BlackRock Enhanced Government Fund, Inc.
Form N-CSR
March 08, 2019

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: 12/31/2018

Item 1 Report to Stockholders

DECEMBER 31, 2018

ANNUAL REPORT

BlackRock Enhanced Government Fund, Inc. (EGF)

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund s shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from BlackRock or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

You may elect to receive all future reports in paper free of charge. If you hold accounts directly with BlackRock, you can call Computershare at 1-800-699-1236 to request that you continue receiving paper copies of your shareholder reports. If you hold accounts through a financial intermediary, you can follow the instructions included with this disclosure, if applicable, or contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. Please note that not all financial intermediaries may offer this service. Your election to receive reports in paper will apply to all funds advised by BlackRock Advisors, LLC or its affiliates, or all funds held with your financial intermediary, as applicable.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive electronic delivery of shareholder reports and other communications by contacting your financial intermediary, if you hold accounts through a financial intermediary. Please note that not all financial intermediaries may offer this service.

The Markets in Review

Dear Shareholder,

In the 12 months ended December 31, 2018, concerns about a variety of political risks and a modest slowdown in global growth worked against the equity market despite solid corporate earnings, while rising interest rates constrained bond returns. Though the market s appetite for risk remained healthy for most of the reporting period, risk-taking declined sharply later in the reporting period. As a result, bonds held their value better than stocks, which posted negative returns across the globe. Shorter-term, higher-quality securities led the bond market, and U.S. equities outperformed most international stock markets.

Volatility rose in emerging market stocks, as the rising U.S. dollar and higher interest rates in the U.S. disrupted economic growth abroad. U.S.-China trade relations and debt concerns adversely affected the Chinese stock market, while Turkey and Argentina became embroiled in currency crises, largely due to hyperinflation in both countries. An economic slowdown in Europe also led to negative performance for European equities.

In fixed income markets, short-term U.S. Treasury interest rates rose the fastest, while longer-term rates slightly increased. This led to a negative return for long-term U.S. Treasuries and a substantial flattening of the yield curve. Many investors are concerned with the flattening yield curve as a harbinger of recession. However, given the extraordinary monetary measures in the last decade, we believe a more accurate barometer for the economy is the returns along the risk spectrums in stock and bond markets. Although the fundamentals in credit markets remained relatively solid, investment-grade bonds posted flat returns, and high-yield bonds declined slightly. Recent sell-offs in risk assets have flattened asset returns along the risk spectrum somewhat, which bears further scrutiny in the months ahead.

In response to rising growth and inflation, the U.S. Federal Reserve (the Fed) increased short-term interest rates four times during the reporting period. The Fed also continued to reduce its balance sheet, gradually reversing the unprecedented stimulus measures it enacted after the financial crisis. By our estimation, the Fed s neutral interest rate, or the theoretical rate that is neither stimulative nor restrictive to the economy, is approximately 3.0%. With that perspective, the Fed s current policy is still mildly stimulative to the U.S. economy, which leaves room for further Fed rate hikes to arrive at monetary policy that is a neutral factor for economic growth.

Volatility in the U.S. equity market spiked in October, as a wide range of risks were brought to bear on markets, ranging from rising interest rates and slowing global growth to heightened trade tensions and political turmoil in several countries, including the United States. This was accompanied by a broad based risk-off in December which was the worst December performance on record since 1931. Although fears of recession drove equity volatility higher at the end of 2018, we continue to believe the probability of recession in 2019 remains relatively low.

Economic growth and global earnings are likely to slow somewhat in 2019 the tax cut stimulus will be less pronounced, and the Fed s rate hikes in 2018 will gain traction in 2019. Trade frictions look more baked into asset prices than a year ago, but markets may be overlooking European political risks. Consequently, we are cautious on European equities, as European unity remains tenuous with a history of flare-ups. We continue to prefer to take risk in U.S. and emerging market equities. Within U.S. equities, we believe that companies with high-quality earnings and strong balance sheets offer the most attractive risk/reward trade-off. Going into 2019, we also favor short-term bonds over long-term bonds because they offer nearly equivalent yields with far lower volatility.

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** 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 December 31, 2018

	6-month	**12-month**
U.S. large cap equities (S&P 500® Index)	(6.85)%	(4.38)%
U.S. small cap equities (Russell 2000® Index)	(17.35)	(11.01)
International equities (MSCI Europe, Australasia, Far East Index)	(11.35)	(13.79)
Emerging market equities (MSCI Emerging Markets Index)	(8.48)	(14.57)
3-month Treasury bills (ICE BofAML 3-Month U.S. Treasury Bill Index)	1.06	1.87
U.S. Treasury securities (ICE BofAML 10-Year U.S. Treasury Index)	2.72	(0.03)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	1.65	0.01
Tax-exempt municipal bonds (S&P Municipal Bond Index)	1.38	1.36
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	(2.24)	(2.08)

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.

December 31, 2018

	Total Fiscal Year to Date Cumulative Distributions by Character					Percentage of Fiscal Year to Date Cumulative Distributions by Character				
	Net Investment Income	*Net Realized Capital Gains Short Term*	*Net Realized Capital Gains Long Term*	*Return of Capital*	*Total Per Common Share*	*Net Investment Income*	*Net Realized Capital Gains Short Term*	*Net Realized Capital Gains Long Term*	*Return of Capital*	*Total Per Common Share*
EGF	$ 0.324496	$	$	$ 0.167504	$ 0.492000	66%	%	%	34%	100%

The Fund estimates that it has distributed more than the amount of earned income and net realized gains; therefore, a portion of the 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.

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 December 31, 2018 ($12.98)[a]	3.79%
Current Monthly Distribution per Common Share[b]	$0.0410
Current Annualized Distribution per Common Share[b]	$0.4920
Economic Leverage as of December 31, 2018[c]	18%

[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

	12/31/18	*12/31/17*	*Change*	*High*	*Low*
Market Price	$ 12.98	$ 13.40	(3.13)%	$ 13.53	$ 12.60
Net Asset Value	13.48	13.96	(3.44)	13.96	13.43

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

Performance and Portfolio Management Commentary

Returns for the 12-month period ended December 31, 2018 were as follows:

	Average Annual Total Returns		
	1 Year	*3 Years*	*5 Years*
Fund at NAV[(a)(b)]	0.27%	1.84%	1.79%
Fund at Market Price[(a)(b)]	0.59	2.12	2.68
Reference Benchmarks:			
ICE BofAML 1-3 Year U.S. Treasury Index[(c)]	1.58	0.96	0.81
FTSE Government/Mortgage Index[(d)]	0.94	1.51	2.18

(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 narrowed 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 allocation to agency mortgage-backed securities, including collateralized mortgage obligations, specified pools, and 15-year and 30-year pass-throughs, contributed to performance. Positions in U.S. Treasuries and commercial mortgage-backed securities also contributed positively.

Capital securities were the largest detractor from performance for the period, followed by foreign currency positions. (Capital securities are dividend-paying securities that combine some features of both corporate bonds and preferred stocks, while generally providing higher yields to compensate for being less senior in the issuers capital structures.)

The Fund utilized derivative strategies through the use of options and financial futures contracts to manage the risk of its positions in U.S. Treasuries, as well as a means to manage duration, yield spread exposure and yield curve positioning, which contributed to performance. (Duration is a measure of interest rate sensitivity.) The Fund also employed foreign currency transactions, which detracted from Fund performance.

Describe recent portfolio activity.

Over the course of 2018, the Fund purchased U.S. Treasury securities and used swaptions to generate incremental yield. In the beginning of the year, markets were supported by positive sentiment and expectations for strong global growth. However, as market volatility picked up and the investment environment became increasingly challenging in February, the Fund sought to reduce risk by decreasing its weightings in corporates and securitized sectors and rotating the proceeds into government issues. In addition, the Fund increased the portfolio s duration.

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.

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.

Overview of the Fund s Total Investments

PORTFOLIO COMPOSITION

Asset Type	*12/31/18*	*12/31/17*
U.S. Government Sponsored Agency Securities	52%	52%
U.S. Treasury Obligations	43	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]

Credit Rating	*12/31/18*	*12/31/17*
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.

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Fund is permitted to issue debt up to 33⅓% 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.

Schedule of Investments | **BlackRock Enhanced Government Fund, Inc. (EGF)**

December 31, 2018 | **(Percentages shown are based on Net Assets)**

Security	*Par (000)*	*Value*
Asset-Backed Securities 2.0%		
Securitized Asset Backed Receivables LLC Trust[(a)]:		
Series 2005-OP1, Class M2, (1 mo. LIBOR US + 0.45%), 3.18%, 01/25/35	$ 449	$ 440,874
Series 2005-OP2, Class M1, (1 mo. LIBOR US + 0.43%), 2.94%, 10/25/35	999	986,969
Total Asset-Backed Securities 2.0%		
(Cost $1,379,425)		1,427,843
Non-Agency Mortgage-Backed Securities 0.2%		
Collateralized Mortgage Obligations 0.1%		
Bank of America Mortgage Trust, Series 2003-J, Class 2A1, 4.68%, 11/25/33[(b)]	61	61,660
Bear Stearns ALT-A Trust, Series 2004-13, Class A1, (1 mo. LIBOR US + 0.37%), 3.25%, 11/25/34[(a)]	24	23,647
		85,307
Interest Only Collateralized Mortgage Obligations 0.1%		
CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 05/25/37	151	34,063
Total Non-Agency Mortgage-Backed Securities 0.2%		
(Cost $97,268)		119,370
Preferred Securities 2.5%		
Capital Trust 2.5%		
Electric Utilities 2.5%		
PPL Capital Funding, Inc., Series A, 5.47%[(c)]	2,000	1,730,000
Total Preferred Securities 2.5%		
(Cost $1,980,520)		1,730,000
U.S. Government Sponsored Agency Securities 64.0%		
Agency Obligations 10.0%		
Fannie Mae Mortgage-Backed Securities, 4.50%, 02/01/46	3,368	3,526,953
Federal Farm Credit Bank, 4.55%, 06/08/20	3,500	3,598,661
		7,125,614
Collateralized Mortgage Obligations 2.5%		
Freddie Mac Mortgage-Backed Securities, Series 4480, Class ZX, 4.00%, 11/15/44	719	735,344
Ginnie Mae Mortgage-Backed Securities, Series 2006-3, Class C, 5.24%, 04/16/39[(b)]	1,050	1,049,560

				1,784,904
Interest Only Collateralized Mortgage Obligations 1.2%				
Fannie Mae Mortgage-Backed Securities:				
Series 2012-96, Class DI, 4.00%, 02/25/27		757		50,957
Series 2012-47, Class NI, 4.50%, 04/25/42		979		213,415
Ginnie Mae Mortgage-Backed Securities:				
Series 2006-30, Class IO, 2.39%, 05/16/46[b]		206		11,989
Series 2009-78, Class SD, (1 mo. LIBOR + 6.20%), 3.73%, 09/20/32[a]		1,007		94,944
Series 2009-116, Class KS, (1 mo. LIBOR + 6.47%), 4.01%, 12/16/39[a]		282		36,031
Series 2011-52, Class NS, (1 mo. LIBOR + 6.67%), 4.21%, 04/16/41[a]		2,873		455,689
				863,025
Mortgage-Backed Securities 50.3%				
Fannie Mae Mortgage-Backed Securities:				
2.50%, 10/01/28		3,652		3,603,563
3.00%, 03/01/43		5,436		5,338,491

Security		*Par (000)*		*Value*
Mortgage-Backed Securities (continued)				
3.50%, 08/01/44	$	2,766	$	2,779,409
4.00%, 10/01/24 - 02/01/41		7,295		7,501,785
4.50%, 04/01/39 - 08/01/40		5,066		5,292,143
5.00%, 11/01/33 - 02/01/40		2,495		2,652,086
5.50%, 10/01/23 - 09/01/36		2,124		2,285,219
6.00%, 02/01/36 - 03/01/38		323		349,983
Freddie Mac Mortgage-Backed Securities:				
3.50%, 08/01/33 - 01/01/46		5,618		5,674,911
4.50%, 05/01/34		144		149,471
Ginnie Mae Mortgage-Backed Securities, 5.00%, 11/15/35		4		4,412
				35,631,473
Total U.S. Government Sponsored Agency Securities 64.0% (Cost $44,560,397)				45,405,016
U.S. Treasury Obligations 51.9%				
U.S. Treasury Bonds, 3.00%, 08/15/48		5,100		5,075,894
U.S. Treasury Notes:				
2.63%, 07/31/20[d]		14,800		14,817,922
2.75%, 08/15/21		6,500		6,543,926
2.75%, 07/31/23		500		505,332
2.88%, 07/31/25[d]		9,700		9,869,750
Total U.S. Treasury Obligations 51.9% (Cost $36,699,066)				36,812,824
Total Long-Term Investments 120.6% (Cost $84,716,676)				85,495,053

	Shares	
Short-Term Securities 1.8%		
BlackRock Liquidity Funds, T-Fund, Institutional Class, 2.32%[e][f]	1,277,564	1,277,564
Total Short-Term Securities 1.8%		
(Cost $1,277,564)		1,277,564
Total Investments Before Options Written 122.4%		
(Cost $85,994,240)		86,772,617
Options Written (0.4)%		
(Premiums Received $229,000)		(287,699)
Total Investments, Net of Options Written 122.0%		
(Cost $85,765,240)		86,484,918
Liabilities in Excess of Other Assets (22.0)%		(15,583,464)
Net Assets 100.0%		$ 70,901,454

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

[e] Annualized 7-day yield as of period end.

Schedule of Investments (continued) **BlackRock Enhanced Government Fund, Inc. (EGF)**

December 31, 2018

(f) During the year ended December 31, 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 12/31/18*	*Value at 12/31/18*	*Income*	*Net Realized Gain (Loss)* (a)	*Change in Unrealized Appreciation (Depreciation)*
BlackRock Liquidity Funds, T-Fund, Institutional Class	1,981,656	(704,092)	1,277,564	$ 1,277,564	$ 24,578	$	$

(a) Includes net capital gain distributions, if applicable.

Reverse Repurchase Agreements

rparty	*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 Agreem*
Suisse ies LLC	3.65%	11/20/18	Open	$ 7,537,500	$ 7,557,483	U.S. Treasury Obligations	Open/Demand
Suisse ies LLC	3.65	11/29/18	Open	8,060,000	8,077,362	U.S. Treasury Obligations	Open/Demand
				$ 15,597,500	$ 15,634,845		

(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	*Currency Sold*	*Counterparty*	*Settlement Date*	*Unrealized Appreciation (Depreciation)*

AUD	420,000	CAD	402,982	State Street Bank and Trust Co.	03/20/19	$ 503
CHF	300,000	NOK	2,621,998	Natwest Markets PLC	03/20/19	3,137
EUR	260,000	NOK	2,557,394	Royal Bank of Canada	03/20/19	3,042
JPY	67,187,280	USD	600,000	Citibank N.A.	03/20/19	16,566
NZD	768,110	AUD	730,000	Citibank N.A.	03/20/19	1,397
NZD	980,230	AUD	930,000	Standard Chartered Bank	03/20/19	2,907
NZD	460,000	CAD	419,364	Bank of America N.A.	03/20/19	1,433
SEK	2,669,044	EUR	260,000	Goldman Sachs International	03/20/19	3,185
						32,170
AUD	1,660,000	NZD	1,769,673	Morgan Stanley & Co. International PLC	03/20/19	(18,641)
CAD	401,864	AUD	420,000	Bank of America N.A.	03/20/19	(1,324)
CAD	412,900	NZD	460,000	JPMorgan Chase Bank N.A.	03/20/19	(6,176)
EUR	260,000	SEK	2,672,717	Goldman Sachs International	03/20/19	(3,602)
NOK	2,546,773	CHF	300,000	Goldman Sachs International	03/20/19	(11,866)
NOK	2,513,719	EUR	260,000	Goldman Sachs International	03/20/19	(8,110)
USD	600,000	JPY	66,239,778	State Street Bank and Trust Co.	03/20/19	(7,871)
						(57,590)
	Net unrealized depreciation					$ (25,420)

OTC Interest Rate Swaptions Written

	Paid by the Fund		Received by the Fund			Expiration	Exercise	Notional	
	Rate	*Frequency*	*Rate*	*Frequency*	*Counterparty*	*Date*	*Rate*	*Amount* (000)	
st Rate Swap,	2.63%	Semi-annual	3-Month USD LIBOR, 2.81%	Quarterly	Citibank N.A.	01/30/19	2.63%	USD	19,000
st Rate Swap,	2.66	Semi-annual	6-Month USD LIBOR, 2.88%	Quarterly	Citibank N.A.	01/30/19	2.66	USD	30,000
est Rate 29	2.77	Semi-annual	3-Month USD LIBOR, 2.81%	Quarterly	Citibank N.A.	01/30/19	2.77	USD	7,500
est Rate 49	2.88	Semi-annual	3-Month USD LIBOR, 2.81%	Quarterly	Citibank N.A.	01/30/19	2.88	USD	3,750

Schedule of Investments (continued) **BlackRock Enhanced Government Fund, Inc. (EGF)**

December 31, 2018

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

	Swap Premiums Paid	*Swap Premiums Received*	*Unrealized Appreciation*	*Unrealized Depreciation*	*Value*
Options Written	$	$	$	$ (58,699)	$ (287,699)

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:

	Commodity Contracts	*Credit Contracts*	*Equity Contracts*	*Foreign Currency Exchange Contracts*	*Interest Rate Contracts*	*Other Contracts*	*Total*
Assets Derivative Financial Instruments							
Forward foreign currency exchange contracts							
Unrealized appreciation on forward foreign currency exchange contracts	$	$	$	$ 32,170	$	$	$ 32,170
Liabilities Derivative Financial Instruments							
Forward foreign currency exchange contracts							
Unrealized depreciation on forward foreign currency exchange contracts	$	$	$	$ 57,590	$	$	$ 57,590
Options written							
Options written at value					287,699		287,699
	$	$	$	$ 57,590	$ 287,699	$	$ 345,289

For year ended December 31, 2018, the effect of derivative financial instruments in the Statement of Operations was as follows:

	Commodity Contracts	*Credit Contracts*	*Equity Contracts*	*Foreign Currency Exchange Contracts*	*Interest Rate Contracts*	*Other Contracts*	*Total*
Net Realized Gain (Loss) from:							
Futures contracts	$	$	$	$	$ 15,909	$	$ 15,909
Forward foreign currency exchange contracts				(148,968)			(148,968)
Options purchased[(a)]				(433,602)			(433,602)
Options written				302,738	280,855		583,593
	$	$	$	$ (279,832)	$ 296,764	$	$ 16,932
Net Change in Unrealized Appreciation (Depreciation) on:							
Futures contracts	$	$	$	$	$ (3,108)	$	$ (3,108)
Forward foreign currency exchange contracts				(24,032)			(24,032)
Options written[(b)]					(62,968)		(62,968)
	$	$	$	$ (24,032)	$ (66,076)	$	$ (90,108)

(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	$ 143,076
Forward foreign currency exchange contracts:	
Average amounts purchased in USD	$ 5,695,709
Average amounts sold in USD	$ 6,179,459
Options:	
Average value of option contracts purchased	$ 203,926
Average value of option contracts written	$ 177,393
Average notional value of swaption contracts written	$ 73,812,500

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

December 31, 2018

Derivative Financial Instruments Offsetting as of Period End

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

	Assets	*Liabilities*
Derivative Financial Instruments:		
Forward foreign currency exchange contracts	$ 32,170	$ 57,590
Options		287,699
Total derivative assets and liabilities in the Statement of Assets and Liabilities	$ 32,170	$ 345,289

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

Counterparty	*Derivative Assets Subject to an MNA by Counterparty*	*Derivatives Available for Offset* (a)	*Non-cash Collateral Received*	*Cash Collateral Received*	*Net Amount of Derivative Assets* (b)
Bank of America N.A.	$ 1,433	$ (1,324)	$	$	$ 109
Citibank N.A.	17,963	(17,963)			
Goldman Sachs International	3,185	(3,185)			
Natwest Markets PLC	3,137				3,137
Royal Bank of Canada	3,042				3,042
Standard Chartered Bank	2,907				2,907
State Street Bank and Trust Co.	503	(503)			
	$ 32,170	$ (22,975)	$	$	$ 9,195

Counterparty	*Derivative Liabilities Subject to an MNA by Counterparty*	*Derivatives Available for Offset* (a)	*Non-cash Collateral Pledged*	*Cash Collateral Pledged*	*Net Amount of Derivative Liabilities* (c)
Bank of America N.A.	$ 1,324	$ (1,324)	$	$	$
Citibank N.A.	287,699	(17,963)			269,736
Goldman Sachs International	23,578	(3,185)			20,393
JPMorgan Chase Bank N.A.	6,176				6,176
Morgan Stanley & Co. International PLC	18,641				18,641
State Street Bank and Trust Co.	7,871	(503)			7,368

$ 345,289	$ (22,975)	$	$	$ 322,314

[(a)] The amount of derivatives available for offset is limited to the amount of derivative assets 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.

December 31, 2018

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:

	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities	$	$ 1,427,843	$	$ 1,427,843
Non-Agency Mortgage-Backed Securities		119,370		119,370
Preferred Securities		1,730,000		1,730,000
U.S. Government Sponsored Agency Securities		45,405,016		45,405,016
U.S. Treasury Obligations		36,812,824		36,812,824
Short-Term Securities	1,277,564			1,277,564
	$ 1,277,564	$ 85,495,053	$	$ 86,772,617
Derivative Financial Instruments[(a)]				
Assets:				
Forward foreign currency contracts	$	$ 32,170	$	$ 32,170
Liabilities:				
Forward foreign currency contracts		(57,590)		(57,590)
Interest rate contracts		(287,699)		(287,699)
	$	$ (313,119)	$	$ (313,119)

(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 $15,634,845 are categorized as level 2 within the disclosure hierarchy.

During the year ended December 31, 2018, there were no transfers between levels.

See notes to financial statements.

Statement of Assets and Liabilities

December 31, 2018

	EGF
ASSETS	
Investments at value unaffiliated (cost $84,716,676)	$ 85,495,053
Investments at value affiliated (cost $1,277,564)	1,277,564
Foreign currency at value (cost $506,137)	502,514
Receivables:	
Interest unaffiliated	569,091
Options written	229,000
Dividends affiliated	3,517
Unrealized appreciation on forward foreign currency exchange contracts	32,170
Prepaid expenses	528
Total assets	88,109,437
LIABILITIES	
Options written at value (premiums received $229,000)	287,699
Reverse repurchase agreements at value	15,634,845
Payables:	
Income dividend distributions	215,705
Other accrued expenses	69,648
Options written	898,000
Investment advisory fees	40,354
Principal paydowns	2,389
Directors and Officer s fees	1,753
Unrealized depreciation on forward foreign currency exchange contracts	57,590
Total liabilities	17,207,983
NET ASSETS	$ 70,901,454
NET ASSETS CONSIST OF	
Paid-in capital	$ 91,364,481
Accumulated loss	(20,463,027)
NET ASSETS	$ 70,901,454
NET ASSET VALUE	
Based on net assets of $70,901,454 and 5,261,096 shares outstanding, 200 million shares authorized, $0.10 par value	$ 13.48

See notes to financial statements.

Statement of Operations

Year Ended December 31, 2018

	EGF
INVESTMENT INCOME	
Interest unaffiliated	$ 2,619,065
Dividends affiliated	24,578
Total investment income	2,643,643
EXPENSES	
Investment advisory	772,071
Professional	51,964
Transfer agent	28,718
Printing	21,067
Repurchase offer	19,908
Custodian	18,608
Accounting services	13,269
Registration	9,422
Directors and Officer	7,249
Miscellaneous	39,789
Total expenses excluding interest expense	982,065
Interest expense	222,852
Total expenses	1,204,917
Less fees waived and/or reimbursed by the Manager	(273,531)
Total expenses after fees waived and/or reimbursed	931,386
Net investment income	1,712,257
REALIZED AND UNREALIZED GAIN (LOSS)	
Net realized gain (loss) from:	
Investments unaffiliated	(1,536,994)
Futures contracts	15,909
Forward foreign currency exchange contracts	(148,968)
Foreign currency transactions	229,548
Options written	583,593
	(856,912)

Net change in unrealized appreciation (depreciation) on:	
Investments unaffiliated	(913,483)
Futures contracts	(3,108)
Forward foreign currency exchange contracts	(24,032)
Foreign currency translations	(17,917)
Options written	(62,968)
	(1,021,508)
Net realized and unrealized loss	(1,878,420)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ (166,163)

See notes to financial statements.

Statements of Changes in Net Assets

	EGF Year Ended December 31,	
	2018	2017
INCREASE (DECREASE) IN NET ASSETS		
OPERATIONS		