

DIVIDEND & INCOME FUND

Form N-Q

November 15, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act File Number: 811-08747

DIVIDEND AND INCOME FUND

(Exact name of registrant as specified in charter)

11 Hanover Square, 12th Floor 10005

New York, NY

(Address of principal executive offices) (Zip Code)

John F. Ramírez, Esq.

Dividend and Income Fund

11 Hanover Square

New York, NY 10005

(Name and address of agent for service)

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

Date of Fiscal Year End: December 31

Date of Reporting Period: September 30, 2016

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

Item 1. Schedule of Investments

DIVIDEND AND INCOME FUND
 SCHEDULE OF PORTFOLIO INVESTMENTS
 September 30, 2016
 (Unaudited)

Shares		Value
	Common Stocks (86.19%)	
	Agricultural Chemicals (1.97%)	
15,000	Monsanto Company	\$ 1,533,000
80,000	Potash Corporation of Saskatchewan Inc.	1,305,600
		2,838,600
	Agriculture Production - Livestock & Animal Specialties (0.61%)	
23,000	Cal-Maine Foods, Inc.	886,420
	Aircraft Engines & Engine Parts (0.28%)	
3,980	United Technologies Corporation	404,368
	Air Transportation, Scheduled (0.47%)	
5,000	Alaska Air Group, Inc.	329,300
9,000	Southwest Airlines Co.	350,010
		679,310
	Apparel & Other Finished Products of Fabrics & Similar Material (0.50%)	
8,300	Carter's, Inc.	719,693
	Beverages (1.36%)	
18,000	PepsiCo, Inc.	1,957,860
	Biological Products (2.09%)	
12,100	Amgen Inc.	2,018,401
12,570	Gilead Sciences, Inc.	994,538
		3,012,939
	Blankbooks, Looseleaf Binders & Bookbinding & Related Work (0.83%)	
18,000	Deluxe Corporation	1,202,760
	Cable & Other Pay Television Services (0.96%)	
32,500	Rogers Communications Inc.	1,378,650
	Cigarettes (1.89%)	
28,000	Philip Morris International, Inc.	2,722,160
	Commercial Banks (2.33%)	
30,000	Australia and New Zealand Banking Group Limited	634,317
243,700	Lloyds Banking Group plc ADR	699,419
141,200	The Royal Bank of Scotland Group plc ADR ^(a)	657,992

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

	60,000 Westpac Banking Corporation	1,364,400
		3,356,128
40,000	Computer and Computer Software Stores (0.76%) GameStop Corp.	1,103,600
	Computer & Office Equipment (0.99%) 9,000 International Business Machines Corporation	1,429,650
	Computer Communications Equipment (1.87%) 85,000 Cisco Systems, Inc.	2,696,200
	Construction, Mining & Materials Handling Machinery & Equipment (0.69%) 13,500 Dover Corp.	994,140
	Drilling Oil & Gas Wells (0.74%) 100,000 Transocean Ltd. ^(a)	1,066,000
	Electric Services (1.69%) 47,500 Southern Company	2,436,750
	Electronic & Other Electrical Equipment (0.98%) 26,000 Emerson Electric Co.	1,417,260
12,500	Electronic Computers (0.98%) Apple Inc.	1,413,125
	Electronic Connectors (0.61%) 25,000 Methode Electronics, Inc.	874,250
	Engines & Turbines (0.30%) 3,400 Cummins Inc.	435,710
	Finance Services (1.07%) 24,000 American Express Company	1,536,960
	Fire, Marine & Casualty Insurance (2.80%) 70,000 W.R. Berkley Corporation	4,043,200
	Food & Kindred Products (0.81%) 14,700 Nestle S.A.	1,161,594
	Freight Air Transport (0.70%) 110,000 Costamare Inc.	1,005,400
	Hotels & Motels (1.16%) 29,000 Las Vegas Sands Corp.	1,668,660
	Industrial Trucks, Tractors, Trailers, and Stackers (0.82%) 20,000 PACCAR Inc.	1,175,600

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

8,000	Industrial Organic Chemicals (0.45%) LyondellBasell Industries N.V.	645,280
9,600	Investment Advice (2.00%) Ameriprise Financial Inc.	957,792
21,700	Franklin Resources, Inc.	771,869
37,000	Invesco Ltd.	1,156,990
		2,886,651
10,300	Measuring & Controlling Devices (0.87%) Rockwell Automation, Inc.	1,260,102
35,000	Metal Mining (0.81%) Rio Tinto plc ADR	1,169,000
18,000	Miscellaneous Industrial & Commercial Machinery & Equipment (0.82%) Eaton Corporation plc	1,182,780
8,650	Motor Vehicle Parts & Accessories (0.80%) BorgWarner Inc.	304,307
7,000	Lear Corporation	848,540
		1,152,847
120,000	Motor Vehicles & Passenger Car Bodies (2.62%) Ford Motor Company	1,448,400
41,500	General Motors Company	1,318,455
35,000	Volkswagen AG	1,011,850
		3,778,705
20,200	National Commercial Banks (2.67%) Capital One Financial Corporation	1,450,966
8,000	The PNC Financial Services Group, Inc.	720,720
39,000	U.S. Bancorp	1,672,710
		3,844,396
24,400	Natural Gas Transmission (0.74%) Spectra Energy Partners, LP	1,066,036
10,000	Other Chemical Products (0.84%) Praxair, Inc.	1,208,300
17,500	Other Educational Services (0.49%) Grand Canyon Education, Inc.	706,825
41,500	Other Financial Intermediaries (1.05%) Lazard Ltd.	1,508,940
22,000	Personal Credit Institutions (0.86%) Discover Financial Services	1,244,100

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

	Petroleum Refining (1.88%)	
20,500	Phillips 66	1,651,275
40,000	Western Refining, Inc.	1,058,400
		2,709,675
	Pharmaceutical Preparations (0.54%)	
4,001	Shire plc	775,634
	Plastic Materials, Synthetic Resins & Nonvulcan Elastomers (0.72%)	
23,500	Hexcel Corporation	1,041,050
	Pumps & Pumping Equipment (0.77%)	
23,000	Flowserve Corporation	1,109,520
	Radio & TV Broadcasting & Communications Equipment (2.32%)	
20,000	QUALCOMM, Incorporated	1,370,000
37,000	Ubiquiti Networks, Inc. ^(a)	1,979,500
		3,349,500
	Railroads, Line-Haul Operating (4.16%)	
108,500	CSX Corp.	3,309,250
15,000	Norfolk Southern Corp.	1,455,900
12,650	Union Pacific Corporation	1,233,755
		5,998,905
64,500	Railroad Equipment (1.58%)	
	The Greenbrier Companies, Inc.	2,276,850
	Retail - Department Stores (1.47%)	
13,800	Dillard's, Inc.	869,538
28,600	Kohl's Corporation	1,251,250
		2,120,788
	Retail - Family Clothing Stores (0.83%)	
12,650	The Buckle, Inc.	303,980
40,000	The GAP, Inc.	889,600
		1,193,580
	Retail - Home Furniture, Furnishings & Equipment Stores (0.39%)	
10,951	Williams-Sonoma, Inc.	559,377
	Retail - Variety Stores (1.78%)	
35,650	Wal-Mart Stores, Inc.	2,571,078
	Scheduled Air Transport Industry (1.01%)	
11,000	Allegiant Travel Company	1,452,770
	Sea and Costal Passenger Water Transport (0.41%)	
140,000	DHT Holdings, Inc.	586,600

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

	Security & Commodity Brokers, Dealers, Exchanges & Services (0.81%)	
17,500	T. Rowe Price Group, Inc.	1,163,750
	Semiconductors & Related Devices (3.16%)	
32,000	Intel Corporation	1,208,000
27,000	Skyworks Solutions, Inc.	2,055,780
18,500	Texas Instruments Incorporated	1,298,330
		4,562,110
	Services - Advertising Agencies (0.54%)	
9,200	Omnicom Group Inc.	782,000
	Services - Business Services (1.20%)	
83,000	The Western Union Company	1,728,060
	Services - Computer Processing & Data Preparation (0.77%)	
9,450	DST Systems, Inc.	1,114,344
	Services - Computer Programming Services (0.40%)	
13,754	Syntel, Inc. ^(a)	576,430
	Services - Help Supply Services (0.96%)	
36,700	Robert Half International Inc.	1,389,462
	Services - Medical Laboratories (2.98%)	
14,000	Laboratory Corporation of America Holdings ^(a)	1,924,720
28,000	Quest Diagnostics Incorporated	2,369,640
		4,294,360
	Services - Miscellaneous Repair Services (0.0%)	
756	Aquilex Holdings LLC Units ^(b)	-
	Services - Personal Services (0.70%)	
43,900	H&R Block, Inc.	1,016,285
	Services - Prepackaged Software (1.23%)	
45,000	Oracle Corporation	1,767,600
	Ship & Boat Building & Repairing (0.50%)	
4,700	Huntington Ingalls Industries, Inc.	721,074
	Special Industry Machinery (0.92%)	
14,000	Lam Research Corporation	1,325,940
	Sporting Goods Stores (1.55%)	
39,500	Dick's Sporting Goods, Inc.	2,240,440
	Surety Insurance (0.96%)	
50,000	Assured Guaranty Ltd.	1,387,500

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

	Telephone Communications (0.79%)	
22,000	Verizon Communications Inc.	1,143,560
	Title Insurance (1.77%)	
65,000	First American Financial Corporation	2,553,200
	Transportation Equipment (1.12%)	
20,900	Polaris Industries Inc.	1,618,496
	Wholesale - Drugs, Proprietarys & Druggists' Sundries (0.76%)	
13,500	AmerisourceBergen Corporation	1,090,530
	Wholesale - Electronic Parts & Equipment (0.91%)	
32,000	Avnet, Inc.	1,313,920
	Wholesale - Industrial Machinery & Equipment (1.02%)	
20,000	MSC Industrial Direct Co., Inc.	1,468,200
	Total common stocks (Cost \$118,102,526)	124,273,537
Principal Amount		
	Corporate Bonds and Notes (1.34%)	
	Cogeneration Services & Small Power Producers (0.32%)	
450,000	Covanta Holding Corp., 7.25%, 12/1/20	464,738
	Electric Services (0.38%)	
490,360	Elwood Energy LLC, 8.159%, 7/5/26	542,461
	Hospital & Medical Service Plans (0.18%)	
250,000	Health Net, Inc., 6.375%, 6/1/17	257,187
	Oil & Gas Field Exploration Services (0.11%)	
169,000	CGG-Veritas, 7.75%, 5/15/17	165,620
	Special Industry Machinery (0.35%)	
500,000	Novelis, Inc., 8.375%, 12/15/17	505,312
	Total corporate bonds and notes (Cost \$1,885,173)	1,935,318
Shares		
	Real Estate Investment Trusts (0.96%)	
100,000	New Residential Investment Corp. (Cost \$771,976)	1,381,000
	Reorganization Interests (0%)	
813,527	Penson Technologies LLC Units ^(a) ^(b) (Cost \$ 0)	0
	Master Limited Partnerships (0.77%)	
	Natural Gas Transmission (0.77%)	
40,000	Enterprise Products Partners LP Units (Cost \$374,214)	1,105,200

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

	Preferred Stocks (1.95%) Financial (1.95%)	
79,469	Annaly Capital Management, Inc., 7.625% Series C	2,026,459
30,809	Hatteras Financial Corp., 7.625% Series A	779,776
	Total preferred stocks (Cost \$2,497,270)	2,806,235
	Money Market Fund (9.17%)	
13,217,721	State Street Institutional Liquid Reserves Fund, 7 day annualized yield 0.15% (Cost \$13,217,721)	13,217,721
	Total investments (Cost \$136,848,880) (100.38%)	144,719,011
	Liabilities in excess of other assets (-0.38%)	(550,239)
	Net assets (100.00%)	\$ 144,168,772

- (a) Non-income producing.
- (b) Illiquid and/or restricted security that has been fair valued.

ADR American Depositary Receipt
 LLC Limited Liability Company
 LP Limited Partnership
 PLC Public Limited Company

Notes to Schedule of Portfolio Investments (Unaudited)

Valuation of Investments

Portfolio securities are valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is in the United States are valued at the official closing price, last sale price or, if no sale has occurred, at the closing bid price. Most equity securities for which the primary market is outside the United States are valued using the official closing price or the last sale price in the principal market in which they are traded. If the last sale price on the local exchange is unavailable, the last evaluated quote or closing bid price normally is used. In the event of an unexpected close of the primary market or exchange, a security may continue to trade on one or more other markets, and the price as reflected on those other trading venues may be more reflective of the security's value than an earlier price from the primary market or exchange. Accordingly, the Fund may seek to use these additional sources of pricing data or information when prices from the primary market or exchange are unavailable, or are earlier and less representative of current market value. Certain debt securities may be priced through pricing services that may utilize a matrix pricing system which takes into consideration factors such as yields, prices, maturities, call features, and ratings on comparable securities or according to prices quoted by a securities dealer that offers pricing services. Open end investment companies are valued at their net asset value. Securities for which market quotations are not readily available or reliable and other assets may be valued as determined in good faith by Bexil Advisers LLC, the Investment Manager, under the direction of or pursuant to procedures approved by the Fund's Board of Trustees. Due to the inherent uncertainty of valuation, such fair value pricing values may differ from the values that would have been used had a readily available market for the securities existed. These differences in valuation could be material. A security's valuation may differ depending on the method used for determining value. The use of fair value pricing by the Fund may cause the net asset value of its shares to differ from the net asset value that would be calculated using market prices. A fair value price is an estimate and there is no assurance that such price will be at or close to the price at which a security is next quoted or next trades.

Value Measurements

Inputs to valuation methods are prioritized by a three level hierarchy as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities including securities actively traded on a securities exchange.
- Level 2 - observable inputs other than quoted prices included in level 1 that are observable for the asset or liability which may include quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.
- Level 3 - unobservable inputs for the asset or liability including the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for investments categorized in level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those securities.

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

The following is a description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis:

Equity securities (common and preferred stock) – Most publicly traded equity securities are valued normally at the most recent official closing price, last sale price, evaluated quote, or closing bid price. To the extent these securities are actively traded and valuation adjustments are not applied, they may be categorized in level 1 of the fair value hierarchy. Equities on inactive markets or valued by reference to similar instruments may be categorized in level 2.

Corporate bonds and notes – The fair value of corporate bonds and notes are normally estimated using various techniques which may consider, among other things, recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. Although most corporate bonds and notes may be categorized in level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they may be categorized in level 3.

Restricted and/or illiquid securities – Restricted and/or illiquid securities for which quotations are not readily available or reliable may be valued with fair value pricing as determined in good faith by the Investment Manager under the direction of or pursuant to procedures approved by the Fund's Board of Trustees. Restricted securities issued by publicly traded companies are generally valued at a discount to similar publicly traded securities. Restricted or illiquid securities issued by nonpublic entities may be valued by reference to comparable public entities or fundamental data relating to the issuer or both or similar inputs. Depending on the relative significance of valuation inputs, these instruments may be categorized in either level 2 or level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of September 30, 2016 in valuing the Fund's assets. Refer to the schedules of portfolio investments for detailed information on specific investments.

ASSETS	Level 1	Level 2	Level 3	Total
Investments, at value				
Common stocks	\$ 124,273,537	\$ -	\$ 0	\$ 124,273,537
Corporate bonds and notes	-	1,935,318	-	1,935,318
Real estate investment trusts	1,381,000	-	-	1,381,000
Reorganization interests	-	-	0	-
Master limited partnerships	1,105,200	-	-	1,105,200
Preferred stocks	2,806,235	-	-	2,806,235
Money market fund	13,217,721	-	-	13,217,721
Total investments, at value	\$ 142,783,693	\$ 1,935,318	\$ 0	\$ 144,719,011

There were no securities transferred from level 1 on December 31, 2015 to level 2 on September 30, 2016.

The following is a reconciliation of level 3 assets including securities valued at zero:

	Common Stocks	Reorganization Interests	Preferred Stocks	Total
Balance at December 31, 2015	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from sales	-	-	(19,200)	-

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

Realized gain (loss)	-	-	19,200	-
Transfers into (out of) level 3	-	-	-	-
Change in unrealized appreciation	-	-	-	-
Balance at September 30, 2016	\$ 0	\$ 0	\$ -	\$ 0
Net change in unrealized depreciation attributable to assets still held as level 3 at September 30, 2016	\$ -	\$ 0	\$ -	\$ -

Edgar Filing: DIVIDEND & INCOME FUND - Form N-Q

The Investment Manager, under the direction of the Fund's Board of Trustees, considers various valuation approaches for valuing assets categorized within level 3 of the fair value hierarchy. The factors used in determining the value of such assets may include, but are not limited to: the discount applied due to the private nature of the asset; the type of the security; the size of the asset; the initial cost of the security; the existence of any contractual restrictions on the security's disposition; the price and extent of public trading in similar securities of the issuer or of comparable companies; quotations or evaluated prices from broker-dealers and/or pricing services; information obtained from the issuer or analysts; an analysis of the company's or issuer's financial statements; or an evaluation of the forces that influence the issuer and the market in which the asset is purchased and sold. Significant changes in any of those inputs in isolation may result in a significantly lower or higher fair value measurement. The pricing of all fair value assets is normally reported to the Fund's Board of Trustees.

The following table presents additional information about valuation methodologies and inputs used for assets that are measured at fair value and categorized as level 3 as of September 30, 2016:

	Fair Value	Valuation Technique	Unobservable Input	Range
Common stocks				
Services – Miscellaneous	\$	Share of taxable income and comparable	Discount rate for lack of	35%
Repair Services	0	exchange offer	marketability	
Reorganization interests	\$	Cost; last known market value for predecessor	Discount rate for lack of	100%
	0	securities; estimated recovery on liquidation	marketability	

Cost for Federal Income Tax Purposes

As of September 30, 2016, for federal income tax purposes, subject to change, the aggregate cost of securities was \$136,848,880 and net unrealized appreciation was \$7,870,131, comprised of gross unrealized appreciation of \$17,649,933 and gross unrealized depreciation of \$9,779,802. The aggregate cost of investments for tax purposes will depend upon the Fund's investment experience during the entirety of its fiscal year and may be subject to changes based on tax regulations.

Illiquid and Restricted Securities

The Fund owns securities which have a limited trading market and/or certain restrictions on trading and, therefore, may be illiquid and/or restricted. Such securities have been valued using fair value pricing. Due to the inherent uncertainty of valuation, fair value pricing values may differ from the values that would have been used had a readily available market for the securities existed. These differences in valuation could be material. Illiquid and/or restricted securities owned as of September 30, 2016 were as follows:

	Acquisition Date	Cost	Value
Aquilex Holdings LLC	3/08/12	\$ 496,372	\$ 0
Penson Technologies LLC	4/09/14	0	0
Total		\$ 496,372	\$ 0
Percent of net assets		0.34%	0.00%

Market and Credit Risks

The Fund may invest in below investment grade fixed income securities, which carry ratings of BB or lower by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("S&P") and/or Ba1 or lower by Moody's Investors Service, Inc. ("Moody's"). Investments in these below investment grade securities may be accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment grade securities. The relative illiquidity of some of these securities may adversely affect the ability of the Fund to dispose of such securities in a timely manner and at a fair price at times when it might be necessary or advantageous for the Fund to liquidate portfolio securities.

Foreign Securities

Investments in the securities of foreign issuers involve special risks which include changes in foreign exchange rates and the possibility of future adverse political and economic developments which could adversely affect the value of such securities. Moreover, securities of foreign issuers and traded in foreign markets may be less liquid and their prices more volatile than those of U.S. issuers and markets.

In June 2016, the United Kingdom (UK) voted to leave the European Union (EU) following a referendum referred to as "Brexit." It is expected that the UK will exit the EU within two years, however, the exact timeframe for the UK's exit is unknown. There is still considerable uncertainty relating to the potential consequences of the withdrawal, including how the financial markets will react. In light of the uncertainties surrounding the impact of the Brexit on the broader global economy, the negative impact could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues, which could have an adverse effect on the value of the Fund's investments.

Item 2. Controls and Procedures

- The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
- (a) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits

- (a) Certifications of the registrant's principal executive officer and principal financial officer as required by Rule 30a-2(a) under the 1940 Act.

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.

Dividend and Income Fund

By: /s/ Thomas B. Winmill
Thomas B. Winmill, President

Date: November 15, 2016

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

By: /s/ Thomas B. Winmill
Thomas B. Winmill, President

Date: November 15, 2016

By: /s/ Thomas O'Malley
Thomas O'Malley, Chief Financial Officer

Date: November 15, 2016

EXHIBIT INDEX

- (a) Certifications of the registrant's principal executive and principal financial officer as required by Rule 30a-2(a) under the 1940 Act. (EX-99.CERT)