

FIRST TRUST/FIDAC MORTGAGE INCOME FUND
Form N-Q
March 26, 2008

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 811-21727

First Trust/FIDAC Mortgage Income Fund

(Exact name of registrant as specified in charter)

1001 Warrenville Road, Suite 300
Lisle, IL 60532

(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.
First Trust Portfolios L.P.
1001 Warrenville Road, Suite 300
Lisle, IL 60532

(Name and address of agent for service)

Registrant's telephone number, including area code: 630-241-4141

Date of fiscal year end: October 31

Date of reporting period: January 31, 2008

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q 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 the 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.

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ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

FIRST TRUST/FIDAC MORTGAGE INCOME FUND
 PORTFOLIO OF INVESTMENTS (A)
 JANUARY 31, 2008 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	COUPON	STATED MATURITY
U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES - 76.2%			
\$ 5,474,388	Federal Home Loan Mortgage Corporation (FHLMC) Gold, Pool A38042.....	6.00%	10/01/35
8,235,396	Federal National Mortgage Association (FNMA) Pool 256182.....	6.00%	03/01/36
11,622,606	Pool 256328.....	6.50%	07/01/36
8,146,241	Pool 831145.....	6.00%	12/01/35
7,525,733	Pool 843971.....	6.00%	11/01/35
6,038,145	Pool 872303.....	6.00%	05/01/36
8,311,457	Pool 880203.....	6.00%	02/01/36
	TOTAL U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES.....		
	(Cost \$55,374,151)		
U.S. GOVERNMENT AGENCY AND NON-AGENCY COLLATERALIZED MORTGAGE OBLIGATIONS - 39.9%			
4,776,524	Banc of America Mortgage Securities Series 2007-3, Class 2A3.....	7.00%	09/25/37
445,309	Federal Home Loan Mortgage Corp. Series 2716, Class CI, IO	5.00%	05/15/19
3,673,838	Series 2737, Class IG, IO	5.00%	08/15/27
1,447,835	Series 2747, Class IH, IO	5.00%	12/15/13
12,974,931	Series 2807, Class SB, IO (b).....	3.21%	11/15/33
2,248,426	Series 2836, Class PI, IO	5.00%	09/15/22
4,739,600	Series 2870, Class JI, IO	5.00%	10/15/27
792,000	Series 2888, Class OI, IO	5.00%	01/15/27
1,774,808	Series 2921, Class IQ, IO	5.00%	01/15/29
1,695,583	Series 2938, Class PI, IO	5.00%	11/15/28
1,933,440	Series 2943, Class JI, IO	5.00%	01/15/24
1,177,187	Series 2961, Class IP, IO	5.50%	07/15/28
1,581,155	Series 3069, Class LI, IO	5.50%	08/15/32
613,577	Series 3171, Class CS (b).....	13.88%	06/15/36
1,431,147	Series 3195, Class SX (b).....	18.61%	07/15/36
27,425,322	Federal Home Loan Mortgage Corp., STRIP Series 227, Class IO, IO	5.00%	12/01/34
5,432,536	Series 231, Class IO, IO	5.50%	08/01/35
10,325,278	Series 232, Class IO, IO	5.00%	08/01/35

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2,931,872	Series 235, Class IO, IO	5.50%	02/01/36
4,440,853	Series 240, Class IO, IO	5.50%	07/15/36
4,848,826	Series 248, Class IO, IO	5.50%	07/15/37
	Federal National Mortgage Association		
3,501,492	Series 2005-122, Class SN (b).....	15.10%	01/25/36
1,762,402	Series 2005-39, Class BI, IO	5.00%	06/25/28

See Notes to Quarterly Portfolio of Investments Page 1

FIRST TRUST/FIDAC MORTGAGE INCOME FUND
 PORTFOLIO OF INVESTMENTS (A)-(Continued)
 JANUARY 31, 2008 (UNAUDITED)

PRINCIPAL VALUE	DESCRIPTION	COUPON	STATED MATURITY
U.S. GOVERNMENT AGENCY AND NON-AGENCY COLLATERALIZED MORTGAGE OBLIGATIONS - (CONTINUED)			
	Federal National Mortgage Association, STRIP		
\$ 10,378,750	Series 360, Class 2, IO.....	5.00%	08/01/35
	GSR Mortgage Loan Trust		
7,280,183	Series 2007-1F, Class 3A10, IO.....	6.00%	01/25/37
	TOTAL U.S. GOVERNMENT AGENCY AND NON-AGENCY COLLATERALIZED MORTGAGE OBLIGATIONS.....		
	(Cost \$30,376,598)		
ASSET-BACKED SECURITIES - 0.6%			
	Asset-Backed Securities Corporation Home Equity		
79,834	Series 2006-HE3, Class A3 (c).....	3.44%	03/25/36
	Countrywide Asset-Backed Certificates		
83,800	Series 2005-12, Class 1A1 (c).....	3.53%	02/25/36
285,319	Series 2006-12, Class 2A1 (c).....	3.45%	12/25/36
	HSI Asset Securitization Corporation Trust		
28,871	Series 2006-OPT2, Class 2A1 (c)	3.46%	01/25/36
	TOTAL ASSET-BACKED SECURITIES.....		
	(Cost \$476,659)		
U.S. GOVERNMENT AGENCY OBLIGATIONS - 10.7%			
3,000,000	Federal Home Loan Mortgage Corp. (c)	7.00%	07/11/22
5,000,000	Federal Home Loan Mortgage Corp., Series 1 (c)	7.50%	12/27/21
	TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS.....		
	(Cost \$7,958,224)		

SHARES

DESCRIPTION

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 PREFERRED SECURITIES - 2.1%

20,000 Fannie Mae, 8.25%
 40,000 Freddie Mac, Series Z, 8.38%

TOTAL PREFERRED SECURITIES.....
 (Cost \$1,500,000)

TOTAL INVESTMENTS - 129.5%.....
 (Cost \$95,685,632) (d)

PRINCIPAL
 VALUE

DESCRIPTION

 REVERSE REPURCHASE AGREEMENT - (30.4%)

\$ (22,641,000) With UBS Securities 3.10% dated 01/31/08, to be repurchased at \$22,642,950 on
 02/01/08, collateralized by \$25,909,076 FNMA 6.00%, due 11/01/35, FNMA
 6.00%, due 05/01/36 and FNMA 6.50%, due 07/01/36.
 (Cost \$22,641,000)

NET OTHER ASSETS AND LIABILITIES - 0.9%.....

NET ASSETS - 100.0%.....

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See Notes to Quarterly Portfolio of Investments

FIRST TRUST/FIDAC MORTGAGE INCOME FUND
 PORTFOLIO OF INVESTMENTS (A)-(Continued)
 JANUARY 31, 2008 (UNAUDITED)

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- (a) All percentages shown in the Portfolio of Investments are based on net assets.
 - (b) Inverse floating rate instrument. The interest rate shown reflects the rate in effect at January 31, 2008.
 - (c) Floating rate security.
 The interest rate shown reflects the rate in effect at January 31, 2008.
 - (d) Aggregate cost for federal income tax and financial reporting purposes.
 - IO Interest only
 - STRIP Separate trading of registered interest and principal of securities

See Notes to Quarterly Portfolio of Investments

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NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS

FIRST TRUST/FIDAC MORTGAGE INCOME FUND JANUARY 31, 2008 (UNAUDITED)

1. VALUATION AND INVESTMENT PRACTICES

A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of the First Trust/FIDAC Mortgage Income Fund (the "Fund") is determined daily as of the close of regular trading on the New York Stock Exchange ("NYSE"), normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. 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 subtracting the Fund's liabilities (including accrued expenses, dividends payable and all borrowings of the Fund) from the Fund's Total Assets (the value of the securities and other investments the Fund holds plus cash or other assets, including interest accrued but not yet received) and dividing the result 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 according to procedures adopted by the Fund's Board of Trustees. Securities for which market quotations are readily available are valued at market value, which is currently determined using the last reported sale price or, if no sales are reported (as in the case of some securities traded over-the-counter), the last reported bid price, except that certain U.S. government securities are valued at the mean between the last reported bid and asked prices. The Fund values mortgage-backed securities and other debt securities not traded in an organized market on the basis of valuations provided by dealers or by an independent pricing service, approved by the Board of Trustees, which uses information with respect to transactions in such securities, quotations from dealers, market transactions for comparable securities, various relationships between securities and yield to maturity in determining value. Debt securities having a remaining maturity of less than sixty days when purchased and debt securities originally purchased with maturities of sixty days or more but which currently have maturities of less than sixty days are valued at cost adjusted for amortization of premiums and accretion of discounts. In the event that market quotations are not readily available, the pricing service does not provide a valuation for a particular security, or the valuations are deemed unreliable, First Trust Advisors L.P. ("First Trust") may use a fair value method to value the Fund's securities and investments. Additionally, if events occur after the close of the principal market for particular securities (e.g., domestic debt and foreign securities), but before the Fund values its assets, that could materially affect NAV, First Trust may use a fair value method to value the Fund's securities and investments. The use of fair value pricing by the Fund is governed by valuation procedures adopted by the Fund's Board of Trustees, and in accordance with the provisions of the Investment Company Act of 1940, as amended.

B. SECURITIES TRANSACTIONS:

Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date; interest income on such securities is not accrued until settlement date. The Fund maintains liquid assets with a current value at least equal to the amount of its when-issued or delayed-delivery purchase commitments. At January 31, 2008, the Fund had no

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when-issued or delayed-delivery purchase commitments.

C. REVERSE REPURCHASE AGREEMENTS:

A reverse repurchase agreement, although structured as a sale and repurchase obligation, acts as a financing under which the Fund pledges its assets 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 Fund will be required to repay the loan and correspondingly receive back its collateral. While used as collateral, the assets continue to pay principal and interest which are for the benefit of the Fund.

Information for the three months ended January 31, 2008:

Maximum amount outstanding during the period.....	\$24,663,000
Average amount outstanding during the period*.....	\$23,802,250
Average monthly shares outstanding during the period.....	4,045,236
Average debt per share outstanding during the period.....	\$5.88

*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 three months ended January 31, 2008.

Interest rates ranged from 3.10% to 4.94% during the three months ended January 31, 2008, on borrowings by the Fund under reverse repurchase agreements.

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NOTES TO QUARTERLY PORTFOLIO OF INVESTMENTS - (CONTINUED)

FIRST TRUST/FIDAC MORTGAGE INCOME FUND JANUARY 31, 2008 (UNAUDITED)

D. INVERSE FLOATING RATE INSTRUMENTS

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. The investments are identified on the Portfolio of Investments.

2. UNREALIZED APPRECIATION (DEPRECIATION)

As of January 31, 2008, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$2,242,058 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$1,377,683.

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ITEM 2. CONTROLS AND PROCEDURES.

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- (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 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.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 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/FIDAC Mortgage Income Fund

By (Signature and Title)* /s/ James A. Bowen

James A. Bowen, Chairman of the Board, President and Chief Executive Officer (principal executive officer)

Date March 20, 2008

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/ James A. Bowen

James A. Bowen, Chairman of the Board, President and Chief Executive Officer (principal executive officer)

Date March 20, 2008

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

Mark R. Bradley, Treasurer, Controller, Chief Financial
Officer and Chief Accounting Officer
(principal financial officer)

Date March 20, 2008

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