359,252)
Total Investments, Net of Options Written 112.4%		
(Cost \$89,983,629)		89,839,428
Liabilities in Excess of Other Assets (12.4)%		(9,884,120)
Net Assets 100.0%		\$ 79,955,308

(a) Variable rate security. Rate shown is the rate in effect as of period end.

(b) Variable or floating rate security, which interest rate adjusts periodically based on changes in current interest rates and prepayments on the underlying pool of assets. Rate shown is the rate in effect as of period end.

(c) Variable rate security. Security may be issued at a fixed coupon rate, which converts to a variable rate at a specified date. Rate shown is the rate in effect as of period end.

(d) Represents or includes a TBA transaction.

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

(f) Annualized 7-day yield as of period end.

Schedule of Investments (unaudited) (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

June 30, 2018

(g) During the six months ended June 30, 2018, investments in issuers considered to be an affiliate 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 at 12/31/17	Net Activity	Shares Held at 06/30/18	Value at 06/30/18	Income	Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)
BlackRock Liquidity Funds, T-Fund, Institutional Class	1,981,656	(857,212)	1,124,444	\$ 1,124,444	\$ 10,733	\$	\$

Reverse Repurchase Agreements

Counterparty	Interest Rate	Trade Date	Maturity Date (a)	Face Value	Face Value Including Accrued Interest	Type of Non-Cash Underlying Collateral	Remaining Contractual Maturity of the Agreement
Suisse Indes LLC	1.98%	06/25/18	Open	\$ 10,303,125	\$ 10,306,525	U.S. Treasury Obligations	Open/Demand

(a) 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	Amount	Currency Sold	Amount	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD	1,435,000	SEK	12,395,645	Credit Suisse International	07/25/18	\$ 48,810
CAD	785,060	AUD	800,000	Goldman Sachs International	09/20/18	5,775
CAD	777,277	NZD	850,000	Goldman Sachs International	09/20/18	16,280
CAD	35,572	NZD	40,000	Royal Bank of Canada	09/20/18	
NOK	286,486	EUR	30,000	Barclays Bank PLC	09/20/18	45
SEK	313,772	EUR	30,000	Royal Bank of Canada	09/20/18	1
						70,911

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SEK	1,918,286	USD	240,000	Barclays Bank PLC	07/25/18	(25,480)
SEK	1,967,395	USD	240,000	Barclays Bank PLC	07/25/18	(19,989)
SEK	5,097,110	USD	600,000	Credit Suisse International	07/25/18	(29,996)
SEK	2,894,779	USD	365,000	Goldman Sachs International	07/25/18	(41,280)
CAD	19,432	AUD	20,000	JPMorgan Chase Bank N.A.	09/20/18	(4)
CAD	390,000	CHF	292,573	Royal Bank of Scotland PLC	09/20/18	(392)
JPY	65,599,150	CHF	590,000	Goldman Sachs International	09/20/18	(4,076)
JPY	65,936,760	USD	600,000	Goldman Sachs International	09/20/18	(1,188)
NOK	2,461,082	CHF	300,000	Goldman Sachs International	09/20/18	(1,868)
NOK	4,650,160	EUR	490,000	Goldman Sachs International	09/20/18	(2,857)
SEK	4,999,910	EUR	490,000	Goldman Sachs International	09/20/18	(14,029)
						(141,159)
						\$ (70,248)

OTC Options Purchased

<i>Description</i>	<i>Counterparty</i>	<i>Expiration Date</i>	<i>Exercise Price</i>	<i>Notional Amount (000)</i>	<i>Value</i>
Call					
USD Currency	Goldman Sachs International	07/23/18	SEK 8.40	USD 2,440	\$ 147,588
EUR Currency	Deutsche Bank AG	08/31/18	USD 1.22	EUR 3,120	4,810
					152,398
Put					
CHF Currency	Goldman Sachs International	07/09/18	NOK 8.00	CHF 3,615	219
EUR Currency	Credit Suisse International	07/10/18	NOK 9.40	EUR 2,080	1,149
NZD Currency	Goldman Sachs International	07/10/18	CAD 0.88	NZD 3,415	2,357
USD Currency	Credit Suisse International	07/23/18	SEK 7.50	USD 2,440	
EUR Currency	Goldman Sachs International	08/15/18	SEK 9.90	EUR 2,045	375
					4,100
					\$ 156,498

Schedule of Investments (unaudited) (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

June 30, 2018

OTC Interest Rate Swaptions Written

Description	Paid by the Fund		Received by the Fund		Counterparty	Expiration Date	Exercise Rate	Notional Amount (000)	Value
	Rate	Frequency	Rate	Frequency					
Interest rate swap, 20	2.81%	Semi-annual	3-Month LIBOR, 2.33%	Quarterly	Morgan Stanley & Co. International PLC	07/30/18	2.81%	USD 35,000	\$ (20)
Interest rate swap, 23	2.88	Semi-annual	3-Month LIBOR, 2.33%	Quarterly	Morgan Stanley & Co. International PLC	07/30/18	2.88	USD 25,000	(6)
Interest rate swap, 28	2.92	Semi-annual	3-Month LIBOR, 2.33%	Quarterly	Morgan Stanley & Co. International PLC	07/30/18	2.92	USD 10,000	(4)
Interest rate swap, 48	2.92	Semi-annual	3-Month LIBOR, 2.33%	Quarterly	Morgan Stanley & Co. International PLC	07/30/18	2.92	USD 5,000	(5)
									\$ (20)

OTC Options Written

Description	Counterparty	Expiration Date	Exercise Price	Notional Amount (000)	Value
Call					
EUR Currency	Credit Suisse International	07/10/18	NOK 9.80	EUR 2,080	\$ (104)
NZD Currency	Goldman Sachs International	07/10/18	CAD 0.92	NZD 3,415	(324)
USD Currency	Credit Suisse International	07/23/18	SEK 8.40	USD 2,440	(147,818)
EUR Currency	Deutsche Bank AG	08/31/18	JPY 134.00	EUR 3,120	(9,499)
					(157,745)
Put					
CHF Currency	Goldman Sachs International	07/09/18	NOK 7.90	CHF 5,420	(16)
NZD Currency	Goldman Sachs International	07/10/18	CAD 0.86	NZD 3,415	(206)

USD Currency Goldman Sachs International 07/23/18 SEK 7.50 USD 2,440

(222)

\$ (157,967)

Balances Reported in the Statement of Assets and Liabilities for Options Written

	<i>Swap Premiums Paid</i>	<i>Swap Premiums Received</i>	<i>Unrealized Appreciation</i>	<i>Unrealized Depreciation</i>	<i>Value</i>
Options Written	\$	\$	\$ 76,288	\$ (65,534)	\$ (359,252)

Derivative Financial Instruments Categorized by Risk Exposure

As of period end, the fair values of derivative financial instruments located in the Statement of Assets and Liabilities were as follows:

	<i>Commodity Contracts</i>	<i>Credit Contracts</i>	<i>Equity Contracts</i>	<i>Foreign Currency Exchange Contracts</i>	<i>Interest Rate Contracts</i>	<i>Other Contracts</i>	<i>Total</i>
Assets Derivative Financial Instruments							
Forward foreign currency exchange contracts							
Unrealized appreciation on forward foreign currency exchange contracts	\$	\$	\$	\$ 70,911	\$	\$	\$ 70,911
Options purchased							
Investments at value unaffiliated ⁽⁴⁾				156,498			156,498
	\$	\$	\$	\$ 227,409	\$	\$	\$ 227,409
Liabilities Derivative Financial Instruments							
Forward foreign currency exchange contracts							
Unrealized depreciation on forward foreign currency exchange contracts	\$	\$	\$	\$ 141,159	\$	\$	\$ 141,159
Options written							
Options written at value				157,967	201,285		359,252
	\$	\$	\$	\$ 299,126	\$ 201,285	\$	\$ 500,411

(a) Includes options purchased at value as reported in the Schedule of Investments.

Schedule of Investments (unaudited) (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

June 30, 2018

For the six months ended June 30, 2018, the effect of derivative financial instruments in the Statement of Operations was as follows:

	<i>Commodity Contract</i>	<i>Credit Contract</i>	<i>Equity Contracts</i>	<i>Foreign Currency Exchange Contracts</i>	<i>Interest Rate Contracts</i>	<i>Other Contracts</i>	<i>Total</i>
Net Realized Gain (Loss) from:							
Futures contracts	\$	\$	\$	\$	\$ 15,908	\$	\$ 15,908
Forward foreign currency exchange contracts				(71,802)			(71,802)
Options purchased ^(a)				(383,119)			(383,119)
Options written				297,790	643,155		940,945
	\$	\$	\$	\$(157,131)	\$ 659,063	\$	\$ 501,932
Net Change in Unrealized Appreciation (Depreciation) on:							
Futures contracts	\$	\$	\$	\$	\$ (3,108)	\$	\$ (3,108)
Forward foreign currency exchange contracts				(68,860)			(68,860)
Options purchased ^(b)				82,843			82,843
Options written				(22,969)	29,445		6,476
	\$	\$	\$	\$(8,986)	\$ 26,337	\$	\$ 17,351

^(a) Options purchased are included in net realized gain (loss) from investments.

^(b) Options purchased are included in net change in unrealized appreciation (depreciation) on investments.

Average Quarterly Balances of Outstanding Derivative Financial Instruments

Futures contracts:		
Average notional value of contracts	short	\$ 286,152
Forward foreign currency exchange contracts:		
Average amounts purchased	in USD	\$ 6,101,143
Average amounts sold	in USD	\$ 6,828,643
Options:		
Average value of option contracts purchased		\$ 399,330
Average value of option contracts written		\$ 352,753
Average notional value of swaption contracts written		\$ 80,000,000

For more information about the Fund's investment risks regarding derivative financial instruments, refer to the Notes to Financial Statements.

Derivative Financial Instruments – Offsetting as of Period End

The Fund's derivative assets and liabilities (by type) were as follows:

	<i>Assets</i>	<i>Liabilities</i>
Derivative Financial Instruments:		
Forward foreign currency exchange contracts	\$ 70,911	\$ 141,159
Options	156,498 ^(a)	359,252
Total derivative assets and liabilities in the Statement of Assets and Liabilities	\$ 227,409	\$ 500,411

^(a) Includes options purchased at value which is included in Investments at value – unaffiliated in the Statement of Assets and Liabilities and reported in the Schedule of Investments.

The following table presents the Fund's derivative assets (and liabilities) by counterparty net of amounts available for offset under an MNA and net of the related collateral received (and pledged) by the Fund:

<i>Counterparty</i>	<i>Derivative Assets Subject to an MNA by Counterparty</i>	<i>Derivatives Available for Offset ^(a)</i>	<i>Non-cash Collateral Received</i>	<i>Cash Collateral Received</i>	<i>Net Amount of Derivative Assets ^(b)</i>
Barclays Bank PLC	\$ 45	\$ (45)	\$	\$	\$
Credit Suisse International	49,959	(49,959)			
Deutsche Bank AG	4,810	(4,810)			
Goldman Sachs International	172,594	(65,844)			106,750
Royal Bank of Canada	1				1
	\$ 227,409	\$ (120,658)	\$	\$	\$ 106,751

Schedule of Investments (unaudited) (continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

June 30, 2018

<i>Counterparty</i>	<i>Derivative Liabilities Subject to an MNA by Counterparty</i>	<i>Derivatives Available for Offset ^(a)</i>	<i>Non-cash Collateral Pledged</i>	<i>Cash Collateral Pledged</i>	<i>Net Amount of Derivative Liabilities ^(c)</i>
Barclays Bank PLC	\$ 45,469	\$ (45)	\$	\$	\$ 45,424
Credit Suisse International	177,918	(49,959)			127,959
Deutsche Bank AG	9,499	(4,810)			4,689
Goldman Sachs International	65,844	(65,844)			
JPMorgan Chase Bank N.A.	4				4
Morgan Stanley & Co. International PLC	201,285				201,285
Royal Bank of Scotland PLC	392				392
	\$ 500,411	\$ (120,658)	\$	\$	\$ 379,753

(a) The amount of derivatives available for offset is limited to the amount of derivative asset and/or liabilities that are subject to an MNA.

(b) Net amount represents the net amount receivable from the counterparty in the event of default.

(c) Net amount represents the net amount payable due to counterparty in the event of default.

Fair Value Hierarchy as of Period End

Various inputs are used in determining the fair value of investments and derivative financial instruments. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, refer to the Notes to Financial Statements.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities	\$	\$ 1,555,841	\$	\$ 1,555,841
Non-Agency Mortgage-Backed Securities		144,188		144,188
Preferred Securities		2,000,000		2,000,000
U.S. Government Sponsored Agency Securities		45,207,358		45,207,358
U.S. Treasury Obligations		40,010,351		40,010,351
Short-Term Securities	1,124,444			1,124,444
Options Purchased:				
Foreign Currency Exchange Contracts		156,498		156,498

	\$ 1,124,444	\$ 89,074,236	\$	\$ 90,198,680
Derivative Financial Instruments ^(a)				
Assets:				
Foreign currency exchange contracts	\$	\$ 70,911	\$	\$ 70,911
Liabilities:				
Foreign currency exchange contracts		(299,126)		(299,126)
Interest rate contracts		(201,285)		(201,285)
	\$	\$ (429,500)	\$	\$ (429,500)

^(a) Derivative financial instruments are forward foreign currency exchange contracts and options written.

Forward foreign currency exchange contracts are valued at the unrealized appreciation (depreciation) on the instrument and options written are shown at value.

The Fund may hold assets and/or liabilities in which the fair value approximates the carrying amount or face value, including accrued interest, for financial statement purposes. As of period end, reverse repurchase agreements of \$10,306,525 are categorized as level 2 within the disclosure hierarchy.

During the six months ended June 30, 2018, there were no transfers between levels.

See notes to financial statements.

Statement of Assets and Liabilities (unaudited)

June 30, 2018

	EGF
ASSETS	
Investments at value unaffiliated (cost \$89,229,182)	\$ 89,074,236
Investments at value affiliated (cost \$1,124,444)	1,124,444
Foreign currency at value (cost \$671,829)	675,602
Receivables:	
Interest unaffiliated	369,087
Options written	235,000
Dividends affiliated	1,844
Unrealized appreciation on forward foreign currency exchange contracts	70,911
Prepaid expenses	6,196
 Total assets	 91,557,320
LIABILITIES	
Options written at value (premiums received \$369,997)	359,252
Reverse repurchase agreements at value	10,306,525
Payables:	
Investments purchased	600,574
Other accrued expenses	101,321
Investment advisory fees	40,981
Principle paydowns	36,343
Options written	9,423
Income dividend distributions	4,554
Directors and Officer s fees	1,880
Unrealized depreciation on forward foreign currency exchange contracts	141,159
 Total liabilities	 11,602,012
 NET ASSETS	 \$ 79,955,308
NET ASSETS CONSIST OF	
Paid-in capital	\$ 100,133,560
Distributions in excess of net investment income	(683,545)
Accumulated net realized loss	(19,284,034)
Net unrealized appreciation (depreciation)	(210,673)
 NET ASSETS	 \$ 79,955,308

NET ASSET VALUE

Based on net assets of \$79,955,308 and 5,845,662 shares outstanding, 200 million shares authorized,
\$0.10 par value \$ 13.68

See notes to financial statements.

FINANCIAL STATEMENTS

15

Statement of Operations (unaudited)

Six Months Ended June 30, 2018

	EGF
INVESTMENT INCOME	
Interest unaffiliated	\$ 1,299,518
Dividends affiliated	10,733
Total investment income	1,310,251
EXPENSES	
Investment advisory	396,228
Professional	28,519
Repurchase offer	12,010
Printing	11,730
Transfer agent	10,753
Custodian	9,228
Accounting services	8,302
Registration	4,637
Directors and Officer	3,568
Miscellaneous	23,264
Total expenses excluding interest expense and fees	508,239
Interest expense and fees	111,901
Total expenses	620,140
Less fees waived by the Manager	(140,387)
Total expenses after fees waived	479,753
Net investment income	830,498
REALIZED AND UNREALIZED GAIN (LOSS)	
Net realized gain (loss) from:	
Investments unaffiliated	(416,496)
Futures contracts	15,908
Forward foreign currency exchange contracts	(71,802)
Foreign currency transactions	165,062
Options written	940,945
	633,617

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Net change in unrealized appreciation (depreciation) on:	
Investments unaffiliated	(1,846,806)
Futures contracts	(3,108)
Forward foreign currency exchange contracts	(68,860)
Foreign currency translations	(10,518)
Options written	6,476
	(1,922,816)
Net realized and unrealized loss	(1,289,199)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (458,701)

See notes to financial statements.

Statements of Changes in Net Assets

	EGF	
	Six Months Ended	Year Ended
	06/30/18	12/31/17
	(unaudited)	
<i>INCREASE (DECREASE) IN NET ASSETS</i>		
OPERATIONS		
Net investment income	\$ 830,498	\$ 1,826,746
Net realized gain	633,617	1,395,768
Net change in unrealized appreciation (depreciation)	(1,922,816)	222,219
Net increase (decrease) in net assets resulting from operations	(458,701)	3,444,733
DISTRIBUTIONS TO SHAREHOLDERS^(a)		
From net investment income	(1,198,361)	(2,090,174)
From return of capital		(1,052,194)
Decrease in net assets resulting from distributions to shareholders	(1,198,361)	(3,142,368)
CAPITAL SHARE TRANSACTIONS		
Capital contributions		83,879 ^(b)
Redemption of shares resulting from a repurchase offer		(8,905,022) ^(c)
Net increase (decrease) in net assets derived from capital share transactions		(8,821,143)
<i>NET ASSETS</i>		
Total decrease in net assets	(1,657,062)	(8,518,778)
Beginning of period	81,612,370	90,131,148
End of period	\$ 79,955,308	\$ 81,612,370
Distributions in excess of net investment income, end of period	\$ (683,545)	\$ (315,682)

^(a) Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

^(b) See Note 6 of the Notes to Financial Statements.

^(c) Net of repurchase fees of \$230,779.

See notes to financial statements.

Statement of Cash Flows (unaudited)

Six Months Ended June 30, 2018

	EGF
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Net decrease in net assets resulting from operations	\$ (458,701)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Proceeds from sales of long term investments and principal paydowns	5,667,598
Purchases of long term investments	(1,321,186)
Net proceeds from sales of short-term securities	857,212
Amortization of premium and accretion of discount on investments and other fees	270,119
Premiums received from options written	2,399,168
Premiums paid on closing options written	(1,086,302)
Net realized gain on investments and options written	(595,147)
Net unrealized (appreciation) depreciation on investments, options written and foreign currency translations	1,919,708
(Increase) Decrease in Assets:	
Receivables:	
Interest unaffiliated	(15,171)
Dividends affiliated	(889)
Prepaid expenses	(3,359)
Increase (Decrease) in Liabilities:	
Payables:	
Investment advisory fees	(3,345)
Interest expense and fees	643
Directors and Officers	(133)
Variation margin on futures contracts	(469)
Other accrued expenses	10,636
Net cash provided by operating activities	7,640,382
CASH USED FOR FINANCING ACTIVITIES	
Net borrowing of reverse repurchase agreements	(6,174,375)
Cash dividends paid to Common Shareholders	(1,433,479)
Net cash used for financing activities	(7,607,854)
CASH IMPACT FROM FOREIGN EXCHANGE FLUCTUATIONS	
Cash impact from foreign exchange fluctuations	\$ (10,521)

CASH AND FOREIGN CURRENCY

Net increase in restricted and unrestricted cash and foreign currency at value	22,007
Restricted and unrestricted cash and foreign currency at value at beginning of the period	653,595
Restricted and unrestricted cash and foreign currency at value at end of the period	\$ 675,602

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for interest expense	\$ 111,258
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RECONCILIATION OF RESTRICTED AND UNRESTRICTED CASH TO THE STATEMENT OF ASSETS AND LIABILITIES

	June 30, 2018	December 31, 2017
Cash	\$	\$ 20,211
Cash pledged:		
Centrally cleared swaps		4,000
Foreign currency at value	675,602	629,384
	\$ 675,602	\$ 653,595

See notes to financial statements.

Financial Highlights

(For a share outstanding throughout each period)

	Six Months Ended 06/30/18 (unaudited)	EGF Year Ended December 31,				
		2017	2016	2015	2014	2013
Net asset value, beginning of period	\$ 13.96	\$ 13.88	\$ 14.29	\$ 14.97	\$ 15.13	\$ 16.11
Net investment income ^(a)	0.14	0.28	0.36	0.41	0.49	0.47
Net realized and unrealized gain (loss) ^(b)	(0.21)	0.28	(0.24)	(0.47)	0.01	(0.69)
Net increase (decrease) from investment operations	(0.07)	0.56	0.12	(0.06)	0.50	(0.22)
Distributions^(c)						
From net investment income	(0.21) ^(d)	(0.33)	(0.40)	(0.42)	(0.36)	(0.37)
From return of capital		(0.16)	(0.13)	(0.20)	(0.30)	(0.39)
Total distributions	(0.21)	(0.49)	(0.53)	(0.62)	(0.66)	(0.76)
Capital contributions ^(e)		0.01				
Net asset value, end of period	\$ 13.68	\$ 13.96	\$ 13.88	\$ 14.29	\$ 14.97	\$ 15.13
Market price, end of period	\$ 12.96	\$ 13.40	\$ 13.20	\$ 13.65	\$ 14.26	\$ 13.95
Total Return^(f)						
Based on net asset value	(0.45)% ^(g)	4.32% ^(h)	0.98%	(0.18)%	3.65%	(1.06)%
Based on market price	(1.75)% ^(g)	5.29%	0.54%	0.10%	7.08%	(5.98)%
Ratios to Average Net Assets						
Total expenses	1.56% ⁽ⁱ⁾	1.40%	1.46%	1.34%	1.43%	1.32%
Total expenses after fees waived	1.21% ⁽ⁱ⁾	1.03%	1.06%	1.04%	1.20%	1.25%
Total expenses after fees waived and excluding	0.92% ⁽ⁱ⁾	0.85%	0.92%	0.99%	1.16%	1.20%

interest expenses

Net investment income	2.09% ⁽ⁱ⁾	2.02%	2.53%	2.83%	3.22%	2.98%
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Supplemental Data

Net assets, end of period (000)	\$ 79,955	\$ 81,612	\$ 90,131	\$ 103,101	\$ 120,046	\$ 134,827
Borrowings outstanding, end of period (000)	\$ 10,307	\$ 16,480	\$ 22,805	\$ 30,319	\$ 57,458	\$ 52,142
Portfolio turnover rate ⁽ⁱ⁾	1%	6%	63%	114%	86%	111%

(a) Based on average shares outstanding.

(b) Net realized and unrealized gain (loss) per share amounts include repurchase fees of \$0.03 for each of the years ended December 31, 2013 through December 31, 2017.

(c) Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

(d) A portion of the distributions from net investment income may be deemed a return of capital or net realized gain at fiscal year-end.

(e) Payment received related to certain shareholder transactions.

(f) Total returns based on market price, which can be significantly greater or less than the net asset value, may result in substantially different returns. Where applicable, excludes the effects of any sales charges and assumes the reinvestment of distributions at actual reinvestment prices.

(g) Aggregate total return.

(h) Includes payment received from an affiliate, which impacted the Fund's total return. Excluding the payment from an affiliate, the Fund's total return is 4.24%.

(i) Annualized.

(j) Includes mortgage dollar roll transactions (MDRs). Additional information regarding portfolio turnover rate is as follows:

	Six Months Ended 06/30/18 (unaudited)	2017	2016	2015	2014	2013
Portfolio turnover rate (excluding MDRs)	1%	%	29%	68%	42%	57%

(k) Percentage is less than 1%

See notes to financial statements.

Notes to Financial Statements (unaudited)

1. ORGANIZATION

BlackRock Enhanced Government Fund, Inc. (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund is registered as a non-diversified, closed-end management investment company. The Fund is organized as a Maryland corporation. The Fund determines and makes available for publication the net asset value (NAV) of its Common Shares on a daily basis.

The Fund, together with certain other registered investment companies advised by BlackRock Advisors, LLC (the Manager) or its affiliates, is included in a complex of closed-end funds referred to as the Closed-End Complex.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies. Below is a summary of significant accounting policies:

Investment Transactions and Income Recognition: For financial reporting purposes, investment transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on investment transactions are determined on the identified cost basis. Interest income, including amortization and accretion of premiums and discounts on debt securities is recognized on an accrual basis.

Foreign Currency Translation: The Fund's books and records are maintained in U.S. dollars. Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates determined as of the close of trading on the New York Stock Exchange (NYSE). Purchases and sales of investments are recorded at the rates of exchange prevailing on the respective dates of such transactions. Generally, when the U.S. dollar rises in value against a foreign currency, the investments denominated in that currency will lose value; the opposite effect occurs if the U.S. dollar falls in relative value.

The Fund does not isolate the portion of the results of operations arising as a result of changes in the exchange rates from the changes in the market prices of investments held or sold for financial reporting purposes. Accordingly, the effects of changes in exchange rates on investments are not segregated in the Statement of Operations from the effects of changes in market prices of those investments, but are included as a component of net realized and unrealized gain (loss) from investments. The Fund reports realized currency gains (losses) on foreign currency related transactions as components of net realized gain (loss) for financial reporting purposes, whereas such components are generally treated as ordinary income for U.S. federal income tax purposes.

Segregation and Collateralization: In cases where the Fund enters into certain investments (e.g., dollar rolls, To-Be-Announced (TBA) sale commitments, futures contracts, forward foreign currency exchange contracts and options written) or certain borrowings (e.g., reverse repurchase transactions) that would be treated as senior securities for 1940 Act purposes, the Fund may segregate or designate on its books and records cash or liquid assets having a market value at least equal to the amount of its future obligations under such investments or borrowings. Doing so allows the investment or borrowings to be excluded from treatment as a senior security. Furthermore, if required by an

exchange or counterparty agreement, the Fund may be required to deliver/deposit cash and/or securities to/with an exchange, or broker-dealer or custodian as collateral for certain investments or obligations.

Distributions: Distributions paid by the Fund are recorded on the ex-dividend date. Subject to the Fund's level distribution plan, the Fund intends to make cash distributions to shareholders, which may consist of net investment income, net options premium and net realized and unrealized gains on investments and/or return of capital.

The character of distributions is determined in accordance with U.S. federal income tax regulations, which may differ from U.S. GAAP. The portion of distributions that exceeds the Fund's current and accumulated earnings and profits, which are measured on a tax basis, will constitute a non-taxable return of capital.

Deferred Compensation Plan: Under the Deferred Compensation Plan (the Plan) approved by the Fund's Board, the independent Directors (Independent Directors) may defer a portion of their annual complex-wide compensation. Deferred amounts earn an approximate return as though equivalent dollar amounts had been invested in common shares of certain other BlackRock Closed-End Funds selected by the Independent Directors. This has the same economic effect for the Independent Directors as if the Independent Directors had invested the deferred amounts directly in certain other BlackRock Closed-End Funds.

The Plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Fund, if applicable. Deferred compensation liabilities are included in the Directors' and Officer's fees payable in the Statement of Assets and Liabilities and will remain as a liability of the Fund until such amounts are distributed in accordance with the Plan.

Recent Accounting Standards: In March 2017, the Financial Accounting Standards Board issued Accounting Standards Update Premium Amortization of Purchased Callable Debt Securities which amends the amortization period for certain purchased callable debt securities. Under the new guidance, the premium amortization of purchased callable debt securities that have explicit, non-contingent call features and are callable at fixed prices will be amortized to the earliest call date. The guidance will be applied on a modified retrospective basis and is effective for fiscal years, and their interim periods, beginning after December 15, 2018. Management is currently evaluating the impact of this guidance to the Fund.

Indemnifications: In the normal course of business, the Fund enters into contracts that contain a variety of representations that provide general indemnification. The Fund's maximum exposure under these arrangements is unknown because it involves future potential claims against the Fund, which cannot be predicted with any certainty.

Other: Expenses directly related to the Fund are charged to the Fund. Other operating expenses shared by several funds, including other funds managed by the Manager, are prorated among those funds on the basis of relative net assets or other appropriate methods.

Notes to Financial Statements (unaudited) (continued)

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

Investment Valuation Policies: The Fund's investments are valued at fair value (also referred to as market value within the financial statements) as of the close of trading on the NYSE (generally 4:00 p.m., Eastern time) (or if the reporting date falls on a day the NYSE is closed, investments are valued at fair value as of the period end). U.S. GAAP defines fair value as the price the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund determines the fair values of its financial instruments using various independent dealers or pricing services under policies approved by the Board of Directors of the Fund (the Board). The BlackRock Global Valuation Methodologies Committee (the Global Valuation Committee) is the committee formed by management to develop global pricing policies and procedures and to oversee the pricing function for all financial instruments.

Fair Value Inputs and Methodologies: The following methods and inputs are used to establish the fair value of the Fund's assets and liabilities:

Fixed-income securities for which market quotations are readily available are generally valued using the last available bid prices or current market quotations provided by independent dealers or third party pricing services. Floating rate loan interests are valued at the mean of the bid prices from one or more independent brokers or dealers as obtained from a third party pricing service. Pricing services generally value fixed-income securities assuming orderly transactions of an institutional round lot size, but a fund may hold or transact in such securities in smaller, odd lot sizes. Odd lots may trade at lower prices than institutional round lots. The pricing services may use matrix pricing or valuation models that utilize certain inputs and assumptions to derive values, including transaction data (e.g., recent representative bids and offers), credit quality information, perceived market movements, news, and other relevant information. Certain fixed-income securities, including asset-backed and mortgage related securities may be valued based on valuation models that consider the estimated cash flows of each tranche of the entity, establish a benchmark yield and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. The amortized cost method of valuation may be used with respect to debt obligations with sixty days or less remaining to maturity unless the Manager determines such method does not represent fair value.

Investments in open-end U.S. mutual funds are valued at NAV each business day.

Futures contracts traded on exchanges are valued at their last sale price.

Forward foreign currency exchange contracts are valued at the mean between the bid and ask prices and are determined as of the close of trading on the NYSE. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available.

Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade. An exchange-traded option for which there is no mean price is valued at the last bid (long positions) or ask (short positions) price. If no bid or ask price is available, the prior day's price will be used, unless it is determined that the prior day's price no longer reflects the fair value of the option.

Over-the-counter (OTC) options and options on swaps (swaptions) are valued by an independent pricing service using a mathematical model, which incorporates a number of market data factors, such as the trades and prices of the underlying instruments.

If events (e.g., a company announcement, market volatility or a natural disaster) occur that are expected to materially affect the value of such investments, or in the event that the application of these methods of valuation results in a price for an investment that is deemed not to be representative of the market value of such investment, or if a price is not available, the investment will be valued by the Global Valuation Committee, or its delegate, in accordance with a policy approved by the Board as reflecting fair value (Fair Valued Investments). The fair valuation approaches that may be used by the Global Valuation Committee will include market approach, income approach and cost approach. Valuation techniques such as discounted cash flow, use of market comparables and matrix pricing are types of valuation approaches and are typically used in determining fair value. When determining the price for Fair Valued Investments, the Global Valuation Committee, or its delegate, seeks to determine the price that the Fund might reasonably expect to receive or pay from the current sale or purchase of that asset or liability in an arm's-length transaction. Fair value determinations shall be based upon all available factors that the Global Valuation Committee, or its delegate, deems relevant and consistent with the principles of fair value measurement. The pricing of all Fair Valued Investments is subsequently reported to the Board or a committee thereof on a quarterly basis.

Fair Value Hierarchy: Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access

Level 2 Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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 fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments classified within Level 3 have significant unobservable inputs used by the Global Valuation Committee in determining the price for Fair Valued Investments. Level 3 investments include equity or debt issued by privately held companies or funds. There may not be a secondary market, and/or there are a limited number of investors. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Global Valuation Committee in the absence of market information.

Notes to Financial Statements (unaudited) (continued)

Changes in valuation techniques may result in transfers into or out of an assigned level within the hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investments and derivative financial instruments and is not necessarily an indication of the risks associated with investing in those securities.

4. SECURITIES AND OTHER INVESTMENTS

Asset-Backed and Mortgage-Backed Securities: Asset-backed securities are generally issued as pass-through certificates or as debt instruments. Asset-backed securities issued as pass-through certificates represent undivided fractional ownership interests in an underlying pool of assets. Asset-backed securities issued as debt instruments, which are also known as collateralized obligations, are typically issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. The yield characteristics of certain asset-backed securities may differ from traditional debt securities. One such major difference is that all or a principal part of the obligations may be prepaid at any time because the underlying assets (i.e., loans) may be prepaid at any time. As a result, a decrease in interest rates in the market may result in increases in the level of prepayments as borrowers, particularly mortgagors, refinance and repay their loans. An increased prepayment rate with respect to an asset-backed security will have the effect of shortening the maturity of the security. In addition, a fund may subsequently have to reinvest the proceeds at lower interest rates. If a fund has purchased such an asset-backed security at a premium, a faster than anticipated prepayment rate could result in a loss of principal to the extent of the premium paid.

For mortgage pass-through securities (the Mortgage Assets) there are a number of important differences among the agencies and instrumentalities of the U.S. Government that issue mortgage-related securities and among the securities that they issue. For example, mortgage-related securities guaranteed by Ginnie Mae are guaranteed as to the timely payment of principal and interest by Ginnie Mae and such guarantee is backed by the full faith and credit of the United States. However, mortgage-related securities issued by Freddie Mac and Fannie Mae, including Freddie Mac and Fannie Mae guaranteed mortgage pass-through certificates, which are solely the obligations of Freddie Mac and Fannie Mae, are not backed by or entitled to the full faith and credit of the United States, but are supported by the right of the issuer to borrow from the U.S. Treasury.

Non-agency mortgage-backed securities are securities issued by non-governmental issuers and have no direct or indirect government guarantees of payment and are subject to various risks. Non-agency mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The ability of a borrower to repay a loan is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of God, terrorism, social unrest and civil disturbances, may impair a borrower's ability to repay its loans.

Multiple Class Pass-Through Securities: Multiple class pass-through securities, including collateralized mortgage obligations (CMOs) and commercial mortgage-backed securities, may be issued by Ginnie Mae, U.S. Government agencies or instrumentalities or by trusts formed by private originators of, or investors in, mortgage loans. In general, CMOs are debt obligations of a legal entity that are collateralized by a pool of residential or commercial mortgage loans or mortgage pass-through securities Mortgage Assets. The payments on these are used to make payments on the CMOs or multiple pass-through securities. Multiple class pass-through securities represent direct ownership interests

in the Mortgage Assets. Classes of CMOs include interest only (IOs), principal only (POs), planned amortization classes and targeted amortization classes. IOs and POs are stripped mortgage-backed securities representing interests in a pool of mortgages, the cash flow from which has been separated into interest and principal components. IOs receive the interest portion of the cash flow while POs receive the principal portion. IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. If the underlying Mortgage Assets experience greater than anticipated prepayments of principal, a fund's initial investment in the IOs may not fully recoup.

Stripped Mortgage-Backed Securities: Stripped mortgage-backed securities are typically issued by the U.S. Government, its agencies and instrumentalities. Stripped mortgage-backed securities are usually structured with two classes that receive different proportions of the interest (IOs) and principal (POs) distributions on a pool of mortgage pass-through securities Mortgage Assets. Stripped mortgage-backed securities may be privately issued.

Capital Securities and Trust Preferred Securities: Capital securities, including trust preferred securities, are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics. In the case of trust preferred securities, an affiliated business trust of a corporation issues these securities, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured with either a fixed or adjustable coupon that can have either a perpetual or stated maturity date. For trust preferred securities, the issuing bank or corporation pays interest to the trust, which is then distributed to holders of these securities as a dividend. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. These securities generally are rated below that of the issuing company's senior debt securities and are freely callable at the issuer's option.

TBA Commitments: TBA commitments are forward agreements for the purchase or sale of mortgage-backed securities for a fixed price, with payment and delivery on an agreed upon future settlement date. The specific securities to be delivered are not identified at the trade date. However, delivered securities must meet specified terms, including issuer, rate and mortgage terms. When entering into TBA commitments, a fund may take possession of or deliver the underlying mortgage-backed securities but can extend the settlement or roll the transaction. TBA commitments involve a risk of loss if the value of the security to be purchased or sold declines or increases, respectively, prior to settlement date.

In order to better define contractual rights and to secure rights that will help a fund mitigate their counterparty risk, TBA commitments may be entered into by a fund under Master Securities Forward Transaction Agreements (each, an MSFTA). An MSFTA typically contains, among other things, collateral posting terms and netting provisions in the event of default and/or termination event. The collateral requirements are typically calculated by netting the mark-to-market amount for each transaction under such agreement and comparing that amount to the value of the collateral currently pledged by a fund and the counterparty. Cash collateral that has been pledged to cover the obligations of a fund and cash collateral received from the counterparty, if any, is reported separately on the Statement of Assets and Liabilities as cash pledged as

Notes to Financial Statements (unaudited) (continued)

collateral for TBA commitments or cash received as collateral for TBA commitments, respectively. Non-cash collateral pledged by a fund, if any, is noted in the Schedule of Investments. Typically, a fund is permitted to sell, re-pledge or use the collateral it receives; however, the counterparty is not permitted to do so. To the extent amounts due to a fund is not fully collateralized, contractually or otherwise, a fund bears the risk of loss from counterparty non-performance.

Mortgage Dollar Roll Transactions: The Fund may sell TBA mortgage-backed securities and simultaneously contract to repurchase substantially similar (i.e., same type, coupon and maturity) securities on a specific future date at an agreed upon price. During the period between the sale and repurchase, a fund is not entitled to receive interest and principal payments on the securities sold. Mortgage dollar roll transactions are treated as purchases and sales and realizes gains and losses on these transactions. Mortgage dollar rolls involve the risk that the market value of the securities that a fund is required to purchase may decline below the agreed upon repurchase price of those securities.

Reverse Repurchase Agreements: Reverse repurchase agreements are agreements with qualified third party broker dealers in which a fund sells securities to a bank or broker-dealer and agrees to repurchase the same securities at a mutually agreed upon date and price. A fund receives cash from the sale to use for other investment purposes. During the term of the reverse repurchase agreement, a fund continues to receive the principal and interest payments on the securities sold. Certain agreements have no stated maturity and can be terminated by either party at any time. Interest on the value of the reverse repurchase agreements issued and outstanding is based upon competitive market rates determined at the time of issuance. A fund may utilize reverse repurchase agreements when it is anticipated that the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the transaction. Reverse repurchase agreements involve leverage risk. If a fund suffers a loss on its investment of the transaction proceeds from a reverse repurchase agreement, a fund would still be required to pay the full repurchase price. Further, a fund remains subject to the risk that the market value of the securities repurchased declines below the repurchase price. In such cases, a fund would be required to return a portion of the cash received from the transaction or provide additional securities to the counterparty.

Cash received in exchange for securities delivered plus accrued interest due to the counterparty is recorded as a liability in the Statement of Assets and Liabilities at face value including accrued interest. Due to the short-term nature of the reverse repurchase agreements, face value approximates fair value. Interest payments made by a fund to the counterparties are recorded as a component of interest expense in the Statement of Operations. In periods of increased demand for the security, a fund may receive a fee for the use of the security by the counterparty, which may result in interest income to a fund.

For the six months ended June 30, 2018, the average amount of reverse repurchase agreements outstanding and the daily weighted average interest rate for the Fund were \$13,700,566 and 0.016%, respectively.

Reverse repurchase transactions are entered into by a fund under Master Repurchase Agreements (each, an MRA), which permit a fund, under certain circumstances, including an event of default (such as bankruptcy or insolvency), to offset payables and/or receivables under the MRA with collateral held and/or posted to the counterparty and create one single net payment due to or from a fund. With reverse repurchase transactions, typically a fund and counterparty under an MRA are permitted to sell, re-pledge, or use the collateral associated with the transaction. Bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of the MRA counterparty's bankruptcy or insolvency. Pursuant to the terms of the MRA, a fund receives or posts securities as collateral with a market value in excess of the repurchase price to be paid or received by a fund upon the maturity of the transaction. Upon a bankruptcy or insolvency of the MRA counterparty, a fund is considered

an unsecured creditor with respect to excess collateral and, as such, the return of excess collateral may be delayed.

As of period end, the following table is a summary of the Fund's open reverse repurchase agreements by counterparty which are subject to offset under an MRA on a net basis:

<i>Counterparty</i>	<i>Reverse Repurchase Agreements</i>	<i>Fair Value of Non-cash Collateral Pledged Including Accrued Cash Collateral Interest Pledged/Received</i>	<i>Net Amount</i>
Credit Suisse Securities (USA) LLC	\$ 10,306,525	\$ (10,306,525)	\$

Collateral with a value of \$10,269,435 has been pledged in connection with open reverse repurchase agreements. Excess of collateral pledged to the individual counterparty is not shown for financial reporting purposes.

In the event the counterparty of securities under an MRA files for bankruptcy or becomes insolvent, a fund's use of the proceeds from the agreement may be restricted while the counterparty, or its trustee or receiver, determines whether or not to enforce a fund's obligation to repurchase the securities.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund engages in various portfolio investment strategies using derivative contracts both to increase the returns of the Fund and/or to manage its exposure to certain risks such as credit risk, equity risk, interest rate risk, foreign currency exchange rate risk, commodity price risk or other risks (e.g., inflation risk). Derivative financial instruments categorized by risk exposure are included in the Schedule of Investments. These contracts may be transacted on an exchange or OTC.

Futures Contracts: Futures contracts are purchased or sold to gain exposure to, or manage exposure to, changes in interest rates (interest rate risk), and changes in the value of equity securities (equity risk) or foreign currencies (foreign currency exchange 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 on a specified date. Depending on the terms of a contract, it is settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash amount on the settlement date. Upon entering into a futures contract, the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract. Amounts pledged, which are considered restricted, are included in Cash pledged: futures contracts on the Statement of Assets and Liabilities.

Notes to Financial Statements (unaudited) (continued)

Securities deposited as initial margin are designated in the Schedule of Investments and cash deposited, if any, is shown as cash pledged for futures contracts in the Statement of Assets and Liabilities. 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 market value of the contract (variation margin). Variation margin is recorded as unrealized appreciation (depreciation) and, if any, shown as variation margin receivable (or payable) on futures contracts in the Statement of Assets and Liabilities. When the contract is closed, a realized gain or loss is recorded in the Statement of Operations equal to the difference between the notional amount of the contract at the time it was opened and the notional amount at the time it was closed. The use of futures contracts involves the risk of an imperfect correlation in the movements in the price of futures contracts and interest, foreign currency exchange rates or underlying assets.

Forward Foreign Currency Exchange Contracts: Forward foreign currency exchange contracts are entered into to gain or reduce exposure to foreign currencies (foreign currency exchange rate risk).

A forward foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a specified date. These contracts help to manage the overall exposure to the currencies in which some of the investments held by the Fund are denominated and in some cases, may be used to obtain exposure to a particular market.

The contract is marked-to-market daily and the change in market value is recorded as unrealized appreciation (depreciation) in the Statement of Assets and Liabilities. When a contract is closed, a realized gain or loss is recorded in the Statement of Operations equal to the difference between the value at the time it was opened and the value at the time it was closed. Non-deliverable forward foreign currency exchange contracts are settled with the counterparty in cash without the delivery of foreign currency. The use of forward foreign currency exchange contracts involves the risk that the value of a forward foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies. Cash amounts pledged for forward foreign currency contracts are considered restricted and are included in Cash pledged: Collateral OTC derivatives on the Statement of Assets and Liabilities.

Options: The Fund purchases and writes call and put options to increase or decrease its exposure to the risks of underlying instruments, including equity risk, interest rate risk and/or commodity price risk and/or, in the case of options written, to generate gains from options premiums.

A call option gives the purchaser (holder) of the option the right (but not the obligation) to buy, and obligates the seller (writer) to sell (when the option is exercised) the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise or strike price at any time or at a specified time during the option period.

Premiums paid on options purchased and premiums received on options written, as well as the daily fluctuation in market value, are included in investments at value unaffiliated and options written at value, respectively, in the Statement of Assets and Liabilities. When an instrument is purchased or sold through the exercise of an option, the premium is offset against the cost or proceeds of the underlying instrument. When an option expires, a realized gain or loss is recorded in the Statement of Operations to the extent of the premiums received or paid. When an option is closed or sold, a gain or loss is recorded in the Statement of Operations to the extent the cost of the closing transaction exceeds the premiums received or paid. When the Fund writes a call option, such option is typically covered, meaning that it holds the underlying instrument subject to being called by the option counterparty. When the Fund writes a put option, such option is covered by cash in an amount sufficient to cover the obligation. These amount, which are

considered restricted, are included in Cash pledged: Collateral option written on the Statement of Assets and Liabilities.

Swaptions The Fund purchases and writes options on swaps (swaptions) primarily to preserve a return or spread on a particular investment or portion of the Fund s holdings, as a duration management technique or to protect against an increase in the price of securities it anticipates purchasing at a later date. The purchaser and writer of a swaption is buying or granting the right to enter into a previously agreed upon interest rate or credit default swap agreement (interest rate risk and/or credit risk) at any time before the expiration of the option.

Foreign currency options The Fund purchases and writes foreign currency options, foreign currency futures and options on foreign currency futures to gain or reduce exposure to foreign currencies (foreign currency exchange rate risk). Foreign currency options give the purchaser the right to buy from or sell to the writer a foreign currency at any time before the expiration of the option.

In purchasing and writing options, the Fund bears the risk of an unfavorable change in the value of the underlying instrument or the risk that it may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in the Fund purchasing or selling a security when it otherwise would not, or at a price different from the current market value.

Master Netting Arrangements: In order to define its contractual rights and to secure rights that will help it mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA Master Agreement) or similar agreement with its counterparties. An ISDA Master Agreement is a bilateral agreement between the Fund and a counterparty that governs certain OTC derivatives and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default including the bankruptcy or insolvency of the counterparty. Bankruptcy or insolvency laws of a particular jurisdiction may restrict or prohibit the right of offset in bankruptcy, insolvency or other events.

Collateral Requirements: For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark-to-market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by the Fund and the counterparty.

Cash collateral that has been pledged to cover obligations of the Fund and cash collateral received from the counterparty, if any, is reported separately on the Statement of Assets and Liabilities as cash pledged as collateral and cash received as collateral, respectively. Non-cash collateral pledged by the Fund, if any, is noted in the Schedule of Investments. Generally, the amount of collateral due from or to a counterparty is subject to a certain minimum transfer amount threshold before a transfer is required, which is determined at the close of business of the Fund. Any additional required collateral is delivered to/pledged by the Fund on the next business day. Typically, the counterparty is not permitted to sell, re-pledge or use cash and non-cash collateral it receives. The Fund generally agrees not to use non-cash collateral that

Notes to Financial Statements (unaudited) (continued)

it receives but may, absent default or certain other circumstances defined in the underlying ISDA Master Agreement, be permitted to use cash collateral received. In such cases, interest may be paid pursuant to the collateral arrangement with the counterparty. To the extent amounts due to the Fund from its counterparties are not fully collateralized, it bears the risk of loss from counterparty non-performance. Likewise, to the extent the Fund has delivered collateral to counterparty and stands ready to perform under the terms of its agreement with such counterparty, it bears the risk of loss from counterparty in the amount of the value of the collateral in the event the counterparty fails to return such collateral. Based on the terms of agreements, collateral may not be required for all derivative contracts.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements, if any, in the Statement of Assets and Liabilities.

6. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

The PNC Financial Services Group, Inc. is the largest stockholder and an affiliate of BlackRock, Inc. (BlackRock) for 1940 Act purposes.

Investment Advisory: The Fund entered into an Investment Advisory Agreement with the Manager, the Fund's investment adviser, an indirect, wholly-owned subsidiary of BlackRock, to provide investment advisory and administrative services. The Manager is responsible for the management of the Fund's portfolio and provides the personnel, facilities, equipment and certain other services necessary to the operations of the Fund.

For such services, the Fund pays the Manager a monthly fee at an annual rate equal to 0.85% of the average daily value of the Fund's net assets, plus the proceeds of any debt securities or outstanding borrowings used for leverage. For purposes of calculating this fee, net assets mean the total assets of the Fund minus the sum of its accrued liabilities.

Expense Waivers: The Manager voluntarily agreed to waive a portion of its investment advisory fees equal to the annual rate of 0.30% of the Fund's average daily net assets, plus the proceeds of any outstanding borrowings used for leverage. This amount is included in fees waived by the Manager in the Statement of Operations. During the six months ended June 30, 2018, the Manager waived \$139,845 pursuant to this agreement.

The Manager voluntarily agreed to waive its investment advisory fees by the amount of investment advisory fees the Fund pays to the Manager indirectly through its investment in affiliated money market funds (the affiliated money market fund waiver). For the six months ended June 30, 2018, the amount waived was \$542.

The Manager contractually agreed to waive its investment advisory fee with respect to any portion of the Fund's assets invested in affiliated equity and fixed-income mutual funds and affiliated exchange-traded funds that have a contractual management fee through June 30, 2019. The agreement can be renewed for annual periods thereafter, and may be terminated on 90 days notice, each subject to approval by a majority of the Fund's Independent Directors. For the six months ended June 30, 2018, there were no fees waived by the Manager.

Directors and Officers: Certain Directors and/or officers of the Fund are directors and/or officers of BlackRock or its affiliates. The Fund reimburses the Manager for a portion of the compensation paid to the Fund's Chief Compliance Officer, which is included in Directors and Officer in the Statement of Operations.

Other Transactions: During the year ended December 31, 2017, the Fund received \$83,879, of which \$54,290 was from an affiliate, reflected as Capital Contributions in the Statements of Changes in Net Assets, related to an operating error.

7. PURCHASES AND SALES

For the six months ended June 30, 2018, purchases and sales of investments, including paydowns and mortgage dollar rolls, and excluding short-term securities, were \$1,214,008 and \$5,625,671, respectively.

For the six months ended June 30, 2018, purchases and sales related to mortgage dollar rolls were \$599,534 and \$600,585, respectively.

8. INCOME TAX INFORMATION

It is the Fund's policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies, and to distribute substantially all of its taxable income to its shareholders. Therefore, no U.S. federal income tax provision is required.

The Fund files U.S. federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Fund's U.S. federal tax returns generally remains open for each of the four years ended December 31, 2017. The statutes of limitations on the Fund's state and local tax returns may remain open for an additional year depending upon the jurisdiction.

Management has analyzed tax laws and regulations and their application to the Fund as of June 30, 2018, inclusive of the open tax return years, and does not believe that there are any uncertain tax positions that require recognition of a tax liability in the Fund's financial statements.

As of December 31, 2017, the Fund had non-expiring capital loss carryforwards available to offset future realized capital gains of \$19,914,543.

Notes to Financial Statements (unaudited) (continued)

As of June 30, 2018, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

Tax cost	\$ 90,353,626
Gross unrealized appreciation	\$ 2,102,708
Gross unrealized depreciation	(2,317,154)
Net unrealized depreciation	\$ (214,446)

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. Certain provisions of the Act were effective upon enactment with the remainder becoming effective for tax years beginning after December 31, 2017. Although the Act does not amend any provisions directly related to the qualification or taxation of regulated investment companies (RICs), the Act does change the taxation of entities in which some RICs invest, the tax treatment of income derived from those entities and the taxation of RIC shareholders. While management does not anticipate significant impact to the Fund or to its shareholders, there is uncertainty in the application of certain provisions in the Act. Specifically, provisions in the Act may increase the amount of or accelerate the recognition of taxable income and may limit the deductibility of certain expenses by RICs. Until full clarity around these provisions is obtained, the impact on the Fund's financial statements, if any, cannot be fully determined.

9. PRINCIPAL RISKS

In the normal course of business, the Fund invests in securities or other instruments and may enter into certain transactions, and such activities subject the Fund to various risks, including among others, fluctuations in the market (market risk) or failure of an issuer to meet all of its obligations. The value of securities or other instruments may also be affected by various factors, including, without limitation: (i) the general economy; (ii) the overall market as well as local, regional or global political and/or social instability; (iii) regulation, taxation or international tax treaties between various countries; or (iv) currency, interest rate and price fluctuations.

The Fund may be exposed to prepayment risk, which is the risk that borrowers may exercise their option to prepay principal earlier than scheduled during periods of declining interest rates, which would force the Fund to reinvest in lower yielding securities. The Fund may also be exposed to reinvestment risk, which is the risk that income from the Fund's portfolio will decline if the Fund invests the proceeds from matured, traded or called fixed-income securities at market interest rates that are below the Fund portfolio's current earnings rate.

Counterparty Credit Risk: The Fund may be exposed to counterparty credit risk, or the risk that an entity may fail to or be unable to perform on its commitments related to unsettled or open transactions. The Fund manages counterparty credit risk by entering into transactions only with counterparties that the Manager believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Fund to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Fund's exposure to market, issuer and counterparty credit risks with respect to these financial assets is approximately their value recorded in the Statement of Assets and Liabilities, less any collateral held by the Fund.

A derivative contract may suffer a mark-to-market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract.

The Fund's risk of loss from counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain less the value of any collateral held by the Fund.

For OTC options purchased, the Fund bears the risk of loss in the amount of the premiums paid plus the positive change in market values net of any collateral held by the Fund should the counterparty fail to perform under the contracts. Options written by the Fund do not typically give rise to counterparty credit risk, as options written generally obligate the Fund, and not the counterparty, to perform. The Fund may be exposed to counterparty credit risk with respect to options written to the extent the Fund deposits collateral with its counterparty to a written option.

Concentration Risk: The Fund invests a significant portion of its assets in fixed-income securities and/or uses derivatives tied to the fixed-income markets. Changes in market interest rates or economic conditions may affect the value and/or liquidity of such investments. Interest rate risk is the risk that prices of bonds and other fixed-income securities will increase as interest rates fall and decrease as interest rates rise.

The Fund invests a significant portion of its assets in securities backed by commercial or residential mortgage loans or in issuers that hold mortgage and other asset-backed securities. Investment percentages in these securities are presented in the Schedule of Investments. Changes in economic conditions, including delinquencies and/or defaults on assets underlying these securities, can affect the value, income and/or liquidity of such positions.

10. CAPITAL SHARE TRANSACTIONS

The Fund is authorized to issue 200 million shares, all of which were initially classified as Common Shares. The Board is authorized, however, to reclassify any unissued shares to Preferred shares without the approval of Common Shareholders.

The Board previously approved the Fund's participation in an open market share repurchase program that allowed the Fund to purchase, at prevailing market prices, up to 5% of its common shares outstanding as of the close of business on October 28, 2016 through November 30, 2017, subject to certain conditions. On September 6, 2017, the Board approved a renewal of this program. Commencing December 1, 2017, the Fund may purchase through November 30, 2018, up to 5% of its common shares outstanding as of the close of business on November 30, 2017, subject to certain conditions. There is no assurance that the Fund will purchase shares in any particular amounts.

Notes to Financial Statements (unaudited) (continued)

The Fund will make offers to purchase between 5% and 25% of its outstanding shares at approximate 12 month intervals. The amount of the repurchase offer is shown as redemptions of shares resulting from a repurchase offer in the Statement of Changes in Net Assets. The Fund may charge a repurchase fee of up to 2% of the value of the shares that are repurchased to compensate the Fund for expenses directly related to the repurchase offer, which is included in the capital share transactions in the Statement of the Changes in Net Assets. Costs directly related to the repurchase offer, primarily mailing and printing costs, are shown as repurchase offer in the Statement of Operations.

Changes in shares issued and outstanding for the six months ended June 30, 2018 and for the year ended December 31, 2017 was as follows:

	<i>Six Months Ended</i>	<i>Year Ended</i>
	<i>June 30, 2018</i>	<i>December 31, 2017</i>
Repurchase offer		(649,518)

II. SUBSEQUENT EVENTS

Management's evaluation of the impact of all subsequent events on the Fund's financial statements was completed through the date the financial statements were issued and the following items were noted:

The Fund paid a net investment income dividend in the amount of \$0.041 per share on July 31, 2018 to Common shareholders of record on July 16, 2018.

Additionally, the Fund declared a net investment income dividend of \$0.041 per share on August 1, 2018 payable to shareholders of record on August 15, 2018.

Disclosure of Investment Advisory Agreement

The Board of Directors (the Board, the members of which are referred to as Board Members) of BlackRock Enhanced Government Fund, Inc. (the Fund) met in person on April 24, 2018 (the April Meeting) and June 6-7, 2018 (the June Meeting) to consider the approval of the Fund's investment advisory agreement (the Agreement) with BlackRock Advisors, LLC (the Manager), the Fund's investment advisor. The Manager is referred to herein as BlackRock.

Activities and Composition of the Board

On the date of the June Meeting, the Board consisted of ten individuals, eight of whom were not interested persons of the Fund as defined in the Investment Company Act of 1940, as amended (the 1940 Act) (the Independent Board Members). The Board Members are responsible for the oversight of the operations of the Fund and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Independent Board Members have retained independent legal counsel to assist them in connection with their duties. The Chair of the Board is an Independent Board Member. The Board has established five standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee, and an Executive Committee, each of which is chaired by an Independent Board Member and composed of Independent Board Members (except for the Executive Committee, which also has one interested Board Member).

The Agreement

Pursuant to the 1940 Act, the Board is required to consider the continuation of the Agreement on an annual basis. The Board has four quarterly meetings per year, each typically extending for two days, and additional in-person and telephonic meetings throughout the year, as needed. The Board also has a fifth one-day meeting to consider specific information surrounding the consideration of renewing the Agreement. The Board's consideration of the Agreement is a year-long deliberative process, during which the Board assessed, among other things, the nature, extent and quality of the services provided to the Fund by BlackRock, BlackRock's personnel and affiliates, including, as applicable; investment management, accounting, administrative, and shareholder services; oversight of the Fund's service providers; marketing; risk management and oversight; legal and compliance services; and ability to meet applicable legal and regulatory requirements.

The Board, acting directly and through its committees, considers at each of its meetings, and from time to time as appropriate, factors that are relevant to its annual consideration of the renewal of the Agreement, including the services and support provided by BlackRock to the Fund and its shareholders. BlackRock also furnished additional information to the Board in response to specific questions from the Board. This additional information is discussed further below in the section titled Board Considerations in Approving the Agreement. Among the matters the Board considered were: (a) investment performance for one-year, three-year, five-year, ten-year, and/or since inception periods, as applicable, against peer funds, applicable benchmarks, and performance metrics, as applicable, as well as senior management's and portfolio managers' analysis of the reasons for any over-performance or underperformance relative to its peers, benchmarks, and other performance metrics, as applicable; (b) leverage management, as applicable; (c) fees, including advisory, administration, if applicable, paid to BlackRock and its affiliates by the Fund for services; (d) Fund operating expenses and how BlackRock allocates expenses to the Fund; (e) the resources devoted to, risk oversight of, and compliance reports relating to, implementation of the Fund's investment objective, policies and restrictions, and meeting regulatory requirements; (f) the Fund's adherence to its compliance policies and procedures; (g) the nature, character and scope of non-investment management services provided by BlackRock and its affiliates and the estimated cost of such services; (h) BlackRock's and other service providers' internal controls and risk and compliance oversight mechanisms; (i) BlackRock's implementation of the proxy voting policies approved by the Board; (j) execution quality of portfolio transactions; (k) BlackRock's implementation of the Fund's valuation and

liquidity procedures; (l) an analysis of management fees for products with similar investment mandates across the open-end fund, closed-end fund, sub-advised mutual fund, collective investment trust, and institutional separate account product channels, as applicable, and the similarities and differences between these products and the services provided as compared to the Fund; (m) BlackRock's compensation methodology for its investment professionals and the incentives and accountability it creates, along with investment professionals' investments in the fund(s) they manage; and (n) periodic updates on BlackRock's business.

Board Considerations in Approving the Agreement

The Approval Process: Prior to the April Meeting, the Board requested and received materials specifically relating to the Agreement. The Board is continuously engaged in a process with its independent legal counsel and BlackRock to review the nature and scope of the information provided to better assist its deliberations. The materials provided in connection with the April Meeting included, among other things: (a) information independently compiled and prepared by Broadridge Financial Solutions, Inc. (Broadridge), based on Lipper classifications, regarding the Fund's fees and expenses as compared with a peer group of funds as determined by Broadridge (Expense Peers) and the investment performance of the Fund as compared with a peer group of funds (Performance Peers) and other metrics, as applicable; (b) information on the composition of the Expense Peers and Performance Peers, and a description of the Broadridge's methodology; (c) information on the estimated profits realized by BlackRock and its affiliates pursuant to the Agreement and a discussion of fall-out benefits to BlackRock and its affiliates; (d) a general analysis provided by BlackRock concerning investment management fees received in connection with other types of investment products, such as institutional accounts, sub-advised mutual funds, closed-end funds, and open-end funds, under similar investment mandates, as applicable; (e) review of non-management fees; (f) the existence and impact and sharing of potential economies of scale, if any, and the sharing of potential economies of scale with the Fund; (g) a summary of aggregate amounts paid by the Fund to BlackRock; and (h) various additional information requested by the Board as appropriate regarding BlackRock's and the Fund's operations.

At the April Meeting, the Board reviewed materials relating to its consideration of the Agreement. As a result of the discussions that occurred during the April Meeting, and as a culmination of the Board's year-long deliberative process, the Board presented BlackRock with questions and requests for additional information. BlackRock responded to these requests with additional written information in advance of the June Meeting.

At the June Meeting, the Board considered, among other things: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of the Fund as compared with Performance Peers and other metrics, as applicable; (c) the advisory fee and the estimated cost of the services and estimated profits realized by BlackRock and its affiliates from their relationship with the Fund; (d) the Fund's fees and expenses compared to Expense Peers; (e) the sharing of potential

Disclosure of Investment Advisory Agreement (continued)

economies of scale; (f) fall-out benefits to BlackRock and its affiliates as a result of BlackRock's relationship with the Fund; and (g) other factors deemed relevant by the Board Members.

The Board also considered other matters it deemed important to the approval process, such as other payments made to BlackRock or its affiliates relating to securities lending and cash management, services related to the valuation and pricing of Fund portfolio holdings, and advice from independent legal counsel with respect to the review process and materials submitted for the Board's review. The Board noted the willingness of BlackRock personnel to engage in open, candid discussions with the Board. The Board did not identify any particular information as determinative, and each Board Member may have attributed different weights to the various items considered.

A. Nature, Extent and Quality of the Services Provided by BlackRock: The Board, including the Independent Board Members, reviewed the nature, extent and quality of services provided by BlackRock, including the investment advisory services and the resulting performance of the Fund. Throughout the year, the Board compared Fund performance to the performance of a comparable group of closed-end funds, relevant benchmark, and performance metrics, as applicable. The Board met with BlackRock's senior management personnel responsible for investment activities, including the senior investment officers. The Board also reviewed the materials provided by the Fund's portfolio management team discussing the Fund's performance and the Fund's investment objective, strategies and outlook.

The Board considered, among other factors, with respect to BlackRock: the number, education and experience of investment personnel generally and the Fund's portfolio management team; BlackRock's research capabilities; investments by portfolio managers in the funds they manage; portfolio trading capabilities; use of technology; commitment to compliance; credit analysis capabilities; risk analysis and oversight capabilities; and the approach to training and retaining portfolio managers and other research, advisory and management personnel. The Board also considered BlackRock's overall risk management program, including the continued efforts of BlackRock and its affiliates to address cybersecurity risks and the role of BlackRock's Risk & Quantitative Analysis Group. The Board engaged in a review of BlackRock's compensation structure with respect to the Fund's portfolio management team and BlackRock's ability to attract and retain high-quality talent and create performance incentives.

In addition to investment advisory services, the Board considered the quality of the administrative and other non-investment advisory services provided to the Fund. BlackRock and its affiliates provide the Fund with certain administrative, shareholder, and other services (in addition to any such services provided to the Fund by third parties) and officers and other personnel as are necessary for the operations of the Fund. In particular, BlackRock and its affiliates provide the Fund with administrative services including, among others: (i) responsibility for disclosure documents, such as the prospectus and the statement of additional information in connection with the initial public offering and periodic shareholder reports; (ii) preparing communications with analysts to support secondary market trading of the Fund; (iii) oversight of daily accounting and pricing; (iv) responsibility for periodic filings with regulators and stock exchanges; (v) overseeing and coordinating the activities of other service providers including, among others, the Fund's custodian, fund accountant, transfer agent, and auditor; (vi) organizing Board meetings and preparing the materials for such Board meetings; (vii) providing legal and compliance support; (viii) furnishing analytical and other support to assist the Board in its consideration of strategic issues such as the merger, consolidation or repurposing of certain closed-end funds; and (ix) performing administrative functions necessary for the operation of the Fund, such as tax reporting, expense management, fulfilling regulatory filing requirements, and shareholder call center and other services. The Board reviewed the structure and duties of BlackRock's fund administration, shareholder services, and legal & compliance departments and considered BlackRock's policies and procedures for assuring compliance with applicable laws and regulations.

B. The Investment Performance of the Fund and BlackRock: The Board, including the Independent Board Members, also reviewed and considered the performance history of the Fund. In preparation for the April Meeting, the Board was provided with reports independently prepared by Broadridge, which included a comprehensive analysis of the Fund's performance as of December 31, 2017. The performance information is based on net asset value (NAV), and utilizes Lipper data. Lipper's methodology calculates a fund's total return assuming distributions are reinvested on the ex-date at a fund's ex-date NAV. Broadridge ranks funds in quartiles, ranging from first to fourth, where first is the most desirable quartile position and fourth is the least desirable. In connection with its review, the Board received and reviewed information regarding the investment performance of the Fund as compared to its Performance Peers and the performance of the Fund as compared with its custom benchmark. The Board and its Performance Oversight Committee regularly review, and meet with Fund management to discuss, the performance of the Fund throughout the year.

In evaluating performance, the Board recognized that the performance data reflects a snapshot of a period as of a particular date and that selecting a different performance period could produce significantly different results. Further, the Board recognized that it is possible that long-term performance can be impacted by even one period of significant outperformance or underperformance, so that a single investment theme has the ability to affect long-term performance disproportionately.

The Board noted that for each of the one-, three- and five-year periods reported, the Fund underperformed its customized benchmark. BlackRock believes that performance relative to the customized benchmark is an appropriate performance metric for the Fund. The Board and BlackRock reviewed the Fund's underperformance during the applicable periods. The Board was informed that, among other things, the Fund's use of options as a way to manage duration and generate additional income was the primary detractor of performance relative to its customized benchmark.

The Board and BlackRock discussed BlackRock's strategy for improving the Fund's investment performance. Discussions covered topics such as performance attribution, the Fund's investment personnel, and the resources appropriate to support the Fund's investment processes.

C. Consideration of the Advisory/Management Fees and the Estimated Cost of the Services and Estimated Profits Realized by BlackRock and its Affiliates from their Relationship with the Fund: The Board, including the Independent Board Members, reviewed the Fund's contractual management fee rate compared with those of its Expense Peers. The contractual management fee rate represents a combination of the advisory fee and any administrative fees, before taking into account any reimbursements or fee waivers. The Board also compared the Fund's total expense ratio, as well as its actual management fee rate as a percentage of total assets, to those of its Expense Peers. The total expense ratio represents a fund's total net operating expenses, excluding any investment related expenses. The total expense ratio gives effect to any expense reimbursements or fee waivers that benefit a fund, and the actual management fee rate gives effect to any management fee reimbursements or waivers that benefit a fund. The Board considered the services provided and the fees charged by BlackRock and its affiliates to other types of clients with similar investment mandates, as applicable, including institutional accounts and sub-advised mutual funds (including mutual funds sponsored by third parties).

Disclosure of Investment Advisory Agreement (continued)

The Board received and reviewed statements relating to BlackRock's financial condition. The Board reviewed BlackRock's profitability methodology and was also provided with an estimated profitability analysis that detailed the revenues earned and the expenses incurred by BlackRock for services provided to the Fund. The Board reviewed BlackRock's estimated profitability with respect to the Fund and other funds the Board currently oversees for the year ended December 31, 2017 compared to available aggregate estimated profitability data provided for the prior two years. The Board reviewed BlackRock's estimated profitability with respect to certain other U.S. fund complexes managed by the Manager and/or its affiliates. The Board reviewed BlackRock's assumptions and methodology of allocating expenses in the estimated profitability analysis, noting the inherent limitations in allocating costs among various advisory products. The Board recognized that profitability may be affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Manager, the types of funds managed, precision of expense allocations and business mix. As a result, calculating and comparing profitability at individual fund levels is difficult.

The Board noted that, in general, individual fund or product line profitability of other advisors is not publicly available. The Board reviewed BlackRock's overall operating margin, in general, compared to that of certain other publicly-traded asset management firms. The Board considered the differences between BlackRock and these other firms, including the contribution of technology at BlackRock, BlackRock's expense management, and the relative product mix.

In addition, the Board considered the estimated cost of the services provided to the Fund by BlackRock, and BlackRock's and its affiliates' estimated profits relating to the management of the Fund and the other funds advised by BlackRock and its affiliates. As part of its analysis, the Board reviewed BlackRock's methodology in allocating its costs of managing the Fund, to the Fund. The Board considered whether BlackRock has the financial resources necessary to attract and retain high quality investment management personnel to perform its obligations under the Agreement and to continue to provide the high quality of services that is expected by the Board. The Board further considered factors including but not limited to BlackRock's commitment of time, assumption of risk, and liability profile in servicing the Fund in contrast to what is required of BlackRock with respect to other products with similar investment mandates across the open-end fund, closed-end fund, sub-advised mutual fund, collective investment trust, and institutional separate account product channels, as applicable.

The Board noted that the Fund's contractual management fee rate ranked in the fourth quartile, and that the actual management fee rate and total expense ratio each ranked in the second quartile, relative to the Expense Peers. In addition, the Board noted that BlackRock had agreed to voluntarily waive a portion of the advisory fee payable by the Fund, which has been in effect since 2013. After discussions between the Board, including Independent Board Members, and BlackRock, the Board and BlackRock agreed to a continuation of a 30 basis points voluntary advisory fee waiver.

D. Economies of Scale: The Board, including the Independent Board Members, considered the extent to which economies of scale might be realized as the assets of the Fund increase. The Board also considered the extent to which the Fund benefits from such economies in a variety of ways, and whether there should be changes in the advisory fee rate or breakpoint structure in order to enable the Fund to more fully participate in these economies of scale. The Board considered the Fund's asset levels and whether the current fee was appropriate.

Based on the Board's review and consideration of the issue, the Board concluded that most closed-end funds do not have fund level breakpoints because closed-end funds generally do not experience substantial growth after the initial public offering. They are typically priced at scale at a fund's inception.

E. Other Factors Deemed Relevant by the Board Members: The Board, including the Independent Board Members, also took into account other ancillary or fall-out benefits that BlackRock or its affiliates may derive from BlackRock's respective relationships with the Fund, both tangible and intangible, such as BlackRock's ability to leverage its investment professionals who manage other portfolios and risk management personnel, an increase in BlackRock's profile in the investment advisory community, and the engagement of BlackRock's affiliates as service providers to the Fund, including for administrative, securities lending and cash management services. The Board also considered BlackRock's overall operations and its efforts to expand the scale of, and improve the quality of, its operations. The Board also noted that, subject to applicable law, BlackRock may use and benefit from third party research obtained by soft dollars generated by certain registered fund transactions to assist in managing all or a number of its other client accounts.

In connection with its consideration of the Agreement, the Board also received information regarding BlackRock's brokerage and soft dollar practices. The Board received reports from BlackRock which included information on brokerage commissions and trade execution practices throughout the year.

The Board noted the competitive nature of the closed-end fund marketplace, and that shareholders are able to sell their Fund shares in the secondary market if they believe that the Fund's fees and expenses are too high or if they are dissatisfied with the performance of the Fund.

The Board also considered the various notable initiatives and projects BlackRock performed in connection with its closed-end fund product line. These initiatives included the completion of the redemption of auction rate preferred securities for all of the BlackRock closed-end funds; developing equity shelf programs; efforts to eliminate product overlap with fund mergers; ongoing services to manage leverage that has become increasingly complex; periodic evaluation of share repurchases and other support initiatives for certain BlackRock funds; and continued communications efforts with shareholders, fund analysts and financial advisers. With respect to the latter, the Independent Board Members noted BlackRock's continued commitment to supporting the secondary market for the common shares of its closed-end funds through a comprehensive secondary market communication program designed to raise investor and analyst awareness and understanding of closed-end funds. BlackRock's support services included, among other things: sponsoring and participating in conferences; communicating with closed-end fund analysts covering the BlackRock funds throughout the year; providing marketing and product updates for the closed-end funds; and maintaining and enhancing its closed-end fund website.

Conclusion

The Board, including the Independent Board Members, unanimously approved the continuation of the Agreement between the Manager and the Fund for a one-year term ending June 30, 2019. Based upon its evaluation of all of the aforementioned factors in their totality, as well as other information, the Board, including the Independent Board Members, was satisfied that the terms of the Agreement were fair and reasonable and in the best interest of the Fund and its shareholders. In arriving at its decision to approve the Agreement, the Board did not identify any single factor or group of factors as, all-important or controlling, but considered all factors together, and different Board Members may have attributed different weights to the various factors considered. The Independent Board Members were also assisted by the advice of independent legal counsel in making this determination.

Director and Officer Information

Richard E. Cavanagh, Chair of the Board and Director

Karen P. Robards, Vice Chair of the Board and Director

Michael J. Castellano, Director

Cynthia L. Egan, Director

Frank J. Fabozzi, Director

R. Glenn Hubbard, Director

W. Carl Kester, Director

Catherine A. Lynch, Director

Robert Fairbairn, Director

John M. Perlowski, Director and President and Chief Executive Officer

Jonathan Diorio, Vice President

Neal J. Andrews, Chief Financial Officer

Jay M. Fife, Treasurer

Charles Park, Chief Compliance Officer

Janey Ahn, Secretary

Effective August 10, 2018, the portfolio managers of EGF are Thomas Musmanno, CFA and Scott MacLellan, CFA. Mr. MacLellan joined the Fund's portfolio management team effective August 10, 2018. Mr. MacLellan has been a Director of BlackRock, Inc. since 2010.

Investment Adviser

BlackRock Advisors, LLC

Wilmington, DE 19809

Accounting Agent and Custodian

State Street Bank and Trust Company

Boston, MA 02111

Transfer Agent

Computershare Trust Company, N.A.

Canton, MA 02021

Independent Registered Public Accounting Firm

Deloitte & Touche LLP

Boston, MA 02116

Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

Boston, MA 02116

Address of the Fund

100 Bellevue Parkway

Wilmington, DE 19809

Additional Information

Fund Certification

The Fund is listed for trading on the NYSE and has filed with the NYSE its annual chief executive officer certification regarding compliance with the NYSE's listing standards. The Fund filed with the Securities and Exchange Commission (SEC) the certification of its chief executive officer and chief financial officer required by section 302 of the Sarbanes-Oxley Act.

Dividend Policy

The Fund's dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more stable level of dividend distributions, the distributions paid by the Fund for any particular month may be more or less than the amount of net investment income earned by the Fund during such month. The portion of distributions that exceeds the Fund's current and accumulated earnings and profits, which are measured on a tax basis, will constitute a nontaxable return of capital. Distributions in excess of the Fund's taxable income and net capital gains, but not in excess of the Fund's earnings and profits, will be taxable to shareholders as ordinary income and will not constitute a nontaxable return of capital. The Fund's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Assets and Liabilities, which comprises part of the financial information included in this report.

General Information

The Fund does not make available copies of its Statement of Additional Information because the Fund's shares are not continuously offered, which means that the Statement of Additional Information of the Fund has not been updated after completion of the Fund's offerings and the information contained in the Fund's Statement of Additional Information may have become outdated.

During the period, there were no material changes in the Fund's investment objectives or policies or to the Fund's charter or by-laws that would delay or prevent a change of control of the Fund that were not approved by the shareholders or in the principal risk factors associated with investment in the Fund. Except as disclosed on page 31, there have been no changes in the persons who are primarily responsible for the day-to-day management of the Fund's portfolio.

In accordance with Section 23(c) of the Investment Company Act of 1940, as amended, the Fund from time to time may purchase its common shares in the open market or in private transactions.

Quarterly performance, semi-annual and annual reports, current net asset value and other information regarding the Fund may be found on BlackRock's website, which can be accessed at <http://www.blackrock.com>. Any reference to BlackRock's website in this report is intended to allow investors public access to information regarding the Fund and does not, and is not intended to, incorporate BlackRock's website in this report.

Electronic Delivery

Shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual shareholder reports by enrolling in the electronic delivery program. Electronic copies of shareholder reports are available on BlackRock's website.

To enroll in electronic delivery:

Shareholders Who Hold Accounts with Investment Advisers, Banks or Brokerages:

Please contact your financial advisor. Please note that not all investment advisers, banks or brokerages may offer this service.

Householding

The Fund will mail only one copy of shareholder documents, annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be househanded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please call the Fund (800) 882-0052.

Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room or how to access documents on the SEC's website without charge may be obtained by calling (800) SEC-0330. The Fund's Forms N-Q may also be obtained upon request and without charge by calling (800) 882-0052.

Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available upon request and without charge (1) by calling (800) 882-0052; (2) at <http://www.blackrock.com>; and (3) on the SEC's website at <http://www.sec.gov>.

Additional Information (continued)

Availability of Proxy Voting Record

Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available upon request and without charge (1) at <http://www.blackrock.com> or by calling (800) 882-0052 and (2) on the SEC's website at <http://www.sec.gov>.

Availability of Fund Updates

BlackRock will update performance and certain other data for the Fund on a monthly basis on its website in the Closed-end Funds' section of <http://www.blackrock.com> as well as certain other material information as necessary from time to time. Investors and others are advised to check the website for updated performance information and the release of other material information about the Fund. This reference to BlackRock's website is intended to allow investors public access to information regarding the Fund and does not, and is not intended to, incorporate BlackRock's website in this report.

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, "Clients") and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

Glossary of Terms Used in this Report

Currency

CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
JPY	Japanese Yen
NOK	Norwegian Krone
NZD	New Zealand Dollar
SEK	Swedish Krona
USD	United States Dollar

Portfolio Abbreviations

IO	Interest Only
LIBOR	London Interbank Offered Rate
OTC	Over-the-Counter

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This report is intended for current holders. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Fund has leveraged its Common Shares, which creates risks for Common Shareholders, including the likelihood of greater volatility of net asset value and market price of the Common Shares, and the risk that fluctuations in short-term interest rates may reduce the Common Shares yield. Statements and other information herein are as dated and are subject to change.

EGF-6/18-SAR

Item 2 Code of Ethics Not Applicable to this semi-annual report

Item 3 Audit Committee Financial Expert Not Applicable to this semi-annual report

Item 4 Principal Accountant Fees and Services Not Applicable to this semi-annual report

Item 5 Audit Committee of Listed Registrants Not Applicable to this semi-annual report

Item 6 Investments

(a) The registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this Form.

(b) Not Applicable due to no such divestments during the semi-annual period covered since the previous Form N-CSR filing.

Item 7 Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies
Not Applicable to this semi-annual report

Item 8 Portfolio Managers of Closed-End Management Investment Companies

(a)(1) As of the date of filing this Report:

The registrant is managed by Thomas Musmanno, CFA, Managing Director at BlackRock and Scott MacLellan, Director at BlackRock. Messrs. Musmanno and MacLellan are the Fund's portfolio managers and are responsible for the day-to-day management of the Fund's portfolio and the selection of its investments. Messrs. Musmanno and MacLellan have been part of the registrant's portfolio management team since 2009 and 2018, respectively.

The information below is with respect to Mr. MacLellan, who became a portfolio manager to the Fund on August 10, 2018.

Portfolio Manager	Biography
Scott MacLellan	Director of BlackRock, Inc. since 2010.

(a)(2) As of May 31, 2018:

(ii) Number of Other Accounts Managed and Assets by Account Type	(iii) Number of Other Accounts and Assets for Which Advisory Fee is
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(i) Name of Portfolio Manager	Other		Performance-Based			
	Registered	Other Pooled	Other	Registered	Investment	Other
	Investment	Investment	Accounts	Investment	Vehicles	Accounts
	Companies	Vehicles		Companies		
Scott MacLellan	9	11	158	0	0	2
	\$13.33 Billion	\$5.02 Billion	\$53.92 Billion	\$0	\$0	\$821.6 Million

(iv) Portfolio Manager Potential Material Conflicts of Interest

BlackRock has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Fund, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Fund. In addition, BlackRock, Inc., its affiliates and significant shareholders and any officer, director, shareholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, Inc., or any of its affiliates or significant shareholders, or any officer, director, shareholder, employee or any member of their families may take different actions than those recommended to the Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock, Inc.'s (or its affiliates' or significant shareholders') officers, directors or employees are directors or officers, or companies as to which BlackRock, Inc. or any of its affiliates or significant shareholders or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Certain portfolio managers also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for a fund. It should also be noted that Mr. MacLellan may be managing hedge fund and/or long only accounts, or may be part of a team managing hedge fund and/or long only accounts, subject to incentive fees. Mr. MacLellan may therefore be entitled to receive a portion of any incentive fees earned on such accounts.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock, Inc. has adopted policies that are intended to ensure reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base, as appropriate.

(a)(3) As of May 31, 2018:

Portfolio Manager Compensation Overview

The discussion below describes the portfolio manager's compensation as of May 31, 2018.

BlackRock's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a performance-based discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock.

Base compensation. Generally, portfolio managers receive base compensation based on their position with the firm.

Discretionary Incentive Compensation. Discretionary incentive compensation is a function of several components: the performance of BlackRock, Inc., the performance of the portfolio manager's group within BlackRock, the investment performance, including risk-adjusted returns, of the firm's assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual's performance and contribution to the overall performance of these portfolios and BlackRock. In most cases, these benchmarks are the same as the benchmark or benchmarks against which the performance of the Funds or other accounts managed by the portfolio managers are measured. Among other things, BlackRock's Chief Investment Officers make a subjective determination with respect to each portfolio manager's compensation based on the performance of the Funds and other accounts managed by each portfolio manager relative to the various benchmarks. Performance of fixed income funds is measured on a pre-tax and/or after-tax basis over various time periods including 1-, 3- and 5- year periods, as applicable. With respect to the portfolio manager, such benchmarks for the Fund and other accounts are: a combination of market-based indices (e.g., Bank of America Merrill Lynch U.S. Corporate & Government Index, 1-3 Years), certain customized indices and certain fund industry peer groups.

Distribution of Discretionary Incentive Compensation. Discretionary incentive compensation is distributed to portfolio managers in a combination of cash, deferred BlackRock, Inc. stock awards, and/or deferred cash awards that notionally track the return of certain BlackRock investment products.

Portfolio managers receive their annual discretionary incentive compensation in the form of cash. Portfolio managers whose total compensation is above a specified threshold also receive deferred BlackRock, Inc. stock awards annually as part of their discretionary incentive compensation. Paying a portion of discretionary incentive compensation in the form of deferred BlackRock, Inc. stock puts compensation earned by a portfolio manager for a given year at risk based on BlackRock's ability to sustain and improve its performance over future periods. In some cases, additional deferred BlackRock, Inc. stock may be granted to certain key employees as part of a long-term incentive award to aid in retention, align interests with long-term shareholders and motivate performance. Deferred BlackRock, Inc. stock awards are generally granted in the form of BlackRock, Inc. restricted stock units that vest pursuant to the terms of the applicable plan and, once vested, settle in BlackRock, Inc. common stock. The portfolio manager of this Fund has deferred BlackRock, Inc. stock awards.

For certain portfolio managers, a portion of the discretionary incentive compensation is also distributed in the form of deferred cash awards that notionally track the returns of select BlackRock investment products they manage, which provides direct alignment of portfolio manager discretionary incentive compensation with investment product results. Deferred cash awards vest ratably over a number of years and, once vested, settle in the form of cash. Only portfolio managers who manage specified products and whose total compensation is above a specified threshold are eligible to participate in the deferred cash award program.

Other Compensation Benefits. In addition to base salary and discretionary incentive compensation, portfolio managers may be eligible to receive or participate in one or more of the following:

Incentive Savings Plans BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock, Inc. employees are eligible to participate, including a 401(k) plan, the BlackRock

Retirement Savings Plan (RSP), and the BlackRock Employee Stock Purchase Plan (ESPP). The employer contribution components of the RSP include a company match equal to 50% of the first 8% of eligible pay contributed to the plan capped at \$5,000 per year, and a company retirement contribution equal to 3-5% of eligible compensation up to the Internal Revenue Service limit (\$275,000 for 2018). The RSP offers a range of investment options, including registered investment companies and collective investment funds managed by the firm. BlackRock, Inc. contributions follow the investment direction set by participants for their own contributions or, absent participant investment direction, are invested into a target date fund that corresponds to, or is closest to, the year in which the participant attains age 65. The ESPP allows for investment in BlackRock, Inc. common stock at a 5% discount on the fair market value of the stock on the purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares of common stock or a dollar value of \$25,000 based on its fair market value on the purchase date. All of the eligible portfolio managers are eligible to participate in these plans.

(a)(4) *Beneficial Ownership of Securities* As of May 31, 2018.

Portfolio Manager	Dollar Range of Equity Securities of the Fund Beneficially Owned
Scott MacLellan	None

(b) Effective August 10, 2018, Scott MacLellan was added as a portfolio manager.

Item 9 Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers

Period	<u>(a) Total</u>	<u>(b) Average</u>	<u>(c) Total Number of</u>	<u>(d) Maximum Number of</u>
	<u>Shares</u>	<u>Share</u>	<u>of Publicly Announced</u>	<u>Shares that May Yet Be</u>
	<u>Purchased</u>		<u>Plans or Programs</u>	<u>Purchased Under the Plans</u>
			<u>or Programs</u> ¹	
January 1-31, 2018	0	0	0	292,283
February 1-28, 2018	0	0	0	292,283
March 1-31, 2018	0	0	0	292,283
April 1-30, 2018	0	0	0	292,283
May 1-31, 2018	0	0	0	292,283
June 1-30, 2018	0	0	0	292,283
Total:	0	0	0	292,283

¹ On September 6, 2017, the Fund announced a continuation of the open market share repurchase program, which commenced on December 1, 2017. The Fund may repurchase up to 5% of its outstanding shares based on common shares outstanding on November 30, 2017, in open market transactions, subject to certain conditions.

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The registrant may also conduct annual repurchases for between 5% and 25% of its outstanding shares pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended.

Item 10 Submission of Matters to a Vote of Security Holders There have been no material changes to these procedures.

Item 11 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")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

(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) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12 Disclosure of Securities Lending Activities for Closed-End Management Investment Companies
Not applicable to this semi-annual report

Item 13 Exhibits attached hereto

(a)(1) Code of Ethics Not Applicable to this semi-annual report

(a)(2) Certifications Attached hereto

(a)(3) Not Applicable

(a)(4) Not Applicable

(b) Certifications Attached hereto

(c) Notices to the registrant's common shareholders in accordance with the order under Section 6(c) of the 1940 Act granting an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 under the 1940 Act, dated May 9, 2009¹

¹ The Fund has received exemptive relief from the Securities and Exchange Commission permitting it to make periodic distributions of long-term capital gains with respect to its outstanding common stock as frequently as twelve times each year, and as frequently as distributions are specified by or in accordance with the terms of its outstanding preferred stock. This relief is conditioned, in part, on an undertaking by the Fund to make the disclosures to the holders of the Fund's common shares, in addition to the information required by Section 19(a) of the 1940 Act and Rule 19a-1 thereunder. The Fund is likewise obligated to file with the SEC the information contained in any such notice to shareholders and, in that regard, has attached hereto copies of each such notice made during the period.

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.

BlackRock Enhanced Government Fund, Inc.

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Enhanced Government Fund, Inc.

Date: September 4, 2018

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: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Enhanced Government Fund, Inc.

Date: September 4, 2018

By: /s/ Neal J. Andrews
Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Enhanced Government Fund, Inc.

Date: September 4, 2018