FIRST TRUST MORTGAGE INCOME FUND
Form N-CSR
January 06, 2016

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 811-21727

First Trust Mortgage Income Fund
(Exact name of registrant as specified in charter)

120 East Liberty Drive, Suite 400
Wheaton, IL 60187
(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.
First Trust Portfolios L.P.
120 East Liberty Drive, Suite 400
Wheaton, IL 60187
(Name and address of agent for service)

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

Date of fiscal year end: October 31

Date of reporting period: October 31, 2015

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

FIRST TRUST BROOKFIELD

FIRST TRUST MORTGAGE INCOME FUND (FMY)

ANNUAL REPORT
FOR THE YEAR ENDED
OCTOBER 31, 2015

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FIRST TRUST MORTGAGE INCOME FUND (FMY)
ANNUAL REPORT
OCTOBER 31, 2015

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding the goals, beliefs, plans or current expectations of First Trust Advisors L.P. ("First Trust" or the "Advisor") and/or Brookfield Investment Management Inc. ("Brookfield" or the "Sub-Advisor") and their respective representatives, taking into account the information currently available to them. Forward-looking statements include all statements that do not relate solely to current or historical fact. For example, forward-looking statements include the use of words such as "anticipate," "estimate," "intend," "expect," "believe," "plan," "may," "should," "would" or other words that convey uncertainty of future events or outcomes.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of First Trust Mortgage Income Fund (the "Fund") to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. When evaluating the information included in this report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of the Advisor and/or Sub-Advisor and their respective representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

PERFORMANCE AND RISK DISCLOSURE

There is no assurance that the Fund will achieve its investment objectives. The Fund is subject to market risk, which is the possibility that the market values of securities owned by the Fund will decline and that the value of the Fund shares may therefore be less than what you paid for them. Accordingly, you can lose money by investing in the Fund. See "Risk Considerations" in the Additional Information section of this report for a discussion of certain other risks of investing in the Fund.

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month-end performance figures, please visit http://www.ftportfolios.com or speak with your financial advisor. Investment returns, net asset value and common share price will fluctuate and Fund shares, when sold, may be worth more or less than their original cost.

The Advisor may also periodically provide additional information on Fund performance on the Fund's webpage at http://www.ftportolios.com.

HOW TO READ THIS REPORT

This report contains information that may help you evaluate your investment in the Fund. It includes details about the Fund and presents data and analysis that provide insight into the Fund's performance and investment approach.

By reading the portfolio commentary by the portfolio management team of the Fund, you may obtain an understanding of how the market environment affected the Fund's performance. The statistical information that follows may help you understand the Fund's performance compared to that of relevant market benchmarks.

It is important to keep in mind that the opinions expressed by personnel of Brookfield are just that: informed opinions. They should not be considered to be promises or advice. The opinions, like the statistics, cover the period through the date on the cover of this report. The material risks of investing in the Fund are spelled out in the prospectus, the statement of additional information, this report and other Fund regulatory filings.

SHAREHOLDER LETTER

FIRST TRUST MORTGAGE INCOME FUND (FMY)
ANNUAL LETTER FROM THE CHAIRMAN AND CEO
OCTOBER 31, 2015

Dear Shareholders:

Thank you for your investment in First Trust Mortgage Income Fund (the "Fund").

First Trust Advisors L.P. ("First Trust") is pleased to provide you with the annual report which contains detailed information about your investment for the 12 months ended October 31, 2015, including a market overview and a performance analysis for the period. We encourage you to read this report and discuss it with your financial advisor.

U.S. markets, fueled by accelerating growth and an accommodating Federal Reserve, enjoyed a prosperous year in 2014. However, most of 2015 has been volatile. Economic and global factors, such as the continued conflict in the Middle East, a sharp decline in oil prices and terrorism around the world, have impacted U.S. and global markets. Another factor that has weighed upon U.S. markets for most of the year is the fact that many economists had predicted that the Federal Reserve would begin to raise interest rates in 2015, which has still not happened.

As I have written previously, First Trust believes investors should maintain perspective about the markets and have realistic expectations about their investments. Markets will always go up and down, but we believe that having a long-term investment horizon and being invested in quality products can help you reach your goals.

Thank you for giving First Trust the opportunity to be a part of your investment plan. We value the relationship and will continue to focus on our disciplined investment approach and long-term perspective to help investors reach their financial goals.

Sincerely,

/s/ James A. Bowen

James A. Bowen
Chairman of the Board of Trustees
Chief Executive Officer of First Trust Advisors L.P.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
"AT A GLANCE"
AS OF OCTOBER 31, 2015 (UNAUDITED)

FUND STATISTICS	
Symbol on New York Stock Exchange	FMY
Common Share Price	$14.58
Common Share Net Asset Value ("NAV")	$16.05
Premium (Discount) to NAV	(9.16)%
Net Assets Applicable to Common Shares	$67,639,281
Current Monthly Distribution per Common Share (1)	$0.085
Current Annualized Distribution per Common Share	$1.020
Current Distribution Rate on Closing Common Share Price (2)	7.00%
Current Distribution Rate on NAV (2)	6.36%

COMMON SHARE PRICE & NAV (WEEKLY CLOSING PRICE)

	Common Share Price	NAV
10/14	15.12	17.02
	15.06	16.94

	14.99	16.94
	14.97	16.93
11/14	15.10	16.92
	15.05	16.91
	14.92	16.83
	14.92	16.77
12/14	14.94	16.79
	14.85	16.71
	14.94	16.65
	14.87	16.56
	14.79	16.56
1/15	14.86	16.53
	14.72	16.59
	14.89	16.66
	14.90	16.66
2/15	14.81	16.65
	14.64	16.68
	14.58	16.66
	14.77	16.57
3/15	14.75	16.57
	14.91	16.51
	14.73	16.55
	14.78	16.51
4/15	14.82	16.51
	14.87	16.51
	14.75	16.54
	14.75	16.58
	14.74	16.59
5/15	14.73	16.53
	14.51	16.54
	14.50	16.51
	14.35	16.47
6/15	14.19	16.52
	14.18	16.44
	14.31	16.46
	14.45	16.44
	14.34	16.42
7/15	14.65	16.38
	14.61	16.28
	14.39	16.26
	14.40	16.22
8/15	14.42	16.24
	14.36	16.16
	14.38	16.17
	14.30	16.17
9/15	14.34	16.15
	14.38	16.04
	14.44	16.08
	14.55	16.04
	14.54	16.06
10/15	14.58	16.05

PERFORMANCE

		Average Annual Total Return		
	1 Year Ended 10/31/15	5 Years Ended 10/31/15	10 Years Ended 10/31/15	Inception (5/25/05) to 10/31/15

FUND PERFORMANCE (3)				
NAV	1.06%	4.57%	6.37%	6.24%
Market Value	3.34%	1.46%	6.93%	4.80%
INDEX PERFORMANCE				
Barclays Capital U.S. MBS:				
Agency Fixed Rate MBS Index	2.52%	2.86%	4.82%	4.58%

PORTFOLIO CHARACTERISTICS	
Weighted Average Duration	0.84
Weighted Average Life (Years)	5.51

ASSET CLASSIFICATION	% OF TOTAL INVESTMENTS
Mortgage-Backed Securities	79.74%
U.S. Government Agency Mortgage-Backed Securities	18.54
Asset-Backed Securities	1.72
Total	100.00%

SECURITY TYPE	% OF TOTAL INVESTMENTS
Adjustable Rate Securities	61.56%
Fixed Rate Securities	30.79
Interest Only Securities	7.65
Total	100.00%

CREDIT QUALITY (4)	% OF TOTAL FIXED-INCOME INVESTMENTS
AAA	27.37%
AA+	18.03
AA	3.58
AA-	11.07
A+	11.22
A	3.16
BBB	0.32
BBB-	0.77
BB+	0.78
BB	3.38
BB-	0.67
B	1.55
B-	1.01

CCC	8.07
CCC-	0.14
CC	6.66
D	2.15
NR	0.07
Total	100.00%

(1) Most recent distribution paid or declared through 10/31/2015. Subject to change in the future.

(2) Distribution rates are calculated by annualizing the most recent distribution paid or declared through the report date and then dividing by Common Share Price or NAV, as applicable, as of 10/31/2015. Subject to change in the future.

(3) Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per share for NAV returns and changes in Common Share Price for market value returns. Total returns do not reflect sales load and are not annualized for periods of less than one year. Past performance is not indicative of future results.

(4) The credit quality information presented reflects the ratings assigned by one or more nationally recognized statistical rating organizations (NRSROs), including Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc., Moody's Investors Service, Inc., Fitch Ratings, DBRS, Inc., Kroll Bond Rating Agency, Inc., Morningstar Credit Ratings, LLC, or a comparably rated NRSRO. For situations in which a security is rated by more than one NRSRO and ratings are not equivalent, the highest rating is used. Sub-investment grade ratings are those rated BB+/Ba1 or lower. Investment grade ratings are those rated BBB-/Baa3 or higher. The credit ratings shown relate to the creditworthiness of the issuers of the underlying securities in the Fund, and not to the Fund or its shares. Credit ratings are subject to change.

NR Not Rated

PORTFOLIO COMMENTARY

FIRST TRUST MORTGAGE INCOME FUND (FMY)
ANNUAL REPORT
OCTOBER 31, 2015

SUB-ADVISOR

Brookfield Investment Management Inc. (the "Sub-Advisor") is a registered investment advisor providing public securities strategies including global listed real estate and infrastructure equities as well as corporate credit and securitized credit. With over $17 billion of assets under management as of September 30, 2015, the Sub-Advisor manages institutional separate accounts, registered funds and other investment products for clients, including financial institutions, public and private pension plans, insurance companies, endowments and foundations, sovereign wealth funds and high net-worth investors. Headquartered in New York, NY, the Sub-Advisor and its affiliates also maintain offices in Boston, Chicago, London and Toronto.

The Sub-Advisor is an indirect wholly-owned subsidiary of Brookfield Asset Management, Inc., a leading global alternative asset manager with over $200 billion of assets under management as of September 30, 2015.

PORTFOLIO MANAGEMENT TEAM

ANTHONY BREAKS, CFA - SENIOR DIRECTOR
CHRIS WU - DIRECTOR

COMMENTARY

FIRST TRUST MORTGAGE INCOME FUND

The Fund's primary investment objective is to seek a high level of current income. As a secondary objective, the Fund seeks to preserve capital. The Fund pursues its objectives by investing primarily in mortgage-backed securities ("MBS") representing part ownership in a pool of either residential or commercial mortgage loans that, in the opinion of the Fund's Sub-Advisor, offer an attractive combination of credit quality, yield and maturity. There can be no assurance the Fund will achieve its investment objectives. The Fund may not be appropriate for all investors.

MARKET RECAP AND OUTLOOK

The lower, longer view for future interest rates continues to remain in vogue. The Federal Reserve Open Markets Committee (the "Fed") continues to leave the federal funds rate unchanged at zero basis points to 25 basis points. After a hold-off on an increase in September, we believe the market is now anticipating that the Fed will lift the federal funds rate in December 2015 after a very strong payroll report for October. We expect a measured pace for future increases, given the backdrop of a weak global economy and a strengthening U.S. dollar. We also expect that the long end of the yield curve will rise more slowly than the front end.

For the consumer, gas prices remain low, and at the lower end of the labor market there appears to be signs of wage inflation. These are positive fundamental indicators for consumer and mortgage related securities, in our opinion.

In our view, with the support of some good, although not great, economic data, a forward view for interest rates of "lower, longer," is more likely to mean a lower than expected limit to the long end of the yield curve as opposed to zero short-term interest rates for a prolonged period of time. We continue to see forward rate expectations remain low which has held back some of the potential for price appreciation and performance, given many of our securities are indexed to floating-rate benchmarks.

Over the past year, the interest rate curve, as measured by the difference between the 2-year U.S. Treasury and the 10-year U.S. Treasury, has flattened by approximately 45 basis points. With the U.S. 10-year yield reaching 2.14% in October, interest rates are back to the lower end of the market's expected range.

Residential mortgage loan delinquency rates have also continued to decline. According to the Mortgage Bankers Association, the total delinquency rate as of the second quarter of 2015 was 5.30%. The delinquency rate decreased for the seventh consecutive quarter and reached the lowest level since the third quarter of 2007. This level is down nearly 50% from the peak of 2010, and Commercial Mortgage-Backed Securities' ("CMBS") delinquency rates are also down, now 5.3%, according to Trepp, a real estate research firm, which is half of the 10.6% peak seen in 2012. Interestingly the residential delinquency rates and the commercial delinquency rates are at about the same level, and declining apace.

Residential mortgage credit provision remains quite limited due to regulatory obstacles. Outside of Agency guaranteed mortgage instruments, there has been little MBS issuance. With the upcoming implementation of new mortgage disclosure requirements, we believe origination is likely to slow down, as banks and lenders acclimate to the new rules. Most mainstream mortgage loans continue to find a home on bank balance sheets, given the preferential regulatory treatment for cleaner, larger balance mortgage loans. This lack of supply continues to provide a supportive technical backdrop for MBS generally and for Non-Agency MBS specifically. Additionally, annualized price volatility has declined significantly, thereby expanding the buyer base.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
ANNUAL REPORT
OCTOBER 31, 2015

In our view, the limited access to mortgage credit is the most important argument supporting the idea that home prices are nowhere near bubble territory. Regulation, litigation and other issues all continue to limit access to mortgages and continue to weigh on housing metrics like new home sales. While many housing measures have remained weak, data related to housing supply has been very strong, as trends like limited building, reduction in distressed inventory and low levels of housing supply generally have contributed to home price index increases. Home prices, as measured by the CoreLogic Home Price Index, have continued to increase. CoreLogic's index, including distressed sales, increased 7.7% in 2015 through October 31. Notably, this is ahead of most expectations. On the residential side, household net worth has improved which provides support to the economy. An increase in home price results in lower loan-to-value ratio, which helps a borrower to re-gain lost equity, and to come closer to meeting standards required to refinance at the low rates available. Higher leverage has been an impediment to both refinancing and to relocate so lower loan-to-value ratios can result in higher prepayment speed. Given current conditions, we anticipate home prices will to continue to improve in 2016, albeit at a more stable 4% to 5% per annum rate.

The commercial real estate market is quite different than the residential market. While residential real estate and the U.S. consumer are now stabilizing after deleveraging, commercial real estate is in a re-leveraging cycle. The RCA Commercial Property Price Index, tracking major markets across the United States, shows a significant 15% increase in value year-over-year as of September 30, 2015, the same as last year. The influx of foreign money for commercial real-estate in top tier markets has been tremendous, pushing these markets well above the pre-crisis peak in prices. We believe this trend may continue, given the strength of the U.S. dollar, however the offset is that a great amount of real estate capital came from sovereign wealth funds that swelled when oil prices were over $100. With lower oil prices, these capital flows may be lower.

Credit is readily available for commercial properties and access to credit is expanding along with the allowed leverage. Today is the day when it is again important to take stock of risk and how risk is priced, in our opinion. We believe the pricing for risk may not be adequate for more subordinated securities in the more recently issued multi-borrower CMBS deals, particularly given a market that is well into a re-leveraging phase. In fact, many of these subordinated securities have widened 100 basis points to 200 basis points in 2015. That said, we believe more generous terms of credit are likely to facilitate refinancing of more seasoned loans with a higher degree of leverage, which we believe should benefit the Fund's seasoned CMBS holdings.

We continue to adopt a methodical approach to adding securities and adjusting the Fund's exposure to benefit from market conditions and believe the Fund's scale within the market is appropriate to capture security-specific opportunities. We believe the Fund's holdings will continue to benefit from solid fundamental improvements playing their way through loan performance and cash flows in both the commercial and residential mortgage markets.

PERFORMANCE ANALYSIS

For the 12 month period ended October 31, 2015, the Fund had a total return1 of 1.06% based on net asset value ("NAV"). For the period, the Fund traded from a discount to NAV of -11.16% to a discount to NAV of -9.16%, resulting in a total return1 of 3.34% based on market price. During the period, the Fund's benchmark, the Barclays Capital U.S. MBS: Agency Fixed Rate MBS Index returned 2.52%.

All of the Fund's sectors rallied during the period with the exception of Agency MBS derivatives, which reflected lower long-term interest rates. MBS remains one of the widest spread assets in fixed-income, especially the non-Agency Residential Mortgage-Backed Securities ("RMBS") and CMBS sectors. With interest rates remaining low and competing investment-grade spreads remaining tight, this advantage becomes especially attractive. The other advantage we see in these sectors is that a substantial fraction carries a floating-rate coupon. Many investors are trying to limit their exposure to fixed rates, which may underperform in a rising-rate environment. For below investment-grade mortgage bonds, fundamental improvements and stronger economic data has pushed prices higher.

Agency MBS holdings in the Fund returned 0.12%, underperforming the Agency Fixed Rate MBS Index. Among the fund's Agency MBS holdings are about 7% of Agency Interest Only ("IO") securities which we use to hedge against an interest rate rise. The valuation of IO securities was negatively impacted by falling interest rates as prepayment speeds rose, holding back the performance of Agency MBS holdings as a whole. The index, being unhedged, benefitted fully from the rate move.

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(1) Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per Common Share for NAV returns and changes in Common Share Price for market value returns and does not reflect sales load. Past performance is not indicative of future results.

PORTFOLIO COMMENTARY (CONTINUED)

FIRST TRUST MORTGAGE INCOME FUND (FMY)
ANNUAL REPORT
OCTOBER 31, 2015

The past several months proved to be very volatile for interest rates. The slowdown of China's economic growth and the one-time depreciation of Chinese currency triggered a sharp sell-off of global stock markets. Flight-to-safety trades drove 10-year Treasury rates from 2.35% down to almost 2%. The risk-off sentiment hit high-yield bonds particularly hard and also negatively affected MBS bonds that are viewed as risky assets, such as mezzanine CMBS, subprime, IOs and Inverse Interest Only ("IIO") securities.

Non-Agency securities, comprising more than 70% of the Fund, performed in the past year, generating about 132 basis points of gross return for the Fund as a whole. For Prime, Alternative A-pager ("Alt-A") and CMBS bond securities, much of this return came from high coupon based income offsetting prices that were mixed to lower. Subprime underperformed as it is more sensitive to risk sentiment and sold off along with other credit sensitive securities like high-yield bonds. While high-yield bonds have struggled for fundamental reasons, consumer credit is not facing the same headwinds. For this reason, we see subprime RMBS as attractive at these prices and are selectively adding to the Fund.

As of October 31, 2015, the Fund held 11% cash as a percentage of gross assets. The Fund's primary purchases over the year were investment-grade prime hybrid and subprime RMBS. With limited new issuance, particularly in RMBS, it has been challenging to source attractive investment-grade mortgage assets with sufficient income. For that reason, we have found CMBS especially attractive for the investment-grade portion of the portfolio, especially the lower leverage single-asset single-borrower transactions. Due to investment strategy changes that recently became effective, we have a larger universe of potential investment-grade assets and a larger potential allocation to below investment-grade bonds. We expect to invest a substantial portion of the cash in below investment-grade bonds in order to increase the Fund's income and use the additional flexibility in the investment-grade allocation to make income increasing trades where possible.

An important factor impacting the return of the Fund relative to its benchmark was the Fund's use of financial leverage through the use of reverse repurchase agreements. Please note that the Fund's benchmark does not utilize leverage. The Fund uses leverage because its managers believe that, over time, leverage provides opportunities for additional income for common shareholders. However, the use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by the Fund decline, the negative impact of the valuation changes on common share net asset value and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by the Fund generally are rising.

As of October 31, 2015, the Fund's leverage was relatively low at 7.3% of Managed Assets, given that the Fund may utilize leverage in an amount up to 33.33% of Managed Assets. Leverage contributed positively to the Fund's performance during the reporting period. Borrowing costs were approximately 46 basis points annualized, which is well below the returns we achieved on the

Agency Pools we borrowed against.

Reverse repurchase borrowing remains expensive for many of the Fund's target asset classes. For this reason, we may continue to employ leverage below its maximum or to choose alternative assets, such as agency guaranteed assets to use as collateral as we have been. Financing costs may also fall, thereby reversing this current dynamic. Where our overall budget for risk warrants it and when the return opportunities are compelling, we are likely to increase leverage in an attempt to improve returns. In periods of stability, this may be an especially important tool.

The Fund's portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation or solicitation for any person to buy, sell or hold any particular security. There is no assurance that the Fund currently holds these securities. These views represent the opinions of Brookfield Investment Management Inc. and are not intended to predict or depict the performance of any investment. These views are as of the close of business on October 31, 2015 and subject to change based on subsequent developments.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
PORTFOLIO OF INVESTMENTS
OCTOBER 31, 2015

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STAT MATUR
MORTGAGE-BACKED SECURITIES - 77.7%			
	COLLATERALIZED MORTGAGE OBLIGATIONS - 58.5%		
	Accredited Mortgage Loan Trust		
$ 498,198	Series 2003-2, Class A1............................	4.98%	10/01
	ACE Securities Corp. Home Equity Loan Trust		
1,160,481	Series 2006-ASAP6, Class A2D (a)....................	0.42%	12/25
	Banc of America Mortgage Trust		
56,219	Series 2002-L, Class 1A1 (a) (b)....................	2.38%	12/01
	Chase Mortgage Finance Trust		
356,435	Series 2007-A1, Class 1A3 (a).......................	2.64%	02/01
	Citigroup Mortgage Loan Trust		
971,243	Series 2012-7, Class 10A2 (a) (c)...................	2.74%	09/01
	Countrywide Alternative Loan Trust		
68,779	Series 2007-11T1, Class A37 (b) (d).................	38.84%	05/25
	Countrywide Home Loan Mortgage Pass-Through Trust		
859,088	Series 2003-46, Class 2A1 (a).......................	2.85%	01/01
493,761	Series 2006-21, Class A8............................	5.75%	02/01
821,312	Series 2006-HYB5, Class 3A1A (a)....................	2.71%	09/01
	Credit Suisse First Boston Mortgage Securities Corp.		
403,872	Series 2004-AR2, Class 1A1 (a) (b)..................	2.93%	03/01
1,121,058	Series 2004-AR8, Class 6A1 (a)......................	2.47%	09/01
	Credit Suisse Mortgage Trust		
978,000	Series 10-20R, Class 7A4 (a) (c)....................	3.50%	03/01
	DSLA Mortgage Loan Trust		
1,086,970	Series 2004-AR3, Class 2A2A (a).....................	0.57%	07/19

1,078,039	Series 2007-AR1, Class 2A1A (a).....................	0.34%	04/19
	GMAC Mortgage Corporation Loan Trust		
215,044	Series 2004-AR1, Class 22A (a)......................	3.09%	06/01
	GSR Mortgage Loan Trust		
330,182	Series 2005-AR1, Class 4A1 (a)......................	2.27%	01/01
	Harborview Mortgage Loan Trust		
666,421	Series 2004-6, Class 3A1 (a)........................	2.94%	08/01
	Home Equity Asset Trust		
520,000	Series 2005-9, Class M1 (a).........................	0.61%	04/25
	IXIS Real Estate Capital Trust		
1,257,690	Series 2007-HE1, Class A3 (a).......................	0.36%	05/25
	JP Morgan Mortgage Trust		
1,759,224	Series 2005-ALT1, Class 4A1 (a).....................	2.67%	10/01
919,261	Series 2006-A2, Class 4A1 (a).......................	2.72%	08/01
142,882	Series 2006-A2, Class 5A3 (a).......................	2.57%	11/01
	JP Morgan Re-REMIC		
849,836	Series 2009-7, Class 12A1 (c).......................	6.25%	01/01
	MASTR Asset Backed Securities Trust		
1,108,997	Series 2006-HE5, Class A3 (a).......................	0.36%	11/25
228,612	Series 2006-HE5, Class A4 (a) (b)...................	0.42%	11/25
1,610,166	Series 2006-NC2, Class A3 (a).......................	0.31%	08/25
734,964	Series 2006-NC2, Class A5 (a).......................	0.44%	08/25

FIRST TRUST MORTGAGE INCOME FUND (FMY)
PORTFOLIO OF INVESTMENTS (CONTINUED)
OCTOBER 31, 2015

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STAT MATUR
MORTGAGE-BACKED SECURITIES (CONTINUED)			
	COLLATERALIZED MORTGAGE OBLIGATIONS (CONTINUED)		
	Mellon Residential Funding Corp. Mortgage Pass-Through Trust		
$ 589,115	Series 2001-TBC1, Class A1 (a)......................	0.90%	11/15
541,302	Series 2002-TBC2, Class A (a).......................	1.06%	08/15
	Morgan Stanley Mortgage Loan Trust		
424,280	Series 2004-7AR, Class 2A6 (a)......................	2.51%	09/01
	Nomura Resecuritization Trust		
1,219,939	Series 15-6R, Class 2A4 (c).........................	7.93%	01/02
	Provident Funding Mortgage Loan Trust		
256,425	Series 2005-1, Class 1A1 (a)........................	2.49%	05/01
	Residential Accredit Loans, Inc.		
225,349	Series 2006-QO1, Class 2A1 (a)......................	0.47%	02/25
	Saxon Asset Securities Trust		
1,185,801	Series 2007-2, Class A2D (a)........................	0.50%	05/25
	Securitized Asset Backed Receivables LLC		
1,146,362	Series 2007-BR2, Class A2 (a).......................	0.43%	02/25
	Structured Adjustable Rate Mortgage Loan Trust		
674,836	Series 2004-2, Class 4A2 (a)........................	2.56%	03/01

	Thornburg Mortgage Securities Trust		
544,495	Series 2003-4, Class A1 (a).........................	0.84%	09/25
433,302	Series 2005-1, Class A3 (a).........................	2.22%	04/01
	Towd Point Mortgage Trust		
1,107,580	Series 15-2, Class 2A1 (a) (c)......................	3.75%	11/01
	Wachovia Mortgage Loan Trust, LLC		
473,819	Series 2006-A, Class 3A1 (a)........................	2.75%	05/01
	WaMu Mortgage Pass-Through Certificates		
299,975	Series 2003-AR5, Class A7 (a).......................	2.56%	06/01
751,097	Series 2004-AR1, Class A (a)........................	2.43%	03/01
805,140	Series 2004-AR10, Class A1B (a).....................	0.62%	07/25
629,791	Series 2004-AR13, Class A1A (a).....................	0.92%	11/25
859,168	Series 2005-AR1, Class A1A (a)......................	0.52%	01/25
1,211,019	Series 2005-AR11, Class A1A (a).....................	0.52%	08/25
88,868	Series 2005-AR2, Class 2A21 (a).....................	0.53%	01/25
1,116,377	Series 2005-AR6, Class 2A1A (a).....................	0.43%	04/25
513,051	Series 2005-AR9, Class A1A (a)......................	0.52%	07/25
844,068	Series 2006-AR2, Class 1A1 (a)......................	2.32%	03/01
	Washington Mutual Alternative Mortgage Pass-Through Certificates		
41,146	Series 2007-5, Class A11 (b) (d)....................	38.30%	06/25
	Washington Mutual MSC Mortgage Pass-Through Certificates		
586,674	Series 2004-RA1, Class 2A...........................	7.00%	03/01
	Wells Fargo Mortgage Backed Securities Trust		
604,872	Series 2003-H, Class A1 (a).........................	2.74%	09/01
424,890	Series 2004-A, Class A1 (a).........................	2.66%	02/01
1,577,163	Series 2004-R, Class 1A1 (a)........................	2.74%	09/01

FIRST TRUST MORTGAGE INCOME FUND (FMY)
PORTFOLIO OF INVESTMENTS (CONTINUED)
OCTOBER 31, 2015

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STAT MATUR
MORTGAGE-BACKED SECURITIES (CONTINUED)			
	COLLATERALIZED MORTGAGE OBLIGATIONS (CONTINUED)		
	Wells Fargo Mortgage Backed Securities Trust (Continued)		
$ 413,901	Series 2004-S, Class A1 (a).........................	2.73%	09/01
783,479	Series 2004-Y, Class 1A2 (a)........................	2.69%	11/01
399,393	Series 2005-AR10, Class 2A17 (a)....................	2.70%	06/01
861,269	Series 2005-AR16, Class 1A1 (a).....................	2.69%	08/01
405,246	Series 2005-AR3, Class 2A1 (a)......................	2.74%	03/01
627,906	Series 2005-AR8, Class 1A1 (a)......................	2.72%	06/01
822,695	Series 2006-AR10, Class 5A2 (a).....................	2.74%	07/01
275,819	Series 2007-16, Class 1A1...........................	6.00%	12/04
406,785	Series 2007-2, Class 1A13...........................	6.00%	03/01
101,858	Series 2007-8, Class 2A2............................	6.00%	07/01

	COMMERCIAL MORTGAGE-BACKED SECURITIES - 19.2%		
	Banc of America Commercial Mortgage Trust		
1,000,000	Series 2006-6, Class AJ..............................	5.42%	10/01
650,000	Series 2007-3, Class AJ, STRIP......................	5.73%	06/01
	Bayview Commercial Asset Trust		
675,625	Series 2004-2, Class A (a) (c)......................	0.63%	08/25
	BXHTL Mortgage Trust		
800,000	Series 2015-JWRZ, Class B (a) (c)...................	1.90%	05/15
	Carefree Portfolio Trust		
1,250,000	Series 2014-CARE, Class B (a) (c)...................	2.05%	11/15
	Citigroup Commercial Mortgage Trust		
1,525,000	Series 2014-388G, Class B (a) (c)...................	1.25%	06/15
	COMM Mortgage Trust		
1,000,000	Series 2014-KYO, Class B (a) (c)....................	1.50%	06/11
	Greenwich Capital Commercial Funding Corp.		
650,000	Series 2007-GG11, Class AJ, STRIP...................	6.05%	12/01
	Hudsons Bay Simon JV Trust		
510,000	Series 2015-HBFL, Class DFL (a) (c)................	3.85%	08/05
	Hyatt Hotel Portfolio Trust		
1,040,000	Series 2015-HYT, Class B (a) (c)....................	1.89%	11/15
	LB-UBS Commercial Mortgage Trust		
835,000	Series 2007-C1, Class AM............................	5.46%	02/11
440,000	Series 2007-C2, Class AM............................	5.49%	02/11
	UBS-Barclays Commercial Mortgage Trust		
15,244,145	Series 2013-C5, Class XA, IO (a) (c)................	1.09%	03/01
	VNDO Mortgage Trust		
990,000	Series 2012-6AVE, Class A (c).......................	3.00%	11/01
	Wachovia Bank Commercial Mortgage Trust		
650,000	Series 2007-C33, Class AJ, STRIP....................	5.95%	02/01

TOTAL MORTGAGE-BACKED SECURITIES..
(Cost $52,265,014)

 See Notes to Financial Statements

FIRST TRUST MORTGAGE INCOME FUND (FMY)
PORTFOLIO OF INVESTMENTS (CONTINUED)
OCTOBER 31, 2015

PRINCIPAL VALUE	DESCRIPTION	STATED COUPON	STAT MATUR
U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES - 18.0%			
	COLLATERALIZED MORTGAGE OBLIGATIONS - 7.0%		
	Federal Home Loan Mortgage Corp.		
$ 1,519,055	Series 2807, Class SB, IO (d).......................	7.25%	11/15
13,874	Series 3195, Class SX (b) (d).......................	44.88%	07/15
2,126	Series 3562, Class KI, IO (b).......................	4.50%	11/01

1,412,479	Series 3619, Class EI, IO (b)......................	4.50%	05/01
999,192	Series 3692, Class PS, IO (b) (d)..................	6.40%	05/15
2,806,778	Series 3726, Class KI, IO..........................	3.50%	04/01
2,068,794	Series 3870, Class WS, IO (d)......................	6.40%	06/15
1,450,718	Series 4206, Class IA, IO (b)......................	3.00%	03/01
	Federal National Mortgage Association		
508,581	Series 2005-122, Class SN (d)......................	27.81%	01/25
74,105	Series 2008-50, Class AI, IO (b)...................	5.50%	06/01
3,177,858	Series 2010-103, Class ID, IO (b)..................	5.00%	09/01
5,118,595	Series 2010-139, Class KI, IO (b)..................	1.09%	12/01
314,139	Series 2010-142, Class PS, IO (b) (d)..............	5.85%	05/25
755,408	Series 2010-145, Class TI, IO (b)..................	3.50%	12/01
1,708,368	Series 2010-40, Class MI, IO (b)...................	4.50%	08/01
3,438,290	Series 2012-112, Class BI, IO......................	3.00%	09/01
2,656,389	Series 2012-125, Class MI, IO (b)..................	3.50%	11/01
3,615,166	Series 2013-32, Class IG, IO (b)...................	3.50%	04/01
	Federal National Mortgage Association, STRIP		
2,161,024	Series 406, Class 6, IO (b)........................	4.00%	01/01
	Government National Mortgage Association		
557,241	Series 2009-65, Class NJ, IO (b)...................	5.50%	07/01
2,234,813	Series 2010-115, Class IQ, IO......................	4.50%	11/01
3,975,931	Series 2011-131, Class EI, IO......................	4.50%	08/01
107,636	Series 2011-69, Class CI, IO (b)...................	5.00%	03/01
	PASS-THROUGH SECURITIES - 11.0%		
	Fannie Mae REMICs		
919,284	Series 2005-83, Class LZ...........................	5.50%	10/01
	Federal Home Loan Mortgage Corp.		
1,000,000	Gold Pool..	3.50%	10/31
1,105,990	Pool A94738 (e)....................................	4.50%	11/01
749,490	Pool K36017 (e)....................................	5.00%	09/01
	Federal National Mortgage Association		
1,574,787	Pool 831145 (e)....................................	6.00%	12/01
1,438,575	Pool 843971 (e)....................................	6.00%	11/01
	TOTAL U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES......................		
	(Cost $17,205,994)		

ASSET-BACKED SECURITIES - 1.7%

	Green Tree Financial Corp.		
31,170	Series 1997-2, Class A6 (b)........................	7.24%	06/15

FIRST TRUST MORTGAGE INCOME FUND (FMY)
PORTFOLIO OF INVESTMENTS (CONTINUED)
OCTOBER 31, 2015

PRINCIPAL		STATED	STAT

VALUE	DESCRIPTION	COUPON	MATUR
ASSET-BACKED SECURITIES (CONTINUED)			
	Green Tree Financial Corp. (Continued)		
$ 48,237	Series 1997-3, Class A6 (b)........................	7.32%	03/15
47,414	Series 1997-7, Class A6 (b)........................	6.76%	07/15
	Mid-State Capital Corp. Trust		
543,298	Series 2004-1, Class M1............................	6.50%	08/01
387,643	Series 2005-1, Class A.............................	5.75%	01/01
	TOTAL ASSET-BACKED SECURITIES............ (Cost $1,170,563)		
	TOTAL INVESTMENTS - 97.4%............ (Cost $70,641,571) (f)		

PRINCIPAL VALUE	DESCRIPTION
REVERSE REPURCHASE AGREEMENTS - (7.8%)	
(3,383,000)	With JP Morgan 0.42% dated 10/05/15, to be repurchased at $3,384,144 on 11/03/15............
(1,926,000)	With JP Morgan 0.54% dated 09/09/15, to be repurchased at $1,928,600 on 12/08/15............
	TOTAL REVERSE REPURCHASE AGREEMENTS............
	NET OTHER ASSETS AND LIABILITIES - 10.4%............
	NET ASSETS - 100.0%............

(a) Floating or variable rate security. The interest rate shown reflects the rate in effect at October 31, 2015.

(b) Pursuant to procedures adopted by the Fund's Board of Trustees, this security has been determined to be illiquid by Brookfield Investment Management Inc. ("Brookfield"), the Fund's sub-advisor.

(c) This security, sold within the terms of a private placement memorandum, is exempt from registration upon resale under Rule 144A of the Securities Act of 1933, as amended, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. Pursuant to procedures adopted by the Fund's Board of Trustees, this security has been determined to be liquid by Brookfield. Although market instability can result in periods of increased overall market illiquidity, liquidity for each security is determined based on security specific factors and assumptions, which require subjective judgment. At October 31, 2015, securities noted as such amounted to $13,463,530, or 19.91% of net assets.

(d) Inverse floating rate instrument. The interest rate shown reflects the rate in effect at October 31, 2015.

(e) This security or a portion of this security is segregated as collateral for reverse repurchase agreements.

(f) Aggregate cost for federal income tax purposes is $69,356,936. As of October 31, 2015, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was $3,608,601 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was $7,060,765.

IO Interest-Only Security - Principal amount shown represents par value on which interest payments are based.

STRIP Separate Trading of Registered Interest and Principal of Securities

FIRST TRUST MORTGAGE INCOME FUND (FMY)
PORTFOLIO OF INVESTMENTS (CONTINUED)
OCTOBER 31, 2015

VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of October 31, 2015 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

ASSETS TABLE

INVESTMENTS	TOTAL VALUE AT 10/31/2015	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICA OBSERVABL INPUTS
Mortgage-Backed Securities........................	$ 52,550,481	$ --	$ 52,550,
U.S. Government Agency Mortgage-Backed Securities..	12,217,988	--	12,217,
Asset-Backed Securities...........................	1,136,303	--	1,136,
Total Investments.................................	$ 65,904,772	$ --	$ 65,904,

LIABILITIES TABLE

	TOTAL VALUE AT 10/31/2015	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICA OBSERVABL INPUTS
Reverse Repurchase Agreements.....................	$ (5,309,000)	$ --	$ (5,309,

All transfers in and out of the Levels during the period are assumed to be transferred on the last day of the period at their current value. There were no transfers between Levels at October 31, 2015.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
STATEMENT OF ASSETS AND LIABILITIES
OCTOBER 31, 2015

ASSETS:
Investments, at value
(Cost $70,641,571)....................
Cash....................
Restricted cash....................
Interest receivable....................
Prepaid expenses....................

Total Assets....................

LIABILITIES:
Reverse Repurchase Agreements....................
Payables:
Investment securities purchased....................
Investment advisory fees....................
Audit and tax fees....................
Administrative fees....................
Printing fees....................
Transfer agent fees....................
Custodian fees....................
Interest on reverse repurchase agreements....................
Trustees' fees and expenses....................
Financial reporting fees....................
Legal fees....................
Other liabilities....................

Total Liabilities....................

NET ASSETS....................

NET ASSETS CONSIST OF:
Paid-in capital....................
Par value....................
Accumulated net investment income (loss)....................
Accumulated net realized gain (loss) on investments....................
Net unrealized appreciation (depreciation) on investments....................

NET ASSETS....................

NET ASSET VALUE, per Common Share outstanding (par value $0.01 per Common Share)..............

Number of Common Shares outstanding (unlimited number of Common Shares has been authorized)....

 See Notes to Financial Statements

FIRST TRUST MORTGAGE INCOME FUND (FMY)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2015

INVESTMENT INCOME:	
Interest..	
Total investment income...	
EXPENSES:	
Investment advisory fees..	
Administrative fees...	
Audit and tax fees..	
Transfer agent fees...	
Interest expense on reverse repurchase agreements...	
Printing fees...	
Trustees' fees and expenses...	
Custodian fees..	
Financial reporting fees..	
Legal fees..	
Other...	
Total expenses..	
NET INVESTMENT INCOME...	
NET REALIZED AND UNREALIZED GAIN (LOSS):	
Net realized gain (loss) on investments...	
Net change in unrealized appreciation (depreciation) on investments.........................	
NET REALIZED AND UNREALIZED GAIN (LOSS)..	
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS...............................	

FIRST TRUST MORTGAGE INCOME FUND (FMY)
STATEMENTS OF CHANGES IN NET ASSETS

	FOR TH YEAR ENDED 10/31/2
OPERATIONS:	
Net investment income (loss)...	$ 4,29
Net realized gain (loss)...	(1,63

Net increase from payment by the sub-advisor (a)	
Net change in unrealized appreciation (depreciation)	(2,43
Net increase (decrease) in net assets resulting from operations	22
DISTRIBUTIONS TO SHAREHOLDERS FROM:	
Net investment income	(1,99
Return of capital	(2,30
Total distributions to shareholders	(4,29
Total increase (decrease) in net assets	(4,06
NET ASSETS:	
Beginning of period	71,70
End of period	$ 67,63
Accumulated net investment income (loss) at end of period	$ 1,28
COMMON SHARES:	
Common Shares at end of period	4,21

(a) See Note 3 in the Notes to Financial Statements.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase (decrease) in net assets resulting from operations	$ 228
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities:	
Purchases of investments	(31,164
Sales, maturities and paydowns on investments	34,725
Net amortization/accretion of premiums/discounts on investments	(630
Net realized gain/loss on investments	1,637
Net change in unrealized appreciation/depreciation on investments	2,431
Net change in restricted cash	(738
CHANGES IN ASSETS AND LIABILITIES:	
Decrease in interest receivable	101
Decrease in prepaid expenses	
Increase in interest payable on reverse repurchase agreements	
Decrease in investment advisory fees payable	(6
Decrease in legal fees payable	(1
Decrease in printing fees payable	(2
Decrease in administrative fees payable	
Decrease in custodian fees payable	
Decrease in transfer agent fees payable	(2
Decrease in trustees' fees and expenses payable	
Increase in other liabilities payable	

CASH PROVIDED BY OPERATING ACTIVITIES..	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Distributions to Common Shareholders from net investment income...............	(1,990
Distributions to Common Shareholders from return of capital..................	(2,307
Repurchases of reverse repurchase agreements.................................	(37,388
Reverse repurchase agreements borrowings.....................................	34,226
CASH USED IN FINANCING ACTIVITIES..	
Increase in cash...	
Cash at beginning of period..	
CASH AT END OF PERIOD..	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest.......................................	

FIRST TRUST MORTGAGE INCOME FUND (FMY)
FINANCIAL HIGHLIGHTS
FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	FOR THE YEAR ENDED OCTO		
	2015	2014	2013
Net asset value, beginning of period...........	$ 17.02	$ 17.63	$ 17.91
INCOME FROM INVESTMENT OPERATIONS:			
Net investment income (loss)....................	1.02	1.02	1.25
Net realized and unrealized gain (loss)	(0.97)	(0.61)	(0.28)
Total from investment operations................	0.05	0.41	0.97
DISTRIBUTIONS PAID TO SHAREHOLDERS FROM:			
Net investment income...........................	(0.47)	(1.02)	(1.25)
Return of capital...............................	(0.55)	--	--
Total distributions to Common Shareholders...............................	(1.02)	(1.02)	(1.25)
Premium from shares sold in Common Share offering....................................	--	--	--
Net asset value, end of period..................	$ 16.05	$ 17.02	$ 17.63
Market value, end of period.....................	$ 14.58	$ 15.12	$ 15.79
TOTAL RETURN BASED ON NET ASSET VALUE (b).......	1.06%	3.01% (c)	6.04% (c)

TOTAL RETURN BASED ON MARKET VALUE (b)..........	3.34%	2.17%	(10.47)%
RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA:			
Net assets, end of period (in 000's)...........	$67,639	$71,708	$74,259
Ratio of total expenses to average net assets	1.55%	1.78%	1.96%
Ratio of total expenses to average net assets excluding interest expense..................	1.51%	1.72%	1.83%
Ratio of net investment income (loss) to average net assets..........................	6.18%	5.84%	7.01%
Portfolio turnover rate........................	46%	54%	109%

(a) Effective April 29, 2011, the Fund's Board of Trustees approved Brookfield Investment Management Inc. ("Brookfield") as the investment sub-advisor to the Fund, replacing Fixed Income Discount Advisory Company. The Fund's shareholders approved the investment sub-advisory agreement with Brookfield on July 25, 2011.

(b) Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in net asset value per share for net asset value returns and changes in Common Share Price for market value returns. Total returns do not reflect sales load and are not annualized for periods less than one year. Past performance is not indicative of future results.

(c) The Fund received reimbursements from Brookfield in the amount of $1,180 and $5,310 for the years ended October 31, 2014 and 2013, respectively. The reimbursements from Brookfield represent less than $0.01 per share and had no effect on the Fund's total return.

 See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

FIRST TRUST MORTGAGE INCOME FUND (FMY)
OCTOBER 31, 2015

1. ORGANIZATION

First Trust Mortgage Income Fund (the "Fund") is a diversified, closed-end management investment company organized as a Massachusetts business trust on February 22, 2005, and is registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund trades under the ticker symbol FMY on the New York Stock Exchange ("NYSE").

The Fund's primary investment objective is to seek a high level of current income. As a secondary objective, the Fund seeks to preserve capital. The Fund pursues these objectives by investing primarily in mortgage-backed securities that, in the opinion of Brookfield Investment Management Inc. ("Brookfield" or the "Sub-Advisor"), offer an attractive combination of credit quality, yield and maturity. There can be no assurance that the Fund's investment objectives will be achieved. The Fund may not be appropriate for all investors.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund, which is an investment company within the scope of Financial Accounting Standards Board ("FASB") Accounting Standards Update 2013-08, follows accounting and reporting guidance under FASB Accounting Standards Codification Topic 946, "Financial Services-Investment Companies." The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

A. PORTFOLIO VALUATION

The net asset value ("NAV") of the Common Shares of the Fund is determined daily, as of the close of regular trading on the NYSE, normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. If the NYSE closes early on a valuation day, the NAV is determined as of that time. Domestic debt securities and foreign securities are priced using data reflecting the earlier closing of the principal markets for those securities. The NAV per Common Share is calculated by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including accrued expenses, dividends declared but unpaid and any borrowings of the Fund), by the total number of Common Shares outstanding.

The Fund's investments are valued daily at market value or, in the absence of market value with respect to any portfolio securities, at fair value. Market value prices represent last sale or official closing prices from a national or foreign exchange (i.e., a regulated market) and are primarily obtained from third-party pricing services. Fair value prices represent any prices not considered market value prices and are either obtained from a third-party pricing service or are determined by the Pricing Committee of the Fund's investment advisor, First Trust Advisors L.P. ("First Trust" or the "Advisor"), in accordance with valuation procedures adopted by the Fund's Board of Trustees, and in accordance with provisions of the 1940 Act. Investments valued by the Advisor's Pricing Committee, if any, are footnoted as such in the footnotes to the Portfolio of Investments. The Fund's investments are valued as follows:

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

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

Fixed income and other debt securities having a remaining maturity of sixty days or less when purchased are fair valued at cost adjusted for amortization of premiums and accretion of discounts (amortized cost), provided the Advisor's Pricing Committee has determined that the use of amortized cost is an appropriate reflection of fair value given market and issuer-specific conditions existing at the time of the determination.

Factors that may be considered in determining the appropriateness of the use of amortized cost include, but are not limited to, the following:

1) the credit conditions in the relevant market and changes thereto;
2) the liquidity conditions in the relevant market and changes thereto;
3) the interest rate conditions in the relevant market and changes thereto (such as significant changes in interest rates);
4) issuer-specific conditions (such as significant credit deterioration); and

5) any other market-based data the Advisor's Pricing Committee considers relevant. In this regard, the Advisor's Pricing Committee may use last-obtained market-based data to assist it when valuing portfolio securities using amortized cost.

Certain securities may not be able to be priced by pre-established pricing methods. Such securities may be valued by the Fund's Board of Trustees or its delegate, the Advisor's Pricing Committee, at fair value. These securities generally include, but are not limited to, restricted securities (securities which may not be publicly sold without registration under the Securities Act of 1933, as amended) for which a pricing service is unable to provide a market price; securities whose trading has been formally suspended; a security whose market or fair value price is not available from a pre-established pricing source; a security with respect to which an event has occurred that is likely to materially affect the value of the security after the market has closed but before the calculation of the Fund's NAV or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by the pricing service, does not reflect the security's fair value. As a general principle, the current fair value of a security would appear to be the amount which the owner might reasonably expect to receive for the security upon its current sale. When fair value prices are used, generally they will differ from market quotations or official closing prices on the applicable exchanges. A variety of factors may be considered in determining the fair value of such securities, including, but not limited to, the following:

1) the fundamental business data relating to the issuer;
2) an evaluation of the forces which influence the market in which these securities are purchased and sold;
3) the type, size and cost of security;
4) the financial statements of the issuer;
5) the credit quality and cash flow of the issuer, based on the Sub-Advisor's or external analysis;
6) the information as to any transactions in or offers for the security;
7) the price and extent of public trading in similar securities (or equity securities) of the issuer/borrower, or comparable

companies;

8) the coupon payments;
9) the quality, value and salability of collateral, if any, securing the security;
10) the business prospects of the issuer, including any ability to obtain money or resources from a parent or affiliate and an assessment of the issuer's management;
11) the prospects for the issuer's industry, and multiples (of earnings and/or cash flows) being paid for similar businesses in that industry; and
12) other relevant factors.

The Fund is subject to fair value accounting standards that define fair value, establish the framework for measuring fair value and provide a three-level hierarchy for fair valuation based upon the inputs to the valuation as of the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 - Level 1 inputs are quoted prices in active markets for identical investments. An active market is a market in which transactions for the investment occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 - Level 2 inputs are observable inputs, either directly or indirectly, and include the following:

    - Quoted prices for similar investments in active markets.

    - Quoted prices for identical or similar investments in markets that are non-active. A non-active market is a market where there are few transactions for the investment, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

    - Inputs other than quoted prices that are observable for the investment (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).

    - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 - Level 3 inputs are unobservable inputs. Unobservable inputs may reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the investment.

The inputs or methodologies used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. A summary of the inputs used to value the Fund's investments as of October 31, 2015, is included with the Fund's Portfolio of Investments.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
OCTOBER 31, 2015

B. SECURITIES TRANSACTIONS AND INVESTMENT INCOME

Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Interest income is recorded daily on the accrual basis. Amortization of premiums and the accretion of discounts are recorded using the effective interest method.

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

Securities purchased or sold on a when-issued, delayed-delivery or forward purchase commitment basis may have extended settlement periods. The value of the security so purchased is subject to market fluctuations during this period. The Fund maintains liquid assets with a current value at least equal to the amount of its when-issued, delayed-delivery or forward purchase commitments until payment is made. At October 31, 2015, the Fund had no when-issued, delayed-delivery or forward purchase commitments.

C. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements were utilized as leverage for the Fund. A reverse repurchase agreement, although structured as a sale and repurchase obligation, acts as financing under which Fund assets are pledged as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the market value of the pledged collateral. At the maturity of the reverse repurchase agreement, the loan will be repaid and the collateral will correspondingly be received back by the Fund. While used as collateral, the assets continue to pay principal and interest which are for the benefit of the Fund.

Restricted cash in the amount of $788,066, as shown on the Statement of Assets and Liabilities, is associated with reverse repurchase agreements outstanding as of October 31, 2015.

Information for the year ended October 31, 2015:

Maximum amount outstanding during the period..................	$8,471,000
Average amount outstanding during the period*.................	$6,913,942
Average Common Shares outstanding during the period...........	4,213,115
Average debt per Common Share outstanding during the period....	$1.64

* The average amount outstanding during the period was calculated by adding the borrowings at the end of each day and dividing the sum by the number of days in the year ended October 31, 2015.

During the year ended October 31, 2015, the interest rates ranged from 0.34% to 1.06%, with a weighted average interest rate of 0.46%, on borrowings by the Fund under reverse repurchase agreements, which had interest expense that aggregated

$32,011.

D. INVERSE FLOATING-RATE SECURITIES

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

E. STRIPPED MORTGAGE-BACKED SECURITIES

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

F. INTEREST-ONLY SECURITIES

An IO Security is the interest-only portion of a mortgage-backed security that receives some or all of the interest portion of the underlying mortgage-backed security and little or no principal. A reference principal value called a notional value is used to calculate the amount of interest due to the IO Security. IO Securities are sold at a deep discount to their notional principal amount. Generally speaking, when

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interest rates are falling and prepayment rates are increasing, the value of an IO Security will fall. Conversely, when interest rates are rising and prepayment rates are decreasing, generally the value of an IO Security will rise. These securities, if any, are identified on the Portfolio of Investments.

G. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS

The Fund will distribute to holders of its Common Shares monthly dividends of all or a portion of its net income after the payment of interest and dividends in connection with leverage, if any. Distributions of any net long-term capital gains earned by the Fund are distributed at least annually. Distributions will automatically be reinvested into additional Common Shares pursuant to the Fund's Dividend Reinvestment Plan unless cash distributions are elected by the shareholder.

Distributions from income and capital gains are determined in accordance with income tax regulations, which may differ from U.S. GAAP. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These permanent differences are primarily due to the varying treatment of income and gain/loss on portfolio securities held by the Fund and have no impact on net assets or NAV per share. Temporary differences, which arise from recognizing certain items of income, expense and gain/loss in different periods for financial statement and tax purposes, will reverse at some point in the future. Permanent differences incurred during the fiscal year ended October 31, 2015, primarily as a result of differing book/tax treatment on recognition of amortization/accretion on portfolio holdings, have been reclassified at year end to reflect a decrease in accumulated net investment income (loss) by $1,373,391, an increase in accumulated net realized gain (loss) on investments by $1,565,058 and a decrease to paid-in capital of $191,667. Net assets were not affected by this reclassification.

The tax character of distributions paid during the fiscal year ended October 31, 2015, and 2014, was as follows:

Distributions paid from:	2015	2014
Ordinary income.................................	$ 1,990,325	$4,297,377
Capital gain....................................	--	--
Return of capital...............................	2,307,052	--

As of October 31, 2015, the distributable earnings and net assets on a tax basis were as follows:

Undistributed ordinary income....................	$ --
Undistributed capital gains......................	--
Total undistributed earnings.....................	--
Accumulated capital and other losses.............	(4,470,733)
Net unrealized appreciation (depreciation)........	(3,452,164)
Total accumulated earnings (losses)..............	(7,922,897)
Other..	--
Paid-in capital..................................	75,562,178
Net assets.......................................	$67,639,281

H. INCOME TAXES

The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended, which includes distributing substantially all of its net investment income and net realized gains to shareholders. Accordingly, no provision has been made for federal or state income taxes. However, due to the timing and amount of distributions, the Fund may be subject to an excise tax of 4% of the amount by which approximately 98% of the Fund's taxable income exceeds the distributions from such taxable income for the calendar year.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses arising in taxable years after December 22, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for up to eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. At October 31, 2015, the Fund had pre-enactment net capital losses for federal income tax purposes of $3,349,872. At October 31, 2015, the Fund had post-enactment net capital losses for federal income tax purposes of $1,120,861 to be carried forward indefinitely. The pre-enactment net capital losses for federal income tax purposes will expire as follows:

EXPIRATION DATE	AMOUNT
October 31, 2017	$ 1,927,985
October 31, 2018	$ 1,421,887

During the taxable year ended October 31, 2015, the Fund did not utilize any pre-enactment capital loss carryforwards.

The Fund is subject to certain limitations under the U.S. tax rules on the use of capital loss carryforwards and net unrealized built-in losses. These limitations apply when there has been a 50% change in ownership.

The Fund is subject to accounting standards that establish a minimum threshold for recognizing, and a system for measuring, the benefits of a tax position taken or expected to be taken in a tax return. Taxable years ended 2012, 2013, 2014 and 2015 remain open to federal and state audit. As of October 31, 2015, management has evaluated the application of these standards to the Fund and has determined that no provision for income tax is required in the Fund's financial statements for uncertain tax positions.

I. EXPENSES

The Fund will pay all expenses directly related to its operations.

J. OFFSETTING ON THE STATEMENT OF ASSETS AND LIABILITIES:

Offsetting Assets and Liabilities require entities to disclose both gross and net information about instruments and transactions eligible for offset on the Statements of Assets and Liabilities, and disclose instruments and transactions subject to master netting or similar agreements. These disclosure requirements are intended to help investors and other financial statement users better assess the effect or potential effect of offsetting arrangements on a fund's financial position. The transactions subject to offsetting disclosures are derivative instruments, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions.

For financial reporting purposes, the Fund does not offset financial assets and financial liabilities that are subject to master netting arrangements ("MNAs") or similar agreements on the Statement of Assets and Liabilities. The Fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jusisdiction to which a specific master netting or similar agreement counterparty is subject. MNAs provide the right, in the event of default (including bankruptcy and insolvency), for the non-defaulting counterparty to liquidate the collateral and calculate the net exposure to the defaulting party or request additional collateral.

At October 31, 2015, reverse repurchase agreement assets and liabilities (by type) on a gross basis are as follows:

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	n Ass ------ Finan Instru
Reverse Repurchase Agreements	$ (5,309,000)	$ --	$ (5,309,000)	$ 5,30

K. ACCOUNTING PRONOUNCEMENT:

In June 2014, FASB issued Accounting Standards Update (ASU) No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. A repurchase-to-maturity transaction is one where the repurchase agreement settles at the same time as the maturity of the transferred financial asset. These transactions, unlike other repurchase agreements, were accounted for as sales and purchases instead of being treated as secured borrowings. This ASU changes that accounting practice and treats all repurchase agreements as secured borrowings. The ASU additionally requires two new disclosures which are intended to: a) disclose information on transferred assets accounted for as sales in transactions that are economically similar to repurchase agreements, and b) provide increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings.

The ASU impacts all entities that enter into repurchase-to-maturity transactions, entities that account for these transactions as a sale and a purchase, and entities that engage in repurchase agreements and securities lending transactions.

The ASU is effective for financial statements with fiscal years beginning on or after December 15, 2014 and interim periods within those fiscal years. Management is evaluating the impact, if any, of this guidance on the Fund's financial statement disclosures.

3. INVESTMENT ADVISORY FEE, AFFILIATED TRANSACTIONS AND OTHER FEE ARRANGEMENTS

First Trust, the investment advisor to the Fund, is a limited partnership with one limited partner, Grace Partners of DuPage L.P., and one general partner, The Charger Corporation. The Charger Corporation is an Illinois corporation controlled by James A. Bowen, Chief Executive Officer of First Trust. First Trust is responsible for the ongoing monitoring of the Fund's investment portfolio, managing the Fund's business affairs and providing certain administrative services necessary for the management of the Fund. For these investment management services, First Trust is entitled to a monthly fee calculated at an annual rate of 1.00% of the Fund's Managed Assets (the average daily total asset value of the Fund minus the sum of the Fund's liabilities other than the principal amount of borrowings or reverse repurchase agreements, if any). First Trust also provides fund reporting services to the Fund for a flat annual fee in the amount of $9,250.

Brookfield serves as the Fund's sub-advisor and manages the Fund's portfolio subject to First Trust's supervision. The Sub-Advisor receives a portfolio management fee of 0.50% of Managed Assets that is paid monthly by First Trust from its investment advisory fee.

During the year ended October 31, 2014, the Fund received a reimbursement from the Sub-Advisor of $1,180 in connection with a trade error.

BNY Mellon Investment Servicing (US) Inc. ("BNYM IS") serves as the Fund's administrator, fund accountant and transfer agent in accordance with certain fee arrangements. As administrator and fund accountant, BNYM IS is responsible for providing certain administrative and accounting services to the Fund, including maintaining the Fund's books of account, records of the Fund's securities transactions, and certain other books and records. As transfer agent, BNYM IS is responsible for maintaining shareholder records for the Fund. The Bank of New York Mellon ("BNYM") serves as the Fund's custodian in accordance with certain fee arrangements. As custodian, BNYM is responsible for custody of the Fund's assets.

Each Trustee who is not an officer or employee of First Trust, any sub-advisor or any of their affiliates ("Independent Trustees") is paid a fixed annual retainer that is allocated pro rata among each fund in the First Trust Fund Complex based on net assets. Each Independent Trustee is also paid an annual per fund fee that varies based on whether the fund is a closed-end or other actively managed fund, or is an index fund.

Additionally, the Lead Independent Trustee and the Chairmen of the Audit Committee, Nominating and Governance Committee and Valuation Committee are paid annual fees to serve in such capacities, with such compensation allocated pro rata among each fund in the First Trust Fund Complex based on net assets. Trustees are reimbursed for travel and out-of-pocket expenses in connection with all meetings. The Lead Independent Trustee and Committee Chairmen rotate every three years. The officers and "Interested" Trustee receive no compensation from the Fund for acting in such capacities.

4. PURCHASES AND SALES OF SECURITIES

The cost of purchases of U.S. Government securities and non-U.S. Government securities, excluding short-term investments, for the year ended October 31, 2015, were $12,458,054 and $19,703,825, respectively. The proceeds from sales and paydowns of U.S. Government securities and non-U.S. Government securities, excluding short-term investments, for the year ended October 31, 2015, were $16,300,963 and $18,424,155, respectively.

5. INDEMNIFICATION

The Fund has a variety of indemnification obligations under contracts with its service providers. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

6. CHANGES TO INVESTMENT STRATEGY

The Board of Trustees of the Fund approved certain changes to the Fund's investment strategy ("New Investment Strategy") that were implemented on October 5, 2015, as described below.

PREVIOUS INVESTMENT STRATEGY

The Fund may invest up to 25% of its managed assets in securities that at the time of investment are rated below "A" (at or below the investment grade ratings of "Baa," "BBB," and "BBB" by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings, Inc. ("Fitch")), each a nationally recognized statistical rating organization ("NRSRO"), or were unrated but judged to be of comparable quality by Brookfield Investment Management Inc. ("Brookfield"), the Fund's investment sub-advisor.

NEW INVESTMENT STRATEGY

The Fund may invest up to 35% of its managed assets in securities that at the time of investment are rated below "BBB-" or the equivalent (i.e. below investment grade rating) by NRSROs such as Moody's, S&P, Fitch, DBRS, Inc., Kroll Bond Rating Agency, Inc., or Morningstar Credit Ratings, LLC, or were unrated but judged to be of comparable quality by Brookfield.

7. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events to the Fund through the date the financial statements were issued, and has determined that there were the following subsequent events:

On November 19, 2015, the Fund declared a distribution of $0.085 per share to Common Shareholders of record on December 3, 2015, payable December 10, 2015.

At a meeting on December 7, 2015, the Board accepted Mr. Bradley's resignation from his position as the President and Chief Executive Officer of the Fund, effective December 31, 2015. At the same meeting, the Board elected Mr. Dykas to serve as the President and Chief Executive Officer and Mr. Donald Swade, formerly an Assistant Treasurer of the Fund, to serve as the Treasurer, Chief Financial Officer and Chief Accounting Officer of the Fund.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF TRUSTEES AND SHAREHOLDERS OF FIRST TRUST MORTGAGE INCOME FUND:

We have audited the accompanying statement of assets and liabilities of First Trust Mortgage Income Fund (the "Fund"), including the portfolio of investments, as of October 31, 2015, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2015 by correspondence with the Fund's custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the First Trust Mortgage Income Fund as of October 31, 2015, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Chicago, Illinois
December 22, 2015

ADDITIONAL INFORMATION

FIRST TRUST MORTGAGE INCOME FUND (FMY)
OCTOBER 31, 2015 (UNAUDITED)

DIVIDEND REINVESTMENT PLAN

If your Common Shares are registered directly with the Fund or if you hold your Common Shares with a brokerage firm that participates in the Fund's Dividend Reinvestment Plan (the "Plan"), unless you elect, by written notice to the Fund, to receive cash distributions, all dividends, including any capital gain distributions, on your Common Shares will be automatically reinvested by BNY Mellon Investment Servicing (US) Inc. (the "Plan Agent"), in additional Common Shares under the Plan. If you elect to receive cash distributions, you will receive all distributions in cash paid by check mailed directly to you by the Plan Agent, as the dividend paying agent.

If you decide to participate in the Plan, the number of Common Shares you will receive will be determined as follows:

(1) If Common Shares are trading at or above net asset value ("NAV") at the time of valuation, the Fund will issue new shares at a price equal to the greater of (i) NAV per Common Share on that date or (ii) 95% of the market price on that date.

(2) If Common Shares are trading below NAV at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase Common Shares in the open market, on the NYSE or elsewhere, for the participants' accounts. It is possible that the market price for the Common Shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Shares issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase Common Shares in the open market within 30 days of the valuation date except where temporary curtailment or suspension of purchases is necessary to comply with federal securities laws. Interest will not be paid on any uninvested cash payments.

You may elect to opt-out of or withdraw from the Plan at any time by giving written notice to the Plan Agent, or by telephone at (866) 340-1104, in accordance with such reasonable requirements as the Plan Agent and the Fund may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan, and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions.

The Plan Agent maintains all Common Shareholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common Shares in your account will be held by the Plan Agent in non-certificated form. The Plan Agent will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to the Fund. Any proxy you receive will include all Common Shares you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in Common Shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. Capital gains and income are realized although cash is not received by you. Consult your financial advisor for more information.

If you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above.

The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Trustees the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained by writing BNY Mellon Investment Servicing (US) Inc., 301 Bellevue Parkway, Wilmington, Delaware 19809.

PROXY VOTING POLICIES AND PROCEDURES

A description of the policies and procedures that the Fund uses to determine how to vote proxies and information on how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) without charge, upon request, by calling (800) 988-5891; (2) on the Fund's website located at http://www.ftportfolios.com; and (3) on the Securities and Exchange Commission's ("SEC") website at http://www.sec.gov.

PORTFOLIO HOLDINGS

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 (1) by calling (800) 988-5891; (2) on the Fund's website located at http://www.ftportfolios.com; (3) on the SEC's website at http://www.sec.gov; and (4) for review and copying at the SEC's Public Reference Room ("PRR") in Washington, DC. Information regarding the operation of the PRR may be obtained by calling (800) SEC-0330.

NYSE CERTIFICATION INFORMATION

In accordance with Section 303A-12 of the New York Stock Exchange ("NYSE") Listed Company Manual, the Fund's President has certified to the NYSE that, as of April 29, 2015, he was not aware of any violation by the Fund of NYSE corporate governance listing standards. In addition, the Fund's reports to the SEC on Forms N-CSR, N-CSRS and N-Q contain certifications by the Fund's principal executive officer and principal financial officer that relate to the

Fund's public disclosure in such reports and are required by Rule 30a-2 under the 1940 Act.

TAX INFORMATION

Of the ordinary income (including short-term capital gain) distributions made by the Fund during the year ended October 31, 2015, none qualify for the corporate dividends received deduction available to corporate shareholders or as qualified dividend income.

SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

The Joint Annual Meeting of Shareholders of the Common Shares of Macquarie/First Trust Global Infrastructure/Utilities Dividend & Income Fund, First Trust Energy Income and Growth Fund, First Trust Enhanced Equity Income Fund, First Trust/Aberdeen Global Opportunity Income Fund, First Trust Mortgage Income Fund, First Trust Strategic High Income Fund II, First Trust/Aberdeen Emerging Opportunity Fund, First Trust Specialty Finance and Financial Opportunities Fund, First Trust Dividend and Income Fund, First Trust High Income Long/Short Fund, First Trust Energy Infrastructure Fund, First Trust MLP and Energy Income Fund, First Trust Intermediate Duration Preferred & Income Fund and First Trust New Opportunities MLP & Energy Fund was held on April 20, 2015 (the "Annual Meeting"). At the Annual Meeting, Richard E. Erickson and Thomas R. Kadlec were elected by the Common Shareholders of the First Trust Mortgage Income Fund as Class II Trustees for a three-year term expiring at the Fund's annual meeting of shareholders in 2018. The number of votes cast in favor of Mr. Erickson was 3,633,358, the number of votes against was 66,234 and the number of broker non-votes was 513,523. The number of votes cast in favor of Mr. Kadlec was 3,637,913, the number of votes against was 61,679 and the number of broker non-votes was 513,523. James A. Bowen, Robert F. Keith and Niel B. Nielson are the other current and continuing Trustees.

RISK CONSIDERATIONS

Risks are inherent in all investing. The following summarizes some of the risks that should be considered for the Fund. For additional information about the risks associated with investing in the Fund, please see the Fund's prospectus and statement of additional information, as well as other Fund regulatory filings.

INVESTMENT AND MARKET RISK: An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal invested. An investment in Common Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Common Shares at any point in time may be worth less than the original investment, even after taking into account the reinvestment of Fund distributions. Security prices can fluctuate for several reasons including the general condition of the securities market, or when political or economic events affecting the issuers occur, including the risk that borrowers do not pay their mortgages. When the Advisor or Sub-Advisor determines that it is temporarily unable to follow the Fund's investment strategy or that it is impractical to do so (such as when a market disruption event has occurred and trading in the securities is extremely limited or absent), the Advisor or Sub-Advisor may take temporary defensive positions.

SUBORDINATED DEBT RISK: A portion of the Fund's Managed Assets may be invested in subordinated classes of MBS, including debt obligations issued by private originators or issuers backed by residential mortgage loans and multi-class debt or pass-through or pay-through securities backed by a mortgage loan or pool of mortgage loans on commercial real estate. Such subordinated classes are subject to a greater degree of non-payment risk than are senior classes of the same issuer or agency.

PREPAYMENT RISK: If borrowers prepay their mortgage loans at rates that are faster than expected, this results in prepayments that are faster than expected on MBS. These faster than expected prepayments may adversely affect the Fund's profitability, particularly if the prepayments must be reinvested at market interest rates that are below the Fund portfolio's current earnings rate.

Moreover, the Fund may also hold MBS that are less affected by prepayments. While the Sub-Advisor seeks to minimize prepayment risk to the extent practical, they must balance prepayment risk against other risks and the potential returns of each investment in selecting investments. No strategy can completely insulate the Fund from prepayment risk.

INTEREST RATE RISK: The Fund may also hold MBS which are Stripped Mortgage-Backed Securities, IO securities and PO securities. Generally speaking, when interest rates are falling and prepayment rates are increasing, the value of a PO security will rise and the value of an IO security will fall. Conversely, when interest rates are rising and prepayment rates are decreasing, generally the value of a PO security will fall and the value of an IO security will rise.

LEVERAGE RISK: Borrowings up to 33-1/3% (or such other percentage as permitted by law) of Fund assets (including the amount borrowed) less liabilities other than borrowings may be utilized in the Fund. Leverage may be used for investment purposes and to meet cash requirements. The leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include the possibility of higher volatility of the NAV of the Fund. Reverse repurchase agreements are used to leverage the Fund's assets. Reverse repurchase agreements are subject to the risks that the market value of the Fund's securities sold may decline below the price of the securities the Fund is obligated to repurchase, and that the securities may not be returned to the Fund. From time to time the amount of the leverage may be changed in response to actual or anticipated changes in interest rates or the value of the Fund's investment portfolio. There can be no assurance that the leverage strategies will be successful.

FIXED-INCOME SECURITIES RISK: Debt securities, including high yield securities, are subject to certain risks, including: (i) issuer risk, which is the risk that the value of fixed-income securities may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services or, in the case of asset-backed issuers, a decline in the value and/or cash flows of the underlying assets; (ii) reinvestment risk, which is the risk that income from the Fund's portfolio will decline if the proceeds from matured, traded or called bonds are invested at market interest rates that are below the Fund portfolio's current earnings rate; and (iii) credit risk, which is the risk that a security in the Fund's portfolio will decline in price or the issuer fails to make interest payments when due because the issuer of the security experiences a decline in its financial status.

MORTGAGE AND ASSET-BACKED SECURITIES RISK: The value of mortgage and asset backed securities can fall if the owners of the underlying mortgages or other obligations pay off their mortgages or other obligations sooner than expected, which could happen when interest rates fall or for other reasons. Mortgage and asset backed securities are also subject to extension risk, which is the risk that rising interest rates could cause mortgages or other obligations underlying the securities to be prepaid more slowly than expected, which would, in effect, convert a short or medium duration mortgage or asset backed security into a longer duration security, increasing its sensitivity to interest rate changes and causing its price to decline. Mortgage and asset-backed security values may also be affected by the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables or entities providing for any credit enhancement.

A mortgage backed security may be negatively affected by the quality of the mortgages underlying such security and the structure of its issuer. For example, if a mortgage underlying a certain mortgage backed security defaults, the value of that security may decrease.

Mortgage backed securities issued by a private issuer, such as commercial mortgage backed securities, generally entail greater risk than obligations directly or indirectly guaranteed by the U.S. government or a government sponsored entity.

ADVISORY AND SUB-ADVISORY AGREEMENTS

BOARD CONSIDERATIONS REGARDING CONTINUATION OF INVESTMENT MANAGEMENT AND INVESTMENT SUB-ADVISORY AGREEMENTS

The Board of Trustees of First Trust Mortgage Income Fund (the "Fund"), including the Independent Trustees, unanimously approved the continuation of the Investment Management Agreement (the "Advisory Agreement") between the Fund and First Trust Advisors L.P. (the "Advisor") and the Investment Sub-Advisory Agreement (the "Sub-Advisory Agreement" and together with the Advisory Agreement, the "Agreements") among the Fund, the Advisor and Brookfield Investment Management Inc. (the "Sub-Advisor"), at a meeting held on June 16, 2015. The Board determined that the continuation of the Agreements is in the best interests of the Fund in light of the extent and quality of the services provided and such other matters as the Board considered to be relevant in the exercise of its reasonable business judgment.

To reach this determination, the Board considered its duties under the Investment Company Act of 1940, as amended (the "1940 Act"), as well as under the general principles of state law in reviewing and approving advisory contracts; the requirements of the 1940 Act in such matters; the fiduciary duty of investment advisors with respect to advisory agreements and compensation; the standards used by courts in determining whether investment company boards have fulfilled their duties; and the factors to be considered by the Board in voting on such agreements. At meetings held on April 20, 2015 and June 16, 2015, the Board, including the Independent Trustees, reviewed materials provided by the Advisor and the Sub-Advisor responding to requests for information from counsel to the Independent Trustees that, among other things, outlined the services provided by the Advisor and the Sub-Advisor (including the relevant personnel responsible for these

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ADDITIONAL INFORMATION (CONTINUED)

FIRST TRUST MORTGAGE INCOME FUND (FMY)
OCTOBER 31, 2015 (UNAUDITED)

services and their experience); the advisory and sub-advisory fees for the Fund as compared to fees charged to other clients of the Advisor and the Sub-Advisor and as compared to fees charged to a peer group of funds selected by Management Practice, Inc. ("MPI"), an independent source (the "MPI Peer Group"); expenses of the Fund as compared to expense ratios of the funds in the MPI Peer Group; performance information for the Fund; the nature of expenses incurred in providing services to the Fund and the potential for economies of scale, if any; financial data on the Advisor and the Sub-Advisor; any fall-out benefits to the Advisor and the Sub-Advisor; and information on the Advisor's and the Sub-Advisor's compliance programs. The Board reviewed initial materials with the Advisor at a special meeting held on April 20, 2015, at which the Independent Trustees and their counsel met separately to discuss the information provided by the Advisor and the Sub-Advisor. Following the April meeting, independent legal counsel on behalf of the Independent Trustees requested certain clarifications and supplements to the materials provided, and those were considered at an executive session of the Independent Trustees and independent legal counsel held prior to the June 16, 2015 meeting, as well as at the meeting. The Board applied its business judgment to determine whether the arrangements between the Fund and the Advisor and among the Fund, the Advisor and the Sub-Advisor are reasonable business arrangements from the Fund's perspective as well as from the perspective of shareholders. The Board considered that shareholders chose to invest or remain invested in the Fund knowing that the Advisor and the Sub-Advisor manage the Fund.

In reviewing the Agreements, the Board considered the nature, extent and quality of services provided by the Advisor and the Sub-Advisor under the Agreements. With respect to the Advisory Agreement, the Board considered that the Advisor is responsible for the overall management and administration of the Fund and reviewed the services provided by the Advisor to the Fund, including the oversight of the Sub-Advisor. The Board noted the compliance program that had been developed by the Advisor and considered that it includes a robust program for monitoring the Sub-Advisor's compliance with the 1940 Act and the Fund's investment objectives and policies. The Board considered the significant asset growth of the First Trust Fund Complex and the Advisor's concomitant investment in infrastructure and personnel dedicated to the First Trust funds. With respect to the Sub-Advisory Agreement, the Board noted the background and experience of the Sub-Advisor's portfolio management team. The Board reviewed the materials provided by the Sub-Advisor and considered the services that the Sub-Advisor provides to the Fund, including the Sub-Advisor's day-to-day management of the Fund's investments. In light of the information presented and the considerations made, the Board concluded that the nature, extent and quality of services provided to the Fund by the Advisor and the Sub-Advisor under the Agreements have been and are expected to remain satisfactory and that the Sub-Advisor, under the oversight of the Advisor, has managed the Fund consistent with its investment objectives and policies.

The Board considered the advisory and sub-advisory fees paid under the Agreements. The Board considered the advisory fees charged by the Advisor to similar funds and other non fund clients, noting that the Advisor does not provide advisory services to other funds with investment objectives and policies similar to the Fund's, but does provide services to certain separately managed accounts that may have investment objectives and policies similar to the Fund's.

The Board noted that the Advisor charges a lower advisory fee rate to the separately managed accounts, as well as the Advisor's statement that the nature of the services provided to the separately managed accounts is not comparable to those provided to the Fund. The Board considered the sub-advisory fee and how it relates to the Fund's overall advisory fee structure and noted that the sub-advisory fee is paid by the Advisor from its advisory fee. The Board also considered information provided by the Sub-Advisor as to the fees it charges to other closed end funds it manages, noting that the Fund's sub-advisory fee rate is lower than the advisory fee rates charged by the Sub-Advisor to the other funds it manages. In addition, the Board reviewed data prepared by MPI showing the advisory fee and expense ratio of the Fund as compared to the advisory fees and expense ratios of the MPI Peer Group. The Board discussed with representatives of the Advisor the limitations in creating a relevant peer group for the Fund, including that (i) the Fund is unique in its composition, which makes assembling peers with similar strategies and asset mix difficult; (ii) peer funds may use different amounts and types of leverage with different costs associated with them or may use no leverage; (iii) none of the peer funds employ an advisor/sub-advisor management structure; and (iv) all of the peer funds are larger than the Fund, which causes the Fund's fixed expenses to be higher on a percentage basis as compared to the larger peer funds. The Board took these limitations into account in considering the peer data. In reviewing the peer data, the Board noted that the Fund's advisory fee, based on average net assets, was below the median of the MPI Peer Group.

The Board also considered performance information for the Fund, noting that the performance information included the Fund's quarterly performance report, which is part of the process that the Board has established for monitoring the Fund's performance and portfolio risk on an ongoing basis. The Board determined that this process continues to be effective for reviewing the Fund's performance. In addition to the Board's ongoing review of performance, the Board also reviewed data prepared by MPI comparing the Fund's performance for periods ended December 31, 2014 to the performance of the MPI Peer Group and to a benchmark index. In reviewing the Fund's performance as compared to the performance of the MPI Peer Group, the Board took into account the limitations described above with respect to creating a relevant peer group for the Fund. The Board also considered data from MPI on the Fund's annual distribution rate as of December 31, 2014 as compared to the MPI Peer Group and the Fund's leverage costs versus the leverage costs of applicable funds in the MPI Peer Group. The Board considered information provided by the Advisor on the Fund's leverage as well, including that leverage was accretive to the Fund's total return in 2014. In addition, the Board compared the Fund's premium/discount over the past eight quarters to the average and median premium/discount over the same period of a peer group selected by the Advisor, as well as data on the average premium/discount for 2014 for the funds in the MPI Peer Group, and considered factors that may impact a fund's premium/discount.

On the basis of all the information provided on the fees, expenses and performance of the Fund, the Board concluded that the advisory and sub-advisory fees were reasonable and appropriate in light of the nature, extent and quality of services provided by the Advisor and Sub-Advisor under the Agreements.

The Board noted that the Advisor has made and continues to make significant investments in personnel and infrastructure and considered whether fee levels reflect any economies of scale for the benefit of shareholders. The Board determined that due to the Fund's closed-end structure, the potential for realization of economies of scale as Fund assets grow was not a material factor to be considered. The Board also considered the costs of the services provided and profits realized by the Advisor from serving as investment advisor to the Fund for the twelve months ended December 31, 2014, as well as product-line profitability data for the same period, as set forth in the materials provided to the Board. The Board noted the inherent limitations in the profitability analysis, and concluded that the pre-tax profits estimated to have been realized by the Advisor in connection with the management of the Fund were not unreasonable. In addition, the Board considered fall-out benefits described by the Advisor that may be realized from its relationship with the Fund, including the Advisor's compensation for fund reporting services pursuant to a separate Fund Reporting Services Agreement.

The Board noted the Sub-Advisor's expenses in providing investment services to the Fund and considered the Sub-Advisor's statement that it does not expect economies of scale to be present in connection with its provision of services to the Fund. The Board considered that the sub-advisory fee rate was negotiated at arm's length between the Advisor and the Sub-Advisor, an unaffiliated third party. The Board also considered data provided by the Sub-Advisor with respect to the profitability of the Sub-Advisory Agreement to the Sub-Advisor. The Board noted the inherent limitations in the profitability analysis and concluded that the profitability analysis for the Advisor was more relevant, although the estimated profitability of the Sub-Advisory Agreement appeared to be not unreasonable in light of the services provided to the Fund. The Board noted that the Sub-Advisor does not maintain any soft-dollar arrangements and that the Sub-Advisor indicated that it does not anticipate any material fall-out benefits from its relationship to the Fund.

Based on all of the information considered and the conclusions reached, the Board, including the Independent Trustees, unanimously determined that the terms of the Agreements continue to be fair and reasonable and that the continuation of the Agreements is in the best interests of the Fund. No single factor was determinative in the Board's analysis.

BOARD OF TRUSTEES AND OFFICERS

FIRST TRUST MORTGAGE INCOME FUND (FMY)
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NAME, ADDRESS, DATE OF BIRTH AND	TERM OF OFFICE AND LENGTH OF	PRINCIPAL OCCUPATIONS

POSITION WITH THE FUND	SERVICE (1)	DURING PAST 5 YEARS
		INDEPENDENT TRUSTEES
Richard E. Erickson, Trustee c/o First Trust Advisors L.P. 120 East Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 04/51	o Three-Year Term o Since Fund Inception	Physician; President, Wheaton Orthopedi Limited Partner, Gundersen Real Estate Limited Partnership; Member, Sportsmed LLC
Thomas R. Kadlec, Trustee c/o First Trust Advisors L.P. 120 East Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/57	o Three-Year Term o Since Fund Inception	President (March 2010 to Present), Seni Vice President and Chief Financial Offi (May 2007 to March 2010), ADM Investor Services, Inc. (Futures Commission Merchant)
Robert F. Keith, Trustee c/o First Trust Advisors L.P. 120 East Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/56	o Three-Year Term o Since June 2006	President (2003 to Present), Hibs Enterprises (Financial and Management Consulting)
Niel B. Nielson, Trustee c/o First Trust Advisors L.P. 120 East Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 03/54	o Three-Year Term o Since Fund Inception	Managing Director and Chief Operating Officer (January 2015 to Present), Harapan Educational Foundation (Educational Products and Services); President and Chief Executive Officer (June 2012 to September 2014), Servant Interactive LLC (Educational Products a Services); President and Chief Executiv Officer (June 2012 to September 2014), Learning LLC (Educational Products and Services); President (June 2002 to June 2012), Covenant College
		INTERESTED TRUSTEE
James A. Bowen(2), Trustee, Chairman of the Board 120 East Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 09/55	o Three-Year Term o Since Fund Inception	Chief Executive Officer (December 2010 to Present), President (until December 2010), First Trust Advisors L.P. and Fi Trust Portfolios L.P.; Chairman of the Board of Directors, BondWave LLC (Software Development Company/ Investment Advisor) and Stonebridge Advisors LLC (Investment Advisor)

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(1) Currently, James A. Bowen and Niel B. Nielson, as Class III Trustees, are serving as trustees until the Fund's 2016 annual meeting of shareholders. Robert F. Keith, as a Class I Trustee, is serving as a trustee until the Fund's 2017 annual meeting of shareholders. Richard E. Erickson and Thomas R. Kadlec, as Class II Trustees, are serving as trustees until the Fund's 2018 annual meeting of shareholders

(2) Mr. Bowen is deemed an "interested person" of the Fund due to his position

as Chief Executive Officer of First Trust Advisors L.P., investment advisor of the Fund.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
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NAME, ADDRESS AND DATE OF BIRTH	POSITION AND OFFICES WITH FUND	TERM OF OFFICE AND LENGTH OF SERVICE	PRIN DUR
		OFFICERS(3)	
Mark R. Bradley 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 11/57	President and Chief Executive Officer	o Indefinite Term o Since January 2012	Chief Operating Of and Chief Financia L.P. and First Tru Officer, BondWave Company/Investment Advisors LLC (Inve
James M. Dykas 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 01/66	Treasurer, Chief Financial Officer and Chief Accounting Officer	o Indefinite Term o Since January 2012	Controller (Januar President First Tr Portfolios L.P.
W. Scott Jardine 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 05/60	Secretary and Chief Legal Officer	o Indefinite Term o Since Fund Inception	General Counsel, F Trust Portfolios L Counsel, BondWave Company/Investment Stonebridge Adviso
Daniel J. Lindquist 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 02/70	Vice President	o Indefinite Term o Since Fund Inception	Managing Director Vice President (Se First Trust Adviso Portfolios L.P.
Kristi A. Maher 120 E. Liberty Drive, Suite 400 Wheaton, IL 60187 D.O.B.: 12/66	Chief Compliance Officer and Assistant Secretary	o Indefinite Term o Chief Compliance Officer since January 2011 o Assistant Secretary since Fund Inception	Deputy General Cou and First Trust Po

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(3) The term "officer" means the president, vice president, secretary, treasurer, controller or any other officer who performs a policy making function.

FIRST TRUST MORTGAGE INCOME FUND (FMY)
OCTOBER 31, 2015 (UNAUDITED)

PRIVACY POLICY

First Trust values our relationship with you and considers your privacy an important priority in maintaining that relationship. We are committed to protecting the security and confidentiality of your personal information.

SOURCES OF INFORMATION

We collect nonpublic personal information about you from the following sources:

- Information we receive from you and your broker-dealer, investment advisor or financial representative through interviews, applications, agreements or other forms;

- Information about your transactions with us, our affiliates or others;

- Information we receive from your inquiries by mail, e-mail or telephone; and

- Information we collect on our website through the use of "cookies". For example, we may identify the pages on our website that your browser requests or visits.

INFORMATION COLLECTED

The type of data we collect may include your name, address, social security number, age, financial status, assets, income, tax information, retirement and estate plan information, transaction history, account balance, payment history, investment objectives, marital status, family relationships and other personal information.

DISCLOSURE OF INFORMATION

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. In addition to using this information to verify your identity (as required under law), the permitted uses may also include the disclosure of such information to unaffiliated companies for the following reasons:

- In order to provide you with products and services and to effect transactions that you request or authorize, we may disclose your personal information as described above to unaffiliated financial service providers and other companies that perform administrative or other services on our behalf, such as transfer agents, custodians and trustees, or that assist usin the distribution of investor materials such as trustees, banks,financial representatives, proxy services, solicitors and printers.

- We may release information we have about you if you direct us to do so, if we are compelled by law to do so, or in other legally limited circumstances (for example to protect your account from fraud).

In addition, in order to alert you to our other financial products and services, we may share your personal information within First Trust.

PRIVACY ONLINE

We allow third-party companies, including AddThis (a social media sharing service), to collect certain anonymous information when you visit our website. These companies may use non-personally identifiable information during your visits to this and other websites in order to provide advertisements about goods and services likely to be of greater interest to you. These companies typically use a cookie, third party web beacon or pixel tags, to collect this information. To learn more about this behavioral advertising practice, you can visit www.networkadvertising.org.

CONFIDENTIALITY AND SECURITY

With regard to our internal security procedures, First Trust restricts access to your nonpublic personal information to those First Trust employees who need to know that information to provide products or services to you. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

POLICY UPDATES AND INQUIRIES

As required by federal law, we will notify you of our privacy policy annually. We reserve the right to modify this policy at any time, however, if we do change it, we will tell you promptly. For questions about our policy, or for additional copies of this notice, please go to www.ftportfolios.com, or contact us at 1-800-621-1675 (First Trust Portfolios) or 1-800-222-6822 (First Trust Advisors).

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FIRST TRUST

INVESTMENT ADVISOR

First Trust Advisors L.P.
120 E. Liberty Drive, Suite 400
Wheaton, IL 60187

INVESTMENT SUB-ADVISOR

Brookfield Investment Management Inc.
Brookfield Place
250 Vesey Street, 15th Floor
New York, NY 10281

ADMINISTRATOR,
FUND ACCOUNTANT &
TRANSFER AGENT

BNY Mellon Investment Servicing (US) Inc.
301 Bellevue Parkway
Wilmington, DE 19809

CUSTODIAN

The Bank of New York Mellon
101 Barclay Street, 20th Floor
New York, NY 10286

INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606

LEGAL COUNSEL

Chapman and Cutler LLP
111 W. Monroe Street
Chicago, IL 60603

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ITEM 2. CODE OF ETHICS.

(a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.

(c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.

(d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

As of the end of the period covered by the report, the Registrant's board of trustees has determined that Thomas R. Kadlec and Robert F. Keith are qualified to serve as audit committee financial experts serving on its audit committee and that each of them is "independent," as defined by Item 3 of Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) Audit Fees (Registrant) -- The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were $45,000 for the fiscal year ended October 31, 2014 and $45,000 for the fiscal year ended October 31, 2015.

(b) Audit-Related Fees (Registrant) -- The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item were $0 for the fiscal year ended October 31, 2014 and $0 for the fiscal year ended October 31, 2015.

Audit-Related Fees (Investment Advisor) -- The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item were $0 for the fiscal year ended October 31, 2014 and $0 for the fiscal year ended October 31, 2015.

(c) Tax Fees (Registrant) -- The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were $5,200 for the fiscal year ended October 31, 2014 and $5,200 for the fiscal year ended October 31, 2015. These fees were for tax return preparation and review.

Tax Fees (Investment Advisor) -- The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were $0 for the fiscal year ended October 31, 2014 and $0 for the fiscal year ended October 31, 2015.

(d) All Other Fees (Registrant) -- The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the Registrant, other than the services reported in paragraphs (a) through (c) of this Item were $0 for the fiscal year ended October 31, 2014 and $0 for the fiscal year ended October 31, 2015.

All Other Fees (Investment Adviser) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the Registrant, other than the services reported in paragraphs (a) through (c) of this Item were $0 for the fiscal year ended October 31, 2014 and $0 for the fiscal year ended October 31, 2015.

(e)(1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X.

Pursuant to its charter and its Audit and Non-Audit Services Pre-Approval Policy, the Audit Committee (the "Committee") is responsible for the pre-approval of all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the registrant by its independent auditors. The Chairman of the Committee is authorized to give such pre-approvals on behalf of the Committee up to $25,000 and report any such pre-approval to the full Committee.

The Committee is also responsible for the pre-approval of the independent auditor's engagements for non-audit services with the registrant's adviser (not including a sub-adviser whose role is primarily portfolio management and is sub-contracted or overseen by another investment adviser) and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant, if the engagement relates directly to the operations and financial reporting of the registrant, subject to the de minimis exceptions for non-audit services described in Rule 2-01 of Regulation S-X. If the independent auditor has provided non-audit services to the registrant's adviser (other than any sub-adviser whose role is primarily portfolio management and is sub-contracted with or overseen by another investment adviser) and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to its policies, the Committee will consider whether the provision of such non-audit services is compatible with the auditor's independence.

(e)(2) The percentage of services described in each of paragraphs (b) through (d) for the Registrant and the Registrant's investment adviser of this Item that were approved by the audit committee pursuant to the pre-approval exceptions included in paragraph (c)(7)(i)(c) or paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X are as follows:

(b) 0%
(c) 0%
(d) 0%

(f) The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.

(g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for the Registrant's fiscal year ended October 31, 2014 were $5,200 for the Registrant and $43,500 for the Registrant's investment adviser and for the Registrant's fiscal year ended October 31, 2015 were $5,200 for the Registrant and $12,500 for the Registrant's investment adviser.

(h) The registrant's audit committee of the board of directors has considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

(a) The Registrant has a separately designated audit committee consisting of all the independent directors of the Registrant. The members of the audit committee are: Thomas R. Kadlec, Niel B. Nielson, Richard E. Erickson and Robert F. Keith.

ITEM 6. INVESTMENTS.

(a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.

(b) Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Proxy Voting Policies are attached herewith.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

(A)(1) IDENTIFICATION OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS AND DESCRIPTION OF ROLE OF PORTFOLIO MANAGER(S) OR MANAGEMENT TEAM MEMBERS.

Information provided as of December 24, 2015.

Brookfield Investment Management Inc. ("Brookfield") serves as the Fund's Sub-Advisor.

Anthony Breaks, CFA, Director

Mr. Breaks is a co-portfolio manager of the registrant responsible for the day-to-day management of the portfolio. He is responsible for security analysis, trading and the overall management of the portfolio's exposures. He has worked for Brookfield since May 2002.

Chris Wu, Director

Mr. Wu is a co-portfolio manager of the registrant responsible for the day-to-day management of the portfolio. He is responsible for the Agency MBS exposures. He performs security analysis, trading and monitoring of the Agency MBS positions. He has worked for Brookfield since March 2007.

(2) OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGERS OR MANAGEMENT TEAM MEMBER AND

POTENTIAL CONFLICTS OF INTEREST

Information provided as of October 31, 2015.

Name of Portfolio Manager or Team Member	Type of Accounts*	Total # of Accounts Managed	Total Assets
1. Anthony Breaks	Registered Investment Companies:	0	$ 0
	Other Pooled Investment Vehicles:	1	$ 46
	Other Accounts:	3	$485
2. Chris Wu	Registered Investment Companies:	0	$ 0
	Other Pooled Investment Vehicles:	0	$ 0
	Other Accounts:	0	$ 0

PORTFOLIO MANAGER MATERIAL CONFLICTS OF INTEREST

Potential conflicts of interest may arise when a fund's portfolio manager has day-to-day management responsibilities with respect to one or more other funds or other accounts, as is the case for the portfolio managers of the Fund. These potential conflicts may include:

Allocation of Limited Time and Attention. A portfolio manager who is responsible for managing multiple funds and/or accounts may devote unequal time and attention to the management of those funds and/or accounts. As a result, the portfolio manager may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as the case may be if he or she were to devote substantially more attention to the management of a single fund. The effects of this potential conflict may be more pronounced where funds and/or accounts overseen by a particular portfolio manager have different investment strategies.

Allocation of Limited Investment Opportunities. If a portfolio manager identifies a limited investment opportunity that may be suitable for multiple funds and/or accounts, the opportunity may be allocated among these several funds or accounts, which may limit a client's ability to take full advantage of the investment opportunity.

Pursuit of Differing Strategies. At times, a portfolio manager may determine that an investment opportunity may be appropriate for only some of the funds and/or accounts for which he or she exercises investment responsibility, or may decide that certain of the funds and/or accounts should take differing positions with respect to a particular security. In these cases, the portfolio manager may place separate transactions for one or more funds or accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other funds and/or accounts.

Variation in Compensation. A conflict of interest may arise where the financial or other benefits available to the portfolio manager differ among the funds and/or accounts that he or she manages. If the structure of the investment adviser's management fee and/or the portfolio manager's compensation differs among funds and/or accounts (such as where certain funds or accounts pay higher management fees or performance-based management fees), the portfolio manager might be motivated to help certain funds and/or accounts over others. The portfolio manager might be motivated to favor funds and/or accounts in which he or she has an interest or in which the investment advisor and/or its affiliates have interests. Similarly, the desire to maintain or raise assets under management or to enhance the portfolio manager's performance record or to derive other rewards, financial or otherwise, could influence the portfolio manager to lend preferential treatment to those funds and/or accounts that could most significantly benefit the portfolio manager.

Related Business Opportunities. The investment adviser or its affiliates may provide more services (such as distribution or recordkeeping) for some types of funds or accounts than for others. In such cases, a portfolio manager may benefit, either directly or indirectly, by devoting disproportionate attention to the management of fund and/or accounts that provide greater overall returns to the investment manager and its affiliates.

Brookfield Investment Management Inc. ("Brookfield") has adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for it and the individuals that it employs. For example, Brookfield seeks to minimize the effects of competing interests for the time and attention of portfolio managers by assigning portfolio managers to manage funds and accounts that share a similar investment style. Brookfield also has adopted trade allocation procedures that are designed to facilitate the fair allocation of limited investment opportunities among multiple funds and accounts.

(3) COMPENSATION STRUCTURE OF PORTFOLIO MANAGERS OR MANAGEMENT TEAM MEMBERS

PORTFOLIO MANAGER COMPENSATION

Information provided as of October 31, 2015.

Brookfield compensates its portfolio managers based on the scale and complexity of their portfolio responsibilities, the total return performance of funds and accounts managed by the portfolio manager on an absolute basis and versus appropriate peer groups of similar size and strategy, as well as the management skills displayed in managing their subordinates and the teamwork displayed in working with other members of the firm. Since the portfolio managers are responsible for multiple funds and accounts, investment performance is evaluated on an aggregate basis almost equally weighted among performance, management and teamwork. Base compensation for Brookfield's portfolio managers varies in line with a portfolio manager's seniority and position. The compensation of portfolio managers with other job responsibilities (such as acting as an executive officer of Brookfield or supervising various departments) includes consideration of the scope of such responsibilities and the portfolio manager's performance in meeting them. Brookfield seeks to compensate portfolio managers commensurate with their responsibilities and performance, and competitive with other firms

within the investment management industry. Salaries, bonuses and stock-based compensation also are influenced by the operating performance of Brookfield and its parent company, Brookfield Asset Management Inc. While the salaries of

Brookfield's portfolio managers are comparatively fixed, cash bonuses and stock-based compensation may fluctuate significantly from year to year. Bonuses are determined on a discretionary basis by the senior executives of Brookfield and measured by individual and team-oriented performance guidelines. The amount of the Long Term Incentive Plan (LTIP) is approved by the board of directors annually and there is a rolling vesting schedule to aid in retention of key people. A key component of this program is achievement of client objectives in order to properly align interests with our clients. Further, the incentive compensation of all investment personnel who work on each strategy is directly tied to the relative performance of the strategy and its clients.

The compensation structure of each Portfolio Manager and other investment professionals has four primary components:

- A base salary;
- An annual cash bonus;
- If applicable, long-term compensation consisting of restricted stock units or stock options of the Investment Adviser's ultimate parent company, Brookfield Asset

Management, Inc. and

- If applicable, long term compensation consisting of restricted stock units in private funds managed by the investment professional

Each Portfolio Manager also receives certain retirement, insurance, and other benefits that are broadly available to all employees. Compensation of each Portfolio Manager is reviewed on an annual basis by senior management.

(4) DISCLOSURE OF SECURITIES OWNERSHIP

Information provided as of October 31, 2015.

NAME	DOLLAR RANGE OF FUND SHARES BENEFICIALLY OWNED
Anthony Breaks	$ 0
Chris Wu	$ 0

(B) Not applicable.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's board of directors, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

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") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a)(1) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.

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

(a)(3) Not applicable.

(b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes- Oxley Act of 2002 are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) First Trust Mortgage Income Fund

By (Signature and Title)* /s/ Mark R. Bradley

Mark R. Bradley, President and
Chief Executive Officer
(principal executive officer)

Date: December 22, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Mark R. Bradley

Mark R. Bradley, President and
Chief Executive Officer
(principal executive officer)

Date: December 22, 2015

By (Signature and Title)* /s/ James M. Dykas

James M. Dykas, Treasurer,
Chief Financial Officer and
Chief Accounting Officer
(principal financial officer)

Date: December 22, 2015

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