PROSPECTUS

23,750,000 Shares

Cohen & Steers Closed-End Opportunity Fund, Inc.

Common Shares
$20.00 per Share

Investment Objective. Cohen & Steers Closed-End Opportunity Fund, Inc. (the "Fund") is a newly organized, non-diversified, closed-end management investment company. Our investment objective is total return, consisting of high current income and potential capital appreciation.

(continued on following page)

Investing in Common Shares involves risks that are described in the "Principal Risks of the Fund" section beginning on page 25 of this prospectus.

	Per Share	Total(1)
Price to public	$20.00	$475,000,000
Sales load (2)	$.60	$14,250,000
Estimated offering expenses (3)	$.04	$950,000
Proceeds, after expenses, to Fund	$19.36	$459,800,000

(1) The Fund has granted the underwriters an option to purchase up to 3,562,500 additional Common Shares at the public offering price less the sales load within 45 days of the date of this prospectus, solely to cover overallotments, if any. If such option is exercised in full, the total Price to public, Sales load, Estimated offering expenses and Proceeds, after expenses, to Fund will be $546,250,000, $16,387,500, $1,092,500 and $528,770,000, respectively. See "Underwriting."

(2) The Fund has agreed to pay the underwriters $.00667 per Common Share as a partial reimbursement of expenses incurred in connection with the offering. The Investment Manager (not the Fund) has agreed to pay additional compensation to Merrill Lynch, Pierce, Fenner & Smith Incorporated. See "Underwriting."

(3) The Investment Manager has agreed to pay all organizational expenses and offering costs of the Fund (other than the sales load, but including the $.00667 per Common Share partial reimbursement of expenses to the underwriters) that exceed $.04 per Common Share. The estimated offering expenses to be incurred by the Fund are $950,000.

Neither the Securities and Exchange Commission nor any State Securities Commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Common Shares will be ready for delivery on or about November 24, 2006.

Merrill Lynch & Co.

BB&T Capital Markets **Robert W. Baird & Co.** **Banc of America Securities LLC**

H&R Block Financial Advisors, Inc. **Crowell, Weedon & Co.** **Deutsche Bank Securities**

Ferris, Baker Watts Incorporated **J.J.B. Hilliard, W.L. Lyons, Inc.** **KeyBanc Capital Markets**

Ladenburg Thalmann & Co. Inc. **RBC Capital Markets** **Stifel Nicolaus**

Wedbush Morgan Securities Inc. **Wells Fargo Securities**

The date of this prospectus is November 20, 2006.

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Portfolio Contents. The Fund seeks to achieve its objective by investing in the common stock of closed-end management investment companies ("Portfolio Funds") selected by Cohen & Steers Capital Management, Inc., the Fund's investment manager (the "Investment Manager"), that invest significantly in equity or income-producing securities. Portfolio Funds generally focus on equity or income-producing securities, sectors or strategies, such as dividend strategies, covered call option strategies, total return strategies, balanced strategies, general equities (including both dividend and non-dividend paying equities), limited duration strategies, convertible securities, preferred securities, high yield securities and real estate, energy, utility and other equity or income-oriented strategies. There can be no assurance that the Fund will achieve its investment objective. See "Investment Objective and Policies" and "Principal Risks of the Fund."

No Prior History. **Because the Fund is newly organized, its Common Shares have no history of public trading. The shares of closed-end investment companies frequently trade at a discount from their net asset value. This risk may be greater for investors expecting to sell their shares in a relatively short period after completion of the public offering.**

Open-End Fund Conversion. The Common Shares have been approved for listing on the New York Stock Exchange, subject to notice of issuance, under the symbol "FOF." The Fund's Articles of Incorporation provide that (beginning five years from the date of this prospectus) if the Fund's Common Shares close on the New York Stock Exchange at an average price over a period of 75 consecutive trading days that is a 7.5% or greater discount from the average net asset value of the Fund's Common Shares during such period, the Fund will convene a stockholders meeting for the purpose of voting on a proposal that the Fund to convert to an open-end fund by amendment of the Fund's Articles of Incorporation.

This prospectus concisely sets forth information about the Fund you should know before investing. You should read the prospectus carefully before deciding whether to invest and retain it for future reference. A Statement of Additional Information, dated November 20, 2006 (the "SAI"), as supplemented from time to time, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the SAI on page 48 of this prospectus. You may request a free copy of the SAI by calling (800) 437-9912. You also may call to request the Fund's annual and semi-annual reports (when available) or other information about the Fund and to make stockholder inquiries. You may also obtain the SAI and other information regarding the Fund on the Securities and Exchange Commission website (http://www.sec.gov). The Fund makes available the SAI and the Fund's annual and semi-annual reports (when available), free of charge, at http://www.cohenandsteers.com.

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition and prospects may have changed since that date.

PROSPECTUS SUMMARY

This is only a summary. This summary may not contain all of the information that you should consider before investing in our Common Shares. You should review the more detailed information contained in this prospectus and in the Statement of Additional Information (the "SAI"), especially the information set forth under the heading "Principal Risks of the Fund."

The Fund . . . . Cohen & Steers Closed-End Opportunity Fund, Inc. is a newly organized, non-diversified, closed-end management investment company (known as a "closed-end fund"). Throughout this prospectus, we refer to Cohen & Steers Closed-End Opportunity Fund, Inc. simply as the "Fund" or as "we," "us" or "our." See "The Fund."

The Offering . . . . We are offering 23,750,000 shares of common stock ("Common Shares") through a group of underwriters led by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). You must purchase at least 100 Common Shares ($2,000). The underwriters have been granted an option to purchase up to 3,562,500 additional Common Shares solely to cover overallotments, if any. The initial public offering price is $20.00 per Common Share. See "Underwriting." Cohen & Steers Capital Management, Inc. (the "Investment Manager") will be responsible for all organizational expenses and offering costs (other than the sales load, but including the $.00667 per Common Share partial reimbursement of expenses to the underwriters) that exceed $.04 per share of the Fund's Common Shares.

Investment Objective and Policies . . . . Our investment objective is total return, consisting of high current income and potential capital appreciation. Our investment objective and certain investment policies are considered fundamental and may not be changed without stockholder approval. See "Investment Objective and Policies."

The Fund seeks to achieve its objective by investing in the common stock of closed-end management investment companies ("Portfolio Funds") selected by the Investment Manager that invest significantly in equity or income-producing securities. Portfolio Funds generally focus on equity or income-producing securities, sectors or strategies, such as dividend strategies, covered call option strategies, total return strategies, balanced strategies, general equities (including both dividend and non-dividend paying equities), limited duration strategies, convertible securities, preferred securities, high yield securities and real estate, energy, utility and other equity or income-oriented strategies. Shares of Portfolio Funds in which the Fund invests will be traded on a national securities exchange.

Dividend strategies typically focus on investments in dividend-paying equity securities or equity-related securities, such as common stock, preferred securities, convertible securities and/or warrants. A covered call option strategy is designed to produce income from premiums received from writing (selling) call options on single securities and/or indices and to offset a portion of a market decline in the underlying securities. Total return strategies typically pursue both income and capital appreciation, and may invest in a wide variety of equity and fixed income securities and other instruments that vary from fund to fund. A balanced strategy typically invests at least 25% of its assets in fixed income senior securities and at least 25% of its assets in equities. Limited duration strategies typically focus on fixed income securities of intermediate duration (a measure of the price volatility of a debt instrument as a result of changes in market interest rates, based on the weighted average timing of the instrument's expected principal and interest payments), and may include high yield securities, senior loans and mortgage-related securities. Securities and other investments in which Portfolio Funds pursuing these strategies are expected to focus their investments, along with equity, convertible, preferred and high yield securities and the real estate, energy and utilities sectors, are described with their accompanying risks, under "Principal Risks of the Fund—Portfolio Fund Investment Risk."

It is the Fund's current intention to initially allocate substantially all of the Fund's net assets to common stocks issued by Portfolio Funds. Thereafter, the Fund's portfolio allocations will vary from time to time, consistent with the Fund's investment objective and policies. At any time, under normal circumstances, at least 80% of the Fund's net assets will be invested in common stock issued by Portfolio Funds. **The Fund is not required to invest in Portfolio Funds focusing on U.S. or foreign securities, or equity or fixed income securities, in any specific proportion, and allocation of the Fund's portfolio between Portfolio Funds focusing on U.S. and foreign securities, and between equity and fixed income securities, will vary over time, perhaps significantly.** The Fund also has the ability to invest directly in income-producing securities and instruments relating to closed-end funds, as well as to enter into certain Strategic Transactions (as defined below). See "Investment Objective and Policies—Investment Strategies—Direct Investments in Income-Producing Securities and Instruments Relating to Closed-End Funds" and "—Strategic Transactions."

There can be no assurance that the Fund will achieve its investment objective. See "Investment Objective and Policies" and "Principal Risks of the Fund."

Investment Strategies

The combination of the Investment Manager's quantitative approach and research-driven process for selecting closed-end funds is intended to produce a portfolio focused on total return that is allocated across multiple sectors, strategies and managers. In selecting Portfolio Funds, the Investment Manager seeks to identify closed-end funds that meet one or more of the following characteristics:

- strong fundamentals, including ability to meet current and projected future dividend payments out of current income or a combination of current income and realized and unrealized gains, and leverage/risk management, as the Investment Manager believes that a conservative approach to leverage has the potential to help mitigate the effects of changes in interest rates;

- relatively high current income;
- share prices at a discount to net asset value;
- undervalued funds where recent total return on market price trails recent total return on net asset value;
- well-regarded asset managers with strong track records managing the asset class(es) in which a Portfolio Fund invests;
- diversification of sectors and asset classes among the Portfolio Funds;
- market capitalization generally greater than $200 million; and
- average daily trading volumes generally greater than $750,000 per day.

There is no requirement that any Portfolio Fund in the Fund's portfolio satisfy all the criteria set forth above, and the Investment Manager will use its discretion in selecting a portfolio of Portfolio Funds that the Investment Manager believes will help the Fund achieve its investment objective.

In addition to the criteria set forth above, the Investment Manager also may invest opportunistically in one or more Portfolio Funds when the Investment Manager believes a Portfolio Fund's shares are not appropriately priced relative to other comparable funds or the Portfolio Fund's share price does not properly reflect the impact of a corporate event or conditions in the overall securities markets that the Investment Manager believes will have a positive influence on the Portfolio Fund's share price.

The Fund will be limited by provisions of the Investment Company Act of 1940, as amended (the "1940 Act"), that limit the amount the Fund can invest in any one Portfolio Fund to 3% of the Portfolio Fund's total outstanding stock. As a result, the Fund may hold a smaller position in a Portfolio Fund than if it were not subject to this restriction. To comply with provisions of the 1940 Act, on any matter upon which Portfolio Fund stockholders are solicited to vote the Investment Manager will vote Portfolio Fund shares in the same general proportion as shares held by other stockholders of the Portfolio Fund. The Fund will not invest in any closed-end funds managed by the Investment Manager.

Although it will not make direct investments in open-end management investment companies ("open-end funds"), the Fund may own stock of an open-end fund as a result of a Portfolio Fund's conversion from a closed-end fund. The Fund will not own such an open-end fund as a strategic investment over the long-term, and the Investment Manager will generally redeem its investment in the open-end fund within a time period deemed reasonable by the Investment Manager taking into account the circumstances surrounding that fund.

The Fund may, but is not required to, use various strategic transactions to mitigate risks and to facilitate portfolio management. Although the Investment Manager would seek to use these practices to further the Fund's investment objective, no assurance can be given that these practices will achieve this result. The Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, financial futures, equity, fixed income and interest rate indices, and other financial instruments; purchase and sell financial futures contracts and options thereon; and enter into various interest rate transactions such as swaps, caps, floors or collars and credit transactions and credit default swaps. The Fund also may purchase derivative instruments that combine features of these instruments. Collectively, all of the above are referred to as "Strategic Transactions." The Fund would generally seek to use Strategic Transactions as a portfolio management or hedging technique. Strategic Transactions have risks, including imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. The use of Strategic Transactions may result in losses greater than if they had not been used. See "Investment Objective and Policies—Investment Strategies—Strategic Transactions."

The Fund may buy and sell shares of Portfolio Funds to take advantage of potential short-term trading opportunities, but short-term trading will not be used as the primary means of achieving the Fund's investment objective. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is not expected to exceed 100% under normal circumstances. However, there are no limits on portfolio turnover, and Portfolio Fund shares may be sold without regard to length of time held when, in the opinion of the Investment Manager, investment considerations warrant such action.

There can be no assurance that the Fund's investment objective will be achieved. See "Investment Objective and Policies."

Principal Risks of the Fund . . . .

We are a non-diversified, closed-end fund designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that we will achieve our investment objective.

As a newly organized entity, we have no operating history. See "The Fund." **An investment in the Fund is subject to investment risk, including the possible loss of the entire amount that you invest.**

Risks of investing in the Fund include risks associated with (1) investments in closed-end funds generally, including both your investment in Common Shares and the Fund's investment in Portfolio Fund shares; (2) the risks of the Portfolio Funds' investments; and (3) any direct investments in income-producing securities and derivative, structured and other instruments related to closed-end funds (including Strategic Transactions), which are the same risks as described below for Portfolio Fund investments in such securities and instruments. Since the Fund pursues its investment objective by investing in Portfolio Funds, it is subject to particular risks associated with investing in other closed-end funds that are separate from risks associated with the investments held by the Portfolio Funds.

Both the Fund, and the Portfolio Funds, have management fees. In addition, although the Investment Manager bears most of the Fund's other operating expenses, the Portfolio Funds typically incur operating expenses that are borne by their investors, including the Fund. As a result, Fund investors will bear not only the Fund's management fees and any operating expenses not paid by the Investment Manager, but also the fees and expenses of the Portfolio Funds attributable to the Fund's investments. Investors would bear less expenses if they invested directly in the Portfolio Funds.

Risks of Investing in Closed-End Funds

Market Risk. Common stock prices, including the prices of the Common Shares and shares of Portfolio Fund stock, are sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stock. Common stock prices, like other investments, may move up or down, sometimes rapidly and unpredictably. In addition, market prices of the Common Shares and Portfolio Fund shares may be affected by investors' perceptions regarding closed-end funds generally or, in the case of Portfolio Funds, their underlying investments. At any point in time, your Common Shares may be worth less than what you invested, even after taking into account the reinvestment of Fund dividends and distributions.

Risk of Market Price Discount from Net Asset Value. Shares of closed-end funds, such as the Fund and the Portfolio Funds, frequently trade at a discount from their net asset value. This characteristic is a risk separate and distinct from the risk that net asset value could decrease as a result of investment activities. Whether investors will realize gains or losses upon the sale of shares will depend not upon the Fund's or Portfolio Funds' net asset values, but entirely upon whether the market price of the shares at the time of sale is above or below an investor's purchase price for the shares.

The risk of market price discount may be greater for Fund investors expecting to sell their Common Shares in a relatively short period following completion of this offering. The Common Shares' net asset value will be reduced immediately following the offering by the sales load and the amount of organizational and offering expenses paid by the Fund. Because the market price of the shares will be determined by factors such as relative supply of and demand for shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, we cannot predict whether the Common Shares will trade at, above or below net asset value, or at, below or above the initial offering price. See "Principal Risks of the Fund—Risks of Investing in Closed-End Funds—Risk of Market Price Discount from Net Asset Value."

Manager Risk. The success of the Fund's strategy is subject to the ability of the Investment Manager to achieve the Fund's investment objective. Similarly, the Fund's investments in Portfolio Funds is subject to the ability of the Portfolio Funds' managers to achieve the Portfolio Fund's investment objectives.

Dividend Risk. Common Shares, as well as shares issued by the Portfolio Funds, do not assure dividend payments. Dividends are paid only when declared by the Board of Directors of the Fund or the board of directors of the Portfolio Funds, as the case may be, and the level of dividends may vary over time. If a Portfolio Fund reduces or eliminates the level of its regular dividends, this may reduce the level of dividends paid by the Fund, and may cause the market prices of the Portfolio Fund's shares and the Common Shares to fall.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and shares of Portfolio Funds and distributions can decline.

Non-Diversification Risk. The Fund is, and certain Portfolio Funds may be, classified as "non-diversified" under the 1940 Act. A non-diversified fund has the ability to invest more of its assets in securities of a single issuer than if it were classified as a "diversified" fund, which may increase volatility. If the Fund's investment in a Portfolio Fund, or a Portfolio Fund's investment in an issuer, represents a relatively significant percentage of the Fund's or Portfolio Fund's portfolio, as applicable, the value of the portfolio will be more impacted by a loss on that investment than if the portfolio were more diversified.

Risk of Anti-Takeover Provisions. Certain provisions of our Articles of Incorporation and By-Laws could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to modify our structure. The provisions may have the effect of depriving you of an opportunity to sell your shares at a premium over prevailing market prices and may have the effect of inhibiting conversion of the Fund to an open-end fund. Portfolio Funds also may have similar provisions in their organizational documents, which would have a similar effect on the Fund's investments. See "Principal Risks of the Fund — Risks of Investing in Closed-End Funds — Risk of Anti-Takeover Provisions."

Dilution Risk. Strategies may be employed by a Portfolio Fund that, under certain circumstances, have the effect of reducing its share price and the Fund's proportionate interest. These include rights offerings in which the Fund does not subscribe. However, the Fund would not subscribe only when the Investment Manager believes participation is not consistent with pursuing the Fund's investment objective.

Portfolio Turnover Risk. The Fund may engage in portfolio trading when considered appropriate. There are no limits on the rate of portfolio turnover. Portfolio Funds also may not be limited in their portfolio trading activity. Higher turnover rates result in correspondingly greater brokerage commissions and other transactional expenses which are borne by the Fund, directly or through its investment in Portfolio Funds. Higher turnover rates also may be more likely to generate capital gains that must be distributed to Common Shareholders, either as a result of the Fund's receipt of capital gains from Portfolio Fund transactions or from the Fund's trading in Portfolio Funds or other investments.

Market Disruption Risk. The aftermath of the war in Iraq and the continuing occupation of Iraq, instability in the Middle East and terrorist attacks in the United States and around the world have resulted in recent market volatility and may have long-term effects on worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. The Fund does not know how long the securities markets will be affected by these events and cannot predict the effects these or similar events in the future may have on securities markets.

Portfolio Fund Investment Risk

The following outlines the key risks of strategies pursued by the types of Portfolio Funds in which the Fund expects to invest.

Interest Rate Risk. Interest rate risk is the risk that the value of fixed income securities will fall if interest rates increase. These securities typically fall in value when interest rates rise and rise in value when interest rates fall. Fixed income securities with longer periods before maturity are often more sensitive to interest rate changes. If a Portfolio Fund is leveraged (*i.e.,* borrows for investment purposes) it may be expected to have greater interest rate sensitivity.

Credit Risk; High Yield Securities. Credit risk is the risk that a borrower is unable to meet its obligation to pay principal or interest on a fixed income security. To the extent that a Portfolio Fund invests in companies with lower-than-average credit quality, the Portfolio Fund can be expected to experience a higher rate of defaults within its portfolio than if it invested in higher quality securities. Securities rated at the time of purchase BB or Ba and below by credit rating agencies such as Standard & Poor's Ratings Service ("S&P"), or Moody's Investors Service ("Moody's") (or the unrated equivalent as determined by the Investment Manager) are considered "high yield" securities, sometimes known as "junk" bonds. High yield, lower quality securities are considered speculative and, compared to certain lower yielding, higher quality securities, tend to have more volatile prices and increased price sensitivity to changing interest rates and to adverse economic and business developments, greater risk of loss due to default or declining credit quality, greater likelihood that adverse economic or company specific events will make the issuer unable to make interest and/or principal payments, and greater susceptibility to negative market sentiments leading to depressed prices and decrease in liquidity.

See “Principal Risks of the Fund—Portfolio Fund Investment Risk—Credit Risk; High Yield Securities.”

Leverage Risk. The Portfolio Funds may employ the use of leverage in their portfolios through the issuance of preferred stock, borrowing from banks or other methods. While this leverage often serves to increase yield, it also subjects a Portfolio Fund to increased risks. These risks may include the likelihood of increased volatility and the possibility that a Portfolio Fund’s common stock income will fall if the dividend rate on the preferred shares or the interest rate on any borrowings rises. The use of leverage is premised upon the expectation that the cost of leverage will be lower than the return on the investments made with the proceeds. However, if the income or capital appreciation from the securities purchased with such proceeds is not sufficient to cover the cost of leverage or if the Portfolio Fund incurs capital losses, the return to common stockholders, such as the Fund, will be less than if leverage had not been used. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed.

Senior Loans Risk. The risks associated with senior loans are similar to the risks of junk bonds, although senior loans are typically senior and secured, whereas junk bonds are often subordinated and unsecured. Investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuers. Such companies are more likely to default on their payments of interest and principal owed, and such defaults could reduce a Portfolio Fund’s net asset value and income distributions. An economic downturn generally leads to a higher non-payment rate, and a senior loan may lose significant value before a default occurs. There is no assurance that the liquidation of the collateral would satisfy the claims of the borrower’s obligations in the event of the nonpayment of scheduled interest or principal, or that the collateral could be readily liquidated. Economic and other events (whether real or perceived) can reduce the demand for certain senior loans or senior loans generally, which may reduce market prices. Senior loans and other debt securities are also subject to the risk of price declines and to increases in prevailing interest rates, although floating-rate debt instruments such as senior loans in which certain Portfolio Funds may be expected to invest are substantially less exposed to this risk than fixed-rate debt instruments. See “Principal Risks of the Fund—Portfolio Fund Investment Risk—Senior Loans Risk.”

Convertible Securities Risk. Convertible securities are bonds, debentures, notes, preferred securities or other securities that may be converted or exchanged (by the holder or the issuer) into shares of the underlying common stock (or cash or securities of equivalent value), either at a stated price or stated rate. Convertible securities have characteristics similar to both fixed income and equity securities. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer, although convertible bonds, as corporate debt obligations, enjoy seniority in right of payment to all equity securities, and convertible preferred stock is senior to common stock, of the same issuer. Because of the subordination feature, however, convertible securities typically are considered to be lower quality than similar non-convertible securities. See "Principal Risks of the Fund—Portfolio Fund Investment Risk—Convertible Securities Risk."

Preferred Securities Risk. Traditional preferred securities pay fixed or adjustable rate dividends to investors. In order to be payable, distributions must be declared by the issuer's board of directors and there is no assurance that dividends or distributions on the preferred securities in which a Portfolio Fund may invest will be declared or otherwise made payable. Preferred securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced. Hybrid-preferred securities are generally in the form of interest-bearing notes with preferred securities characteristics, or are issued by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. Hybrid-preferred securities are typically junior and fully subordinated liabilities of an issuer or the beneficiary of a guarantee that is junior and fully subordinated to the other liabilities of the guarantor. Hybrid-preferred securities have many of the key characteristics of equity securities due to their subordinated position in an issuer's capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows. See "Principal Risks of the Fund—Portfolio Fund Investment Risk—Preferred Securities Risk."

Mortgage-Related and Asset-Backed Securities Risk. The risks associated with mortgage-related securities include: (1) credit risk associated with the performance of the underlying mortgage properties and of the borrowers owning these properties; (2) adverse changes in economic conditions and circumstances, which are more likely to have an adverse impact on mortgage-related securities secured by loans on certain types of commercial properties than on those secured by loans on residential properties; (3) prepayment risk, which can lead to significant fluctuations in value of the mortgage-related security; (4) loss of all or part of the premium, if any, paid; and (5) decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral. Asset-backed securities involve certain risks in addition to those presented by mortgage-related securities: (1) primarily, these securities do not have the benefit of the same security interest in the underlying collateral as mortgage-related securities and are more dependent on the borrower's ability to pay; (2) credit card receivables are generally unsecured, and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due; and (3) most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. See “Principal Risks of the Fund—Portfolio Fund Investment Risk—Mortgage-Related and Asset-Backed Securities Risk.”

Master Limited Partnerships Risk. Certain Portfolio Funds may invest in master limited partnerships (“MLPs”). An MLP generally has two classes of partners, the general partner and the limited partners. The general partner normally controls the MLP through an equity interest plus units that are subordinated to the common (publicly traded) units for an initial period and then only converting to common units if certain financial tests are met. Unlike stockholders of a corporation, common unit holders do not elect directors annually and generally have the right to vote only on certain significant events, such as mergers, a sale of substantially all of the partnership assets, removal of the general partner or material amendments to the partnership agreement. MLP common units trade on a national securities exchange or over-the-counter. MLP common units and other equity securities can be affected by macroeconomic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the MLPs business sector, changes in a particular issuer’s financial condition, or unfavorable or unanticipated poor performance of a particular issuer (in the case of MLPs, generally measured in terms of distributable cash flow). Similar to other equity securities, prices of common units of individual MLPs can also be affected by fundamentals unique to the partnership or company, including earnings power and coverage ratios. See “Principal Risks of the Fund—Portfolio Fund Investment Risk—Master Limited Partnerships Risk.”

Call Risk. Call risk is the risk that the issuer of a bond exercises rights it may have to redeem (or “call”) the bond, in whole or in part, prior to the stated maturity date. Bonds may be subject to greater call risk when interest rates are declining. In a declining interest rate environment, Portfolio Funds will likely receive a lower interest rate upon the reinvestment of proceeds.

Equity Securities Risk. Common stock holds the lowest priority in the capital structure of a company, and therefore takes the largest share of the company’s risk and its accompanying volatility. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock. Also, prices of common stocks are sensitive to general market movements.

Dividend Risk. Dividend payment risk is the risk that an issuer of a security is unwilling or unable to pay income on a security. Common stocks do not assure dividend payments. Common stockholders have a right to receive dividends only after the company has provided for payment of its creditors, bondholders and preferred stockholders. Dividends are paid only when declared by an issuer’s board of directors, and the amount of any dividend may vary over time.

Sector Concentration Risk. Some Portfolio Funds invest substantially, or even exclusively, in one sector or industry group and therefore carry risk of the particular sector or industry group. To the extent a Portfolio Fund focuses its investments in a specific sector, such as real estate, energy or utilities, the Portfolio Fund will be susceptible to adverse conditions and economic or regulatory occurrences affecting the sector or industry group, which tends to increase volatility and result in higher risk.

- *Real Estate.* Real property investments, including investments in real estate investment trusts ("REITs"), are subject to varying degrees of risk. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. The price of real estate company shares also may drop because of the failure of borrowers to pay their loans and poor management. Many real estate companies utilize leverage, which increases investment risk and could adversely affect a company's operations and market value in periods of rising interest rates, as well as risks normally associated with debt financing. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values also may be adversely affected by such factors as applicable laws, interest rate levels and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended to and defaults by borrowers and tenants.
- *Energy.* The energy industry can be significantly affected by the supply of and demand for specific products and services, the supply and demand for oil and gas, the price of oil and gas, exploration and production spending, government regulation, world events and economic conditions. The natural resources industry can be significantly affected by events relating to international political developments, energy conservation, the success of exploration projects, commodity prices, and tax and government regulations. Other risks inherent in investing in the energy and natural resources industry include those associated with the volatility of commodity prices; a decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities or a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution; or a decline in demand for such commodities.
- *Utilities.* Issuers in the utility industry are subject to a variety of factors that may adversely affect their business or operations,

including: high interest costs in connection with capital construction and improvement programs; difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets; governmental regulation of rates charged to customers; costs associated with compliance with and changes in environmental and other regulations; effects of economic slowdowns and surplus capacity; increased competition from other providers of utility services; inexperience with and potential losses resulting from a developing deregulatory environment; and costs associated with the reduced availability of certain types of fuel, occasionally reduced availability and high costs of natural gas for resale, and the effects of energy conservation policies.

See "Principal Risks of the Fund—Portfolio Fund Investment Risk—Sector Concentration Risk."

This description of risks associated with certain sectors does not include all sectors in which Portfolio Funds may invest or focus, and there is no assurance that any Portfolio Fund will invest or focus in these sectors.

Covered Call Writing Risk. The Fund may invest in Portfolio Funds that engage in a strategy known as "covered call option writing," which is designed to produce income from option premiums and offset a portion of a market decline in the underlying security. The writer (seller) of a covered call option forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

Foreign Issuer Risk. Some of the securities held by certain of the Portfolio Funds may be issued by foreign issuers. This subjects the Fund to more risks than if it only invested in Portfolio Funds which invest solely in securities of domestic issuers. Risks of foreign issuers include restrictions on foreign investment and inadequate financial information. Foreign securities may also be affected by market and political factors specific to the issuer's country as well as fluctuations in foreign currency exchange rates. The value of non-U.S. dollar denominated securities will decline if the foreign currencies weaken. Risks associated with investing in foreign securities may be more pronounced in emerging markets where the securities markets are substantially smaller, less developed, less liquid, less regulated, and more volatile than the securities markets of the United States and developed foreign markets. Investments in debt securities of foreign governments present special risks, including the fact that issuers may be unable or unwilling to repay principal and/or interest when due in accordance with the terms of such debt, or may be unable to make such repayments when due in the currency required under the terms of the debt. See “Principal Risks of the Fund—Portfolio Fund Investment Risk—Foreign Issuer Risk.”

REITs Risk. REITs are characterized as equity REITs, mortgage REITs and hybrid REITs. Equity REITs, which may include operating or finance companies, own real estate directly, and the value of, and income earned by, the REITs depends upon the income of the underlying properties and the rental income they earn. An equity REIT may be affected by changes in the value of the underlying properties owned by the REIT. Mortgage REITs can make construction, development or long-term mortgage loans and are sensitive to the credit quality of the borrower. Hybrid REITs combine the characteristics of both equity and mortgage REITs, generally by holding both ownership interests and mortgage interests in real estate. Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. See “Principal Risks of Investing in the Fund—Portfolio Fund Investment Risk—REITs Risk” and “Principal Risks of the Fund—Portfolio Fund Investment Risk—Sector Concentration Risk—Real Estate.”

Municipal Bond Risk. Municipal bonds are debt obligations issued by states or by political subdivisions or authorities of states. Municipal bonds are typically designated as general obligation bonds, which are general obligations of a governmental entity that are backed by the taxing power of such entity, or revenue bonds, which are payable from the income of a specific project or authority and are not supported by the issuer’s power to levy taxes. Municipal bonds are long-term fixed rate debt obligations that generally decline in value with increases in interest rates, when an issuer’s financial condition worsens or when the rating on a bond is decreased. Many municipal bonds may be called or redeemed prior to their stated maturity. Lower-quality revenue bonds and other credit-sensitive municipal securities carry higher risks of default than general obligation bonds. See “Principal Risks of the Fund—Portfolio Fund Investment Risk—Municipal Bond Risk.”

Derivatives and Structured Instruments Risk. Certain Portfolio Funds may invest in, or enter into, derivatives such as forward contacts, options, futures contracts, options on futures contracts and swap agreements. Derivatives may be purchased on established exchanges or through privately negotiated transactions. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative. Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on a Portfolio Fund’s performance. The market for many derivatives is, or suddenly can become, illiquid. Successful use of derivatives also is subject to the ability of the Portfolio Fund’s manager to predict correctly movements in the direction of the relevant market and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the derivatives. Structured notes and other related instruments carry risks similar to those of more traditional derivatives such as futures, forward and option contracts. Structured instruments may entail a greater degree of market risk and volatility than other types of debt obligations. See "Principal Risks of the Fund—Portfolio Fund Investment Risk—Derivatives and Structured Investments Risk."

Liquidity Risk. Liquidity risk is the risk that the value of a security will fall if trading in the security is limited or absent. No one can guarantee that a liquid trading market will exist for any security. Portfolio Funds may invest in restricted securities and other investments that may be illiquid. Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may be unregistered or may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid investments involve the risk that the securities will not be able to be sold at the time desired by a Portfolio Fund or at prices approximating the value at which the Portfolio Fund is carrying the securities on its books.

There is limited trading in the shares of closed-end funds that occurs on a regular basis. This may make it more difficult to purchase or sell a large number of a Portfolio Fund's shares at any one time.

Investment Manager . . . . Cohen & Steers Capital Management, Inc. is the investment manager of the Fund pursuant to an Investment Management Agreement. The Investment Manager was formed in 1986, and as of September 30, 2006 had $25.5 billion in assets under management. Its clients include pension plans, endowment funds and registered investment companies, including the open-end and closed-end Cohen & Steers funds (the "Cohen & Steers Funds") (nine closed-end investment companies with $10.7 billion in managed assets as of September 30, 2006). The Cohen & Steers Funds invest in U.S. and non-U.S. real estate investment trusts and other real estate securities, utility securities, preferred and other fixed income securities and dividend paying large-cap value securities. The Investment Manager currently serves as a portfolio consultant to Van Kampen Investments with respect to unit investment trusts investing in portfolios of closed-end funds with assets of approximately $660 million as of September 30, 2006. Unlike the Fund, unit investment trust portfolio holdings are generally fixed at the time the trust is created and do not vary thereafter. The Investment Manager is a wholly owned subsidiary of Cohen & Steers, Inc., a publicly traded company whose common stock is listed on the New York Stock Exchange under the symbol "CNS." The Investment Manager pays all the expenses of the Fund and has contractually agreed to reimburse the Fund so that its total annual Fund operating expenses do not exceed .95% of the Fund's average daily net assets, excluding the fees and expenses of the Fund's directors not affiliated with the Investment Manager and legal counsel or consultants retained by such directors, taxes, interest charges, brokerage fees and commissions, trade organization membership dues, registration fees and, upon approval of the Fund's Board of Directors, extraordinary expenses (such as litigation expenses). This commitment will remain in place for the life of the Fund. The Investment Manager also will have responsibility for providing administrative services for the Fund and assisting the Fund with operational needs. In accordance with the terms of the Investment Management Agreement, the Fund has entered into an agreement with State Street Bank and Trust Company ("State Street Bank") to perform certain administrative functions subject to the supervision of the Investment Manager (the "Sub-Administration Agreement"). See "Management of the Fund—Administrative Services."

Fees . . . . The Fund will pay the Investment Manager a monthly fee computed daily at the annual rate of .95% of the Fund's average daily net assets. See "Management of the Fund—Investment Management Agreement."

Listing and Symbol . . . . The Common Shares have been approved for listing on the New York Stock Exchange, subject to notice of issuance, under the symbol "FOF."

Open-End Fund Conversion . . . . The Fund's Articles of Incorporation provide that (beginning after five years from the date of this prospectus) if the Common Shares close on the New York Stock Exchange at an average price over a period of 75 consecutive trading days that is a 7.5% or greater discount from the average net asset value of the Common Shares (the "Conversion Vote Trigger") during such period, the Fund will convene a stockholders meeting (the "Special Meeting") for the purpose of voting on a proposal that the Fund convert to an open-end fund by amendment of the Fund's Articles of Incorporation (the "Open-End Proposal"). During any such 75-day period the Fund could engage in open market purchases of Common Shares or any other strategy designed to decrease temporarily the discount from net asset value. If at the Special Meeting the Open-End Proposal is approved by a majority of votes entitled to be cast (a "Majority Stockholder Vote"), the Fund will convert from a closed-end fund to an open-end fund.

Dividends and Distributions. . . . . Subject to the determination of the Board of Directors to implement a Managed Dividend Policy (as defined below), commencing with the Fund's first dividend, the Fund intends to make regular monthly cash distributions to Common Shareholders at a level rate based on the projected performance of the Fund, which rate is a fixed dollar amount which may be adjusted from time to time (a "Level Rate Distribution Policy"). In addition, at least annually, the Fund intends to distribute all of its net realized capital gains. The Fund expects to declare the initial monthly dividend on the Common Shares within approximately 45 days, and paid approximately 60 to 75 days, from the completion of this offering depending on market conditions. At times, to maintain a stable level of distributions, the Fund may pay out less than all of its net investment income or pay out accumulated undistributed income, or return capital, in addition to current net investment income. In December 2004, the Investment Manager, on behalf of itself and all of the then existing funds managed by the Investment Manager, filed an exemptive application with the Securities and Exchange Commission seeking an order under the 1940 Act facilitating the implementation of a dividend policy that may include multiple long-term capital gains distributions ("Managed Dividend Policy"). The staff of the Securities and Exchange Commission had suspended the processing of exemptive applications requesting this type of exemptive relief referenced above, pending review by the staff of the results of an industry-wide Securities and Exchange Commission inspection focusing on the dividend practices of closed-end investment companies. Although the staff has recently indicated that it will now consider amended applications subject to certain conditions, there is no assurance that exemptive relief will ultimately be granted. As a result, the Fund may not be in a position to include long-term capital gains in Fund distributions more frequently than is permitted under the 1940 Act, thus leaving the Fund with the possibility of variability in distributions (and their tax attributes). If the Investment Manager, on behalf of itself and other parties, receives the requested relief, the Fund may, subject to the determination of its Board of Directors, implement a Managed Dividend Policy. Under a Managed Dividend Policy, if, for any distribution, net investment income and net realized capital gains were less than the amount of the distribution, the differences would be distributed from the Fund's assets and would constitute a return of capital. See "Dividends and Distributions."

Dividend Reinvestment Plan . . . . The Fund has a dividend reinvestment plan (the "Plan") commonly referred to as an "opt-out" plan. Each Common Shareholder who participates in the Plan will have all distributions of dividends and capital gains automatically reinvested in additional Common Shares. Shareholders who elect not to participate in the Plan will receive all distributions in cash. Shareholders whose Common Shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the Plan. See "Dividends and Distributions — Dividend Reinvestment Plan" and "Taxation."

Custodian, Transfer Agent, Dividend Disbursing Agent and Registrar . . . . State Street Bank will act as custodian, and The Bank of New York will act as transfer agent, dividend disbursing agent and registrar for the Fund. See "Custodian, Transfer Agent, Dividend Disbursing Agent and Registrar."

SUMMARY OF FUND EXPENSES

The purpose of the following table is to help you understand the fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. The expenses shown in the table are based on estimated amounts for the Fund's first year of operations, unless otherwise indicated, and assume that the Fund issues 23,750,000 Common Shares. See "Management of the Fund." The expenses shown do not include the Fund's pro rata portion of the Portfolio Funds' management fees and operating expenses. Fund investors will bear not only the Fund's management fees and any operating expenses not paid by the Investment Manager, but also the fees and expenses of the Portfolio Funds attributable to the Fund's investments. Fees and expenses of Portfolio Funds in which the Investment Manager intends to invest are generally estimated to be in a range from .80% to 2.15% of a Portfolio Fund's average daily net asset value. This expense range was derived from publicly available reports of Portfolio Funds in which the Fund may invest. Actual fees and expense of the Portfolio Funds may be higher or lower than the estimated range, depending on the Portfolio Funds in which the Fund invests. Investors would bear less expenses if they invested directly in the Portfolio Funds.

Shareholder Transaction Expenses

Sales load paid by you (as a percentage of offering price)	3.00%
Expenses borne by the Fund (as a percentage of offering price)	.20%(1)
Dividend reinvestment plan fees	None

	Percentage of Net Assets
Annual Expenses	
Investment management fees	.95%
Other expenses	.02%(2)
Total annual Fund operating expenses	.97%
Expense reimbursement	(.02)%(2)
Net Expenses	.95%

(1) The Investment Manager also has agreed to pay all organizational expenses and offering costs (other than the sales load) that exceed $.04 per Common Share (.20% of the offering price).

(2) The Investment Manager pays all the expenses of the Fund and has contractually agreed to reimburse the Fund so that its total annual Fund operating expenses do not exceed .95% of the Fund's average daily net assets, excluding the fees and expenses of the directors not affiliated with the Investment Manager and legal counsel or consultants retained by such directors, taxes, interest charges, brokerage fees and commissions, trade organization membership dues, registration fees and, upon approval of the Fund's Board of Directors, extraordinary expenses (such as litigation expenses). This commitment will remain in place for the life of the Fund.

The following example illustrates the expenses (including the sales load of $30 and estimated offering expenses of this offering of $2) that you would pay on a $1,000 investment in Common Shares, assuming (1) total net annual expenses of .95% of net assets attributable to Common Shares and (2) a 5% annual return:

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred	$41	$61	$83	$145

The above example should not be considered a representation of future expenses. Actual expenses may be higher or lower. The example assumes that all dividends and distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

THE FUND

Cohen & Steers Closed-End Opportunity Fund, Inc. is a newly organized, non-diversified, closed-end management investment company. We were organized as a Maryland corporation on September 14, 2006 and are registered as an investment company under the 1940 Act. As a newly organized entity, we have no operating history. Our principal office is located at 280 Park Avenue, New York, New York 10017, and our telephone number is (212) 832-3232.

USE OF PROCEEDS

We estimate the net proceeds of this offering, after deducting organization expenses and offering costs (other than the sales load) that do not exceed $.04 per Common Share, to be $459,800,000, or $528,770,000 assuming exercise of the over-allotment option in full. The net proceeds will be invested in accordance with the policies set forth under "Investment Objective and Policies." A portion of the organization and offering expenses of the Fund has been advanced by the Investment Manager and will be repaid by the Fund upon closing of this offering. The Investment Manager will incur and be responsible for all of the Fund's organization expenses and offering costs (other than the sales load) that exceed $.04 per Common Share.

We estimate that the net proceeds of this offering will be fully invested in accordance with our investment objective and policies within three to six months of the initial public offering. Pending such investments, those proceeds may be invested in U.S. Government securities or high-quality, short-term money market instruments. See "Investment Objective and Policies."

INVESTMENT OBJECTIVE AND POLICIES

General

Our investment objective is total return, consisting of high current income and potential capital appreciation. There can be no assurance that the Fund will achieve its investment objective.

The Fund seeks to achieve its objective by investing in the common stock of closed-end management investment companies (Portfolio Funds) selected by the Investment Manager that invest significantly in equity or income-producing securities. Portfolio Funds generally focus on equity or income-producing securities, sectors or strategies, such as dividend strategies, covered call option strategies, total return strategies, balanced strategies, general equities (including both dividend and non-dividend paying equities), limited duration strategies, convertible securities, preferred securities, high yield securities and real estate, energy, utility and equity or other income-oriented strategies. Shares of Portfolio Funds in which the Fund invests will be traded on a national securities exchange. Portfolio Funds will not be "hedge funds" (privately offered funds not registered under the 1940 Act) or "funds of hedge funds" (funds pursuing a strategy focused on investing in hedge funds).

Dividend strategies typically focus on investments in dividend-paying equity securities or equity-related securities, such as common stock, preferred securities, convertible securities and/or warrants. A covered call option strategy is designed to produce income from premiums received from writing (selling) call options on single securities and/or indices and to offset a portion of a market decline in the underlying securities. Total return strategies typically pursue both income and capital appreciation, and may invest in a wide variety of equity and fixed income securities and other instruments that vary from fund to fund. A balanced strategy typically invests at least 25% of its assets in fixed income senior securities and at least 25% of its assets in equities. Limited duration strategies typically focus on fixed income securities of intermediate duration (a measure of the price volatility of a debt instrument as a result of changes in market interest rates, based on the weighted average timing of the instrument's expected principal and interest payments), and may include high yield securities, senior loans and mortgage-related securities. Securities and other investments in which Portfolio Funds pursuing these strategies are expected to focus their investments, along with equity, convertible, preferred and high yield securities and the real estate, energy and utilities sectors, are described with their accompanying risks, under "Principal Risks of the Fund—Portfolio Fund Investment Risk."

It is the Fund's current intention to initially allocate substantially all of the Fund's net assets to common stocks issued by Portfolio Funds. Thereafter, the Fund's portfolio allocations will vary from time to time, consistent with the Fund's investment objective and policies. At any time, under normal circumstances, at least 80% of the Fund's net assets will be invested in common stocks issued by Portfolio Funds. **The Fund is not required to invest in Portfolio Funds focusing on U.S. or foreign securities, or equity or fixed income securities, in any specific proportion, and allocation of the Fund's portfolio between Portfolio Funds focusing on U.S. and foreign securities, and between equity and fixed income securities, will vary over time, perhaps significantly.** The Fund also has the ability to invest directly in income-producing securities and instruments relating to closed-end funds, as well as to enter into certain Strategic Transactions. See "Investment Objective and Policies—Investment Strategies—Direct Investments in Income-Producing Securities and Instruments Relating to Closed-End Funds" and "—Strategic Transactions."

Investment Strategies

The combination of the Investment Manager's quantitative approach and research-driven process for selecting closed-end funds is intended to produce a portfolio focused on total return that is allocated across multiple sectors, strategies and managers. In selecting Portfolio Funds, the Investment Manager seeks to identify closed-end funds that exhibit the following characteristics, among others:

- strong fundamentals, including ability to meet current and projected future dividend payments out of current income or a combination of current income and realized and unrealized gains, and leverage/risk management, as the Investment Manager believes that a conservative approach to leverage has the potential to help mitigate the effects of changes in interest rates;
- relatively high current income;
- share prices at a discount to net asset value;
- undervalued funds where recent total return on market price trails recent total return on net asset value;
- well-regarded asset managers with strong track records managing the asset class(es) in which a Portfolio Fund invests;
- diversification of sector and asset classes among the Portfolio Funds;
- market capitalization generally greater than $200 million; and
- average daily trading volumes generally greater than $750,000 per day.

There is no requirement that any Portfolio Fund in the Fund's portfolio satisfy all the criteria set forth above, and the Investment Manager will use its discretion in selecting a portfolio of Portfolio Funds that the Investment Manager believes will help the Fund achieve its investment objective.

In addition to the criteria set forth above, the Investment Manager also may invest opportunistically in one or more Portfolio Funds when the Investment Manager believes a Portfolio Fund's shares are not appropriately priced relative to other comparable funds or the Portfolio Fund's share price does not properly reflect the impact of a corporate event or conditions in the overall securities markets that the Investment Manager believes will have a positive influence on the Portfolio Fund's share price.

The Investment Manager believes that capital appreciation from equity and income focused Portfolio Funds could come from three potential sources:

- a narrowing of closed-end fund share price discounts to net asset value, assuming no change in fund net asset value;
- growth in closed-end fund share prices which mirrors growth in underlying portfolio net asset value, with no change in the discount to net asset value; and
- increased dividend/distribution rates, which attract investors and cause rising closed-end fund share prices.

The Investment Manager believes that there is a compelling investment opportunity in the secondary market for closed-end funds, and believes that seven primary factors support this investment case, including:

- rising demand for income;
- growth in the number and types of closed-end fund new issues from 2001 to 2005;
- wide variety of high income equity and fixed income strategies;
- discounts to net asset value;
- lack of research and institutional investment;
- need for professional selection; and
- structural advantages of closed-end funds.

Unlike an open-end fund, Portfolio Funds ordinarily do not continuously offer their shares and do not experience daily cash flows into and out of the fund's asset base from purchasing and redeeming stockholders. As a result, a Portfolio Fund's portfolio manager can manage its portfolio according to the Portfolio Fund's strategy and market conditions without also managing daily cash flows. Since Portfolio Funds will trade on an exchange at market prices different from the Portfolio Funds' net asset values, the Fund will have potential for returns if the market price for a Portfolio Fund's shares increases. This could happen whether or not the Portfolio Fund's net asset value (the value of its portfolio of investments) rises. However, an investment in a Portfolio Fund will lose value when the market price declines, regardless of whether its net asset value increases or decreases. See "Principal Risks of the Fund—Risks of Investing in Closed-End Funds—Risk of Market Price Discount From Net Asset Value."

The Fund will be limited by provisions of the 1940 Act that limit the amount the Fund can invest in any one Portfolio Fund to 3% of the Portfolio Fund's total outstanding stock. As a result, the Fund may hold a smaller position in a Portfolio Fund than if it were not subject to this restriction. To comply with provisions of the 1940 Act, on any matter upon which Portfolio Fund stockholders are solicited to vote the Investment Manager will vote Portfolio Fund shares in the same general proportion as shares held by other stockholders of the Portfolio Fund. The Fund will not invest in any closed-end funds managed by the Investment Manager.

Although it will not make direct investments in open-end funds, the Fund may own stock of an open-end fund as a result of a Portfolio Fund's conversion from a closed-end fund. The Fund will not own such an open-end fund as a strategic investment over the long-term, and the Investment Manager will generally redeem its investment in the open-end fund within a time period deemed reasonable by the Investment Manager taking into account the circumstances surrounding that fund.

Direct Investments in Income-Producing Securities and Instruments Relating to Closed-End Funds

The Fund has the ability to invest directly in the types of income-producing securities in which the Portfolio Funds may invest, such as dividend paying common stock; preferred, convertible and other fixed income securities; and REITs, to seek income as part of the Fund's total return objective. The Fund also may investment in derivative, structured or other instruments that provide exposure to, and the ability to hedge, closed-end fund investments if such instruments become available in the market. The Investment Manager may consider direct investments in such securities and instruments in light of market conditions, the availability of closed-end funds that the Investment Manager believes have attractive income or capital appreciation potential or otherwise, as consistent with the Fund's investment objective and policies.

Strategic Transactions

The Fund may, but is not required to, use various Strategic Transactions described below to mitigate risks and to facilitate portfolio management. Such Strategic Transactions are generally accepted under modern portfolio management and are regularly used by many closed-end funds and other institutional investors. Although the Investment Manager would seek to use these practices to further the Fund's investment objective, no assurance can be given that these practices will achieve this result.

The Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, financial futures, equity, fixed income and interest rate indices, and other financial instruments; purchase and sell financial futures contracts and options thereon; and enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions and credit default swaps. The Fund also may purchase derivative instruments that combine features of these instruments. The Fund would generally seek to use Strategic Transactions as a portfolio management or hedging technique to seek to protect against possible adverse changes in the market value of securities held in or to be purchased for the Fund's portfolio, protect the value of the Fund's portfolio, facilitate the sale of certain securities for investment purposes or establish positions in the derivatives markets as a temporary substitute for purchasing or selling particular securities.

Strategic Transactions have risks, including imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to successfully use Strategic Transactions depends on the Investment Manager's ability to predict pertinent market movements, which cannot be assured. Thus, the use of Strategic Transactions may result in losses greater than if they had not been used, may require the Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. Additionally, amounts paid by the Fund as premiums and cash or other assets held in margin accounts with respect to Strategic Transactions are not otherwise available to the Fund for investment purposes. A more complete discussion of Strategic Transactions and their risks is contained in the Fund's SAI.

Portfolio Turnover

The Fund may buy and sell shares of Portfolio Funds to take advantage of potential short-term trading opportunities, but short-term trading will not be used as the primary means of achieving the Fund's investment objective. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is not expected to exceed 100% under normal circumstances. However, there are no limits on portfolio turnover, and Portfolio Fund shares may be sold without regard to length of time held when, in the opinion of the Investment Manager, investment considerations warrant such action.

Defensive Position

When the Investment Manager believes that market or general economic conditions justify a temporary defensive position, we may deviate from our investment objective and invest all or any portion of our assets in investment grade debt securities. When and to the extent we assume a temporary defensive position, we may not pursue or achieve our investment objective.

Fundamental Policies

The Fund has adopted certain investment limitations designed to limit investment risk that are fundamental and may not be changed without the approval of the holders of a "majority of the outstanding" (as defined below) Common Shares; the Fund may not: (1) issue senior securities (including borrowing money for other than temporary purposes) except in conformity with the limits set forth in the 1940 Act or pursuant to exemptive relief therefrom, or pledge, mortgage or hypothecate its assets other than to secure such issuances or borrowings or in connection with permitted investment strategies; (2) act as an underwriter of securities issued by other persons; (3) purchase or sell real estate or mortgages on real estate; (4) purchase or sell commodities or commodity futures contracts; (5) make loans to other persons except through the lending of securities held by it; or (6) invest more than 25% of its total assets in securities of issuers in any one industry. Further information about and exceptions to these limitations are contained in the SAI under "Investment Objective and Policies." The Fund's investment objective also may not be changed without the approval of the holders of a majority of the outstanding Common Shares. For these purposes, a "majority of the outstanding" shares means the lesser of (a) 67% of the Fund's outstanding voting securities present at a stockholder meeting, if the holders of more than 50% of the outstanding voting securities are present or represented by proxy, or (b) more than 50% of the outstanding voting securities.

Other Investments

The Fund's cash reserves, held to provide sufficient flexibility to take advantage of new opportunities for investments and for other cash needs, will be invested in money market instruments. Money market instruments in which we may invest our cash reserves will generally consist of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and such obligations which are subject to repurchase agreements and commercial paper. See "Investment Objective and Policies" in the SAI.

PRINCIPAL RISKS OF THE FUND

We are a non-diversified, closed-end fund designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that we will achieve our investment objective.

As a newly organized entity, we have no operating history. See "The Fund." **An investment in the Fund is subject to investment risk, including the possible loss of the entire amount that you invest.**

Risks of investing in the Fund include risks associated with (1) investments in closed-end funds generally, including both your investment in Common Shares and the Fund's investment in Portfolio Fund shares; (2) the risks of the Portfolio Funds' investments; and (3) any direct investments in income-producing securities and derivative, structured and other instruments related to closed-end funds (including Strategic Transactions), which are the same risks as described below for Portfolio Fund investments in such securities and instruments. Since the Fund pursues its investment objective by investing in Portfolio Funds, it is subject to particular risks associated with investing in other closed-end funds that are separate from risks associated with the investments held by the Portfolio Funds.

Both the Fund, and the Portfolio Funds, have management fees. In addition, although the Investment Manager bears most of the Fund's other operating expenses, the Portfolio Funds typically incur operating expenses that are borne by their investors, including the Fund. As a result, Fund investors will bear not only the Fund's management fees and any operating expenses not paid by the Investment Manager, but also the fees and expenses of the Portfolio Funds attributable to the Fund's investments. Investors would bear less expenses if they invested directly in the Portfolio Funds.

Risks of Investing in Closed-End Funds

Market Risk

Common stock prices, including the prices of the Common Shares and shares of Portfolio Fund stock, are sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stock. Common stock prices, like other investments, may move up or down, sometimes rapidly and unpredictably. In addition, market prices of the Common Shares and Portfolio Fund shares may be affected by investors' perceptions regarding closed-end funds generally or, in the case of Portfolio Funds, their underlying investments. At any point in time, your Common Shares may be worth less than what you invested, even after taking into account the reinvestment of Fund dividends and distributions.

Risk of Market Price Discount from Net Asset Value

Shares of closed-end funds, such as the Fund and the Portfolio Funds, frequently trade at a discount from their net asset value. This characteristic is a risk separate and distinct from the risk that net asset value could decrease as a result of investment activities. The amount of such discount from net asset value is subject to change from time to time in response to various factors. Whether investors will realize gains or losses upon the sale of shares will depend not upon the Fund's or Portfolio Funds' net asset values, but entirely upon whether the market price of the shares at the time of sale is above or below an investor's purchase price for the shares.

The risk of market price discount may be greater for Fund investors expecting to sell their Common Shares in a relatively short period following completion of this offering. The Common Shares' net asset value will be reduced immediately following the offering by the sales load and the amount of organizational and offering expenses paid by the Fund. Because the market price of the shares will be determined by factors such as relative supply of and demand for shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, we cannot predict whether the Common Shares will trade at, above or below net asset value, or at, below or above the initial offering price.

Manager Risk

The success of the Fund's strategy is subject to the ability of the Investment Manager to achieve the Fund's investment objective. Similarly, the Fund's investments in Portfolio Funds is subject to the ability of the Portfolio Funds' managers to achieve the Portfolio Fund's investment objectives.

Dividend Risk

Common Shares, as well as shares issued by the Portfolio Funds, do not assure dividend payments. Dividends are paid only when declared by the Board of Directors of the Fund or the boards of directors of the Portfolio Funds, as the case may be, and the level of dividends may vary over time. If a Portfolio Fund reduces or eliminates the level of its regular dividends, this may reduce the level of dividends paid by the Fund, and may cause the market prices of the Portfolio Fund's shares and the Common Shares to fall.

Inflation Risk

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline.

Non-Diversification Risk

The Fund is, and certain Portfolio Funds may be, classified as "non-diversified" under the 1940 Act. A non-diversified fund has the ability to invest more of its assets in securities of a single issuer than if it were classified as a "diversified" fund, which may increase volatility. If the Fund's investment in a Portfolio Fund, or a Portfolio Fund's investment in an issuer, represents a relatively significant percentage of the Fund's or Portfolio Fund's portfolio, as applicable, the value of the portfolio will be more impacted by a loss on that investment than if the portfolio were more diversified.

Risk of Anti-Takeover Provisions

Certain provisions of our Articles of Incorporation and By-Laws could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to modify our structure. The provisions may have the effect of depriving you of an opportunity to sell your shares at a premium over prevailing market prices and may have the effect of inhibiting conversion of the Fund to an open-end fund. These include provisions for staggered terms of office for Directors and super-majority voting requirements for merger, consolidation, liquidation, termination and asset sale transactions, amendments to the Articles of Incorporation and conversion to open-end status. Portfolio Funds also may have similar provisions in their organizational documents, which would have a similar effect on the Fund's investments. See "Certain Provisions of the Articles of Incorporation and By-Laws."

Dilution Risk

Strategies may be employed by a Portfolio Fund that, under certain circumstances, have the effect of reducing its share price and the Fund's proportionate interest. These include rights offerings in which the Fund does not subscribe. However, the Fund would not subscribe only when the Investment Manager believes participation is not consistent with pursuing the Fund's investment objective.

Portfolio Turnover Risk

The Fund may engage in portfolio trading when considered appropriate. There are no limits on the rate of portfolio turnover. Portfolio Funds also may not be limited in their portfolio trading activity. Higher turnover rates result in correspondingly greater brokerage commissions and other transactional expenses which are borne by the Fund, directly or through its investment in Portfolio Funds. Higher turnover rates also may be more likely to generate capital gains that must be distributed to Common Shareholders, either as a result of the Fund's receipt of capital gains from Portfolio Fund transactions or from the Fund's trading in Portfolio Funds or other investments.

Market Disruption Risk

The aftermath of the war in Iraq and the continuing occupation of Iraq, instability in the Middle East and terrorist attacks in the United States and around the world have resulted in recent market volatility and may have long-term effects on worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. The Fund does not know how long the securities markets will be affected by these events and cannot predict the effects these or similar events in the future may have on securities markets.

Portfolio Fund Investment Risk

The following outlines the key risks of strategies pursued by the types of Portfolio Funds in which the Fund expects to invest.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will fall if interest rates increase. These securities typically fall in value when interest rates rise and rise in value when interest rates fall. Fixed income securities with longer periods before maturity are often more sensitive to interest rate changes. If a Portfolio Fund is leveraged (*i.e.,* borrows for investment purposes) it may be expected to have greater interest rate sensitivity.

Credit Risk; High Yield Securities

Credit risk is the risk that a borrower is unable to meet its obligation to pay principal or interest on a fixed income security. To the extent that a Portfolio Fund invests in companies with lower-than-average credit quality, the Portfolio Fund can be expected to experience a higher rate of defaults within its portfolio than if it invested in higher quality securities. Securities rated at the time of purchase BB or Ba and below by credit rating agencies such as S&P or Moody’s (or the unrated equivalent as determined by the Investment Manager) are considered “high yield” securities, sometimes known as “junk” bonds. High yield, lower quality securities are considered speculative and, compared to certain lower yielding, higher quality securities, tend to have more volatile prices and increased price sensitivity to changing interest rates and to adverse economic and business developments, greater risk of loss due to default or declining credit quality, greater likelihood that adverse economic or company specific events will make the issuer unable to make interest and/or principal payments, and greater susceptibility to negative market sentiments leading to depressed prices and decrease in liquidity.

The companies that issue these securities often are highly leveraged, and their ability to service their debt obligations during an economic downturn or periods of rising interest rates may be impaired. In addition, these companies may not have access to more traditional methods of financing and may be unable to repay debt at maturity by refinancing. The risk of loss due to default in payment of interest or principal by these issuers is significantly greater than with higher quality securities because medium and lower quality securities generally are unsecured and subordinated to senior debt.

Default, or the market’s perception that a high yield issuer is likely to default, could reduce the value and liquidity of the issuer’s securities. In addition, default may cause a Portfolio Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings.

Leverage Risk

The Portfolio Funds may employ the use of leverage in their portfolios through the issuance of preferred stock, borrowing from banks or other methods. While this leverage often serves to increase yield, it also subjects a Portfolio Fund to increased risks. These risks may include the likelihood of increased volatility and the possibility that a Portfolio Fund’s common stock income will fall if the dividend rate on the preferred shares or the interest rate on any borrowings rises. The use of leverage is premised upon the expectation that the cost of leverage will be lower than the return on the investments made with the proceeds. However, if the income or capital appreciation from the securities purchased with such proceeds is not sufficient to cover the cost of leverage or if the Portfolio Fund incurs capital losses, the return to common stockholders, such as the Fund, will be less than if leverage had not been used. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed.

Senior Loans Risk

The risks associated with senior loans are similar to the risks of junk bonds, although senior loans are typically senior and secured, whereas junk bonds are often subordinated and unsecured. Investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuers. Such companies are more likely to default on their payments of interest and principal owed, and such defaults could reduce a Portfolio Fund's net asset value and income distributions. An economic downturn generally leads to a higher non-payment rate, and a senior loan may lose significant value before a default occurs. There is no assurance that the liquidation of the collateral would satisfy the claims of the borrower's obligations in the event of the nonpayment of scheduled interest or principal, or that the collateral could be readily liquidated.

Economic and other events (whether real or perceived) can reduce the demand for certain senior loans or senior loans generally, which may reduce market prices. Senior loans and other debt securities are also subject to the risk of price declines and to increases in prevailing interest rates, although floating-rate debt instruments such as senior loans in which certain Portfolio Funds may be expected to invest are substantially less exposed to this risk than fixed-rate debt instruments. No active trading market may exist for certain senior loans, which may impair the ability of a Portfolio Fund to realize full value in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded senior loans. Senior loans typically have a stated term of between five and nine years, and have rates of interest which typically are redetermined either daily, monthly, quarterly, or semi-annually. Longer interest rate reset periods generally increase fluctuations in value as a result of changes in market interest rates.

Convertible Securities Risk

Convertible securities are bonds, debentures, notes, preferred securities or other securities that may be converted or exchanged (by the holder or the issuer) into shares of the underlying common stock (or cash or securities of equivalent value), either at a stated price or stated rate. Convertible securities have characteristics similar to both fixed income and equity securities. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer, although convertible bonds, as corporate debt obligations, enjoy seniority in right of payment to all equity securities, and convertible preferred stock is senior to common stock, of the same issuer. Because of the subordination feature, however, convertible securities typically are considered to be lower quality than similar non-convertible securities.

Although to a lesser extent than with fixed-income securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stock. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock.

Convertible securities provide for a stable stream of income with generally higher yields than common stocks, but there can be no assurance of current income, because the issuers of the convertible securities may default on their obligations. A convertible security, in addition to providing fixed income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from increases in the market price of the underlying common stock. There can be no assurance of capital appreciation, however, because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation.

Preferred Securities Risk

Traditional preferred securities pay fixed or adjustable rate dividends to investors, and have a "preference" over common stock in the payment of dividends and the liquidation of a company's assets. However, in order to be payable, distributions on preferred securities must be declared by the issuer's board of directors, and there is no assurance that dividends or distributions on the preferred securities in which a Portfolio Fund may invest will be declared or otherwise made payable. Preferred stockholders usually have no right to vote for corporate directors or on other matters. Because the claim on an issuer's earnings represented by preferred securities may become onerous when interest rates fall below the rate payable on such securities, the issuer may redeem the securities, and the Portfolio Fund may be unable to acquire securities paying comparable rates with the redemption proceeds. Preferred securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced.

Hybrid-preferred securities are generally in the form of interest-bearing notes with preferred securities characteristics, or are issued by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The hybrid-preferred securities market consists of both fixed and adjustable coupon rate securities that are either perpetual in nature or have stated maturity dates. Hybrid-preferred securities are typically junior and fully subordinated liabilities of an issuer or the beneficiary of a guarantee that is junior and fully subordinated to the other liabilities of the guarantor. In addition, hybrid-preferred securities typically permit an issuer to defer the payment of income for 18 months or more without triggering an event of default. Hybrid-preferred securities have many of the key characteristics of equity due to their subordinated position in an issuer's capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows. Many hybrid-preferred securities are issued by trusts or other special purpose entities established by operating companies and are not a direct obligation of an operating company. At the time the trust or special purpose entity sells such preferred securities to investors, it purchases debt of the operating company. The trust or special purpose entity in turn would be a holder of the operating company's debt and would have priority with respect to the operating company's earnings and profits over the operating company's common stockholders, but would typically be subordinated to other classes of the operating company's debt. Typically a preferred share has a rating that is slightly below that of its corresponding operating company's senior debt securities.

Mortgage-Related and Asset-Backed Securities Risk

The risks associated with mortgage-related securities include: (1) credit risk associated with the performance of the underlying mortgage properties and of the borrowers owning these properties; (2) adverse changes in economic conditions and circumstances, which are more likely to have an adverse impact on mortgage-related securities secured by loans on certain types of commercial properties than on those secured by loans on residential properties; (3) prepayment risk, which can lead to significant fluctuations in value of the mortgage-related security; (4) loss of all or part of the premium, if any, paid; and (5) decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral.

Asset-backed securities involve certain risks in addition to those presented by mortgage-related securities: (1) primarily, these securities do not have the benefit of the same security interest in the underlying collateral as mortgage-related securities and are more dependent on the borrower's ability to pay; (2) credit card receivables are generally unsecured, and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due; and (3) most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If these obligations are sold to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have an effective security interest in all of the obligations backing such receivables. There is a possibility that recoveries on repossessed collateral may not, in some cases, be able to support payments on these securities.

Master Limited Partnerships Risk

Certain Portfolio Funds may invest in MLPs. An MLP generally has two classes of partners, the general partner and the limited partners. The general partner normally controls the MLP through an equity interest plus units that are subordinated to the common (publicly traded) units for an initial period and then only converting to common units if certain financial tests are met. As a motivation for the general partner to successfully manage the MLP and increase cash flows, the terms of most MLPs typically provide that the general partner receives a larger portion of the net income as distributions reach higher target levels, giving the general partner an incentive to streamline operations and undertake acquisitions and growth projects in order to increase distributions to all partners. MLP common units represent an equity ownership interest in a partnership, providing limited voting rights and entitling the holder to a share of the company's success through distributions and/or capital appreciation. Unlike stockholders of a corporation, common unit holders do not elect directors annually and generally have the right to vote only on certain significant events, such as mergers, a sale of substantially all of the partnership assets, removal of the general partner or material amendments to the partnership agreement. Common unit holders generally have first right to a minimum quarterly distribution prior to distributions to the convertible subordinated unit holders or the general partner (including incentive distributions) and typically have arrearage rights if the minimum quarterly distribution is not met. In the event of liquidation, MLP common unit holders have first right to the partnership's remaining assets after bondholders, other debt holders, and preferred unit holders have been paid in full.

MLP common units trade on a national securities exchange or over-the-counter. MLP common units and other equity securities can be affected by macroeconomic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the MLPs business sector, changes in a particular issuer's financial condition, or unfavorable or unanticipated poor performance of a particular issuer (in the case of MLPs, generally measured in terms of distributable cash flow). Similar to other equity securities, prices of common units of individual MLPs and other equity securities can also be affected by fundamentals unique to the partnership or company, including earnings power and coverage ratios.

Call Risk

Call risk is the risk that the issuer of a bond exercises rights it may have to redeem (or "call") the bond, in whole or in part, prior to the stated maturity date. Bonds may be subject to greater call risk when interest rates are declining. In a declining interest rate environment, Portfolio Funds will likely receive a lower interest rate upon the reinvestment of proceeds.

Equity Securities Risk

Common stock holds the lowest priority in the capital structure of a company, and therefore takes the largest share of the company's risk and its accompanying volatility. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock. Also, prices of common stocks are sensitive to general market movements.

Dividend Risk

Dividend payment risk is the risk that an issuer of a security is unwilling or unable to pay income on a security. Common stocks do not assure dividend payments. Common stockholders have a right to receive dividends only after the company has provided for payment of its creditors, bondholders and preferred stockholders. Dividends are paid only when declared by an issuer's board of directors, and the amount of any dividend may vary over time.

Sector Concentration Risk

Some Portfolio Funds invest substantially, or even exclusively, in one sector or industry group and therefore carry risk of the particular sector or industry group. To the extent a Portfolio Fund focuses its investments in a specific sector, such as real estate, energy or utilities, the Portfolio Fund will be susceptible to adverse conditions and economic or regulatory occurrences affecting the sector or industry group, which tends to increase volatility and result in higher risk.

- *Real Estate.* Real property investments, including investments in REITs, are subject to varying degrees of risk. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. The price of real estate company shares also may drop because of the failure of borrowers to pay their loans and poor management. Many real estate companies utilize leverage, which increases investment risk and could adversely affect a company's operations and market value in periods of rising interest rates, as well as risks normally associated with debt financing. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values also may be adversely affected by such factors as applicable laws, interest rate levels and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended to and defaults by borrowers and tenants. The performance of the economy in the country and region in which real estate is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited. A real estate company also may have joint venture investments in certain of its properties and, consequently, its ability to control decisions relating to these properties may be limited.

- *Energy.* The energy industry can be significantly affected by the supply of and demand for specific products and services, the supply and demand for oil and gas, the price of oil and gas, exploration and production spending, government regulation, world events and economic conditions. The natural resources industry can be significantly affected by events relating to international political developments, energy conservation, the success of exploration projects, commodity prices, and tax and government regulations. At times, the performance of securities of companies in the energy and natural resources industry will lag the performance of other industries or the broader market as a whole. Other risks inherent in investing in the energy and natural resources industry include those associated with: (1) the volatility of commodity prices; (2) a decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities or a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution; (3) a decline in demand for such commodities; (4) the inability to cost-effectively acquire additional reserves sufficient to replace depletion in resources used by energy and natural resources companies; and (5) stricter laws, regulations or enforcement policies, which would likely increase compliance costs.
- *Utilities.* Issuers in the utility industry are subject to a variety of factors that may adversely affect their business or operations, including: (1) high interest costs in connection with capital construction and improvement programs; (2) difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets; (3) governmental regulation of rates charged to customers; (4) costs associated with compliance with and changes in environmental and other regulations; (5) effects of economic slowdowns and surplus capacity; (6) increased competition from other providers of utility services; (7) inexperience with and potential losses resulting from a developing deregulatory environment; (8) costs associated with the reduced availability of certain types of fuel, occasionally reduced availability and high costs of natural gas for resale, and the effects of energy conservation policies; (9) effects of a national energy policy and lengthy delays and greatly increased costs and other problems associated with the design, construction, licensing, regulation and operation of nuclear facilities for electric generation, including, among other considerations, the problems associated with the use of radioactive materials and the disposal of radioactive wastes; (10) technological innovations that may render existing plants, equipment or products obsolete; and (11) potential impact of terrorist activities on the utility industry and its customers and the impact of natural or man-made disasters. Issuers in the utility industry may be subject to regulation by various governmental authorities and may be affected by the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. In addition, there are substantial differences between the regulatory practices and policies of various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. There is no assurance that regulatory authorities

will, in the future, grant rate increases or that such increases will be adequate to permit the payment of dividends on preferred or common stocks. Prolonged changes in climatic conditions can also have a significant impact on both the revenues of an electric or gas utility as well as its expenses.

This description of risks associated with certain sectors does not include all sectors in which Portfolio Funds may invest or focus, and there is no assurance that any Portfolio Fund will invest or focus in these sectors.

Covered Call Writing Risk

The Fund may invest in Portfolio Funds that engage in a strategy known as "covered call option writing," which is designed to produce income from option premiums and offset a portion of a market decline in the underlying security. The writer (seller) of a covered call option forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

Foreign Issuer Risk

Some of the securities held by certain of the Portfolio Funds may be issued by foreign issuers. This subjects the Fund to more risks than if it only invested in Portfolio Funds which invest solely in securities of domestic issuers. Risks of foreign issuers include restrictions on foreign investment and inadequate financial information. Foreign securities may also be affected by market and political factors specific to the issuer's country as well as fluctuations in foreign currency exchange rates. The value of non-U.S. dollar denominated securities will decline if the foreign currencies weaken. Risks associated with investing in foreign securities may be more pronounced in emerging markets where the securities markets are substantially smaller, less developed, less liquid, less regulated, and more volatile than the securities markets of the United States and developed foreign markets. Investments in debt securities of foreign governments present special risks, including the fact that issuers may be unable or unwilling to repay principal and/or interest when due in accordance with the terms of such debt, or may be unable to make such repayments when due in the currency required under the terms of the debt. Political, economic and social events also may have a greater impact on the price of debt securities issued by foreign governments than on the price of U.S. securities. In addition, brokerage and other transaction costs on foreign securities exchanges are often higher than in the United States and there is generally less government supervision and regulation of exchanges, brokers and issuers in foreign countries.

REITs Risk

A REIT is a corporation, or a business trust that would otherwise be taxed as a corporation, which meets the definitional requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and invests substantially all of its assets in interests in real estate (including mortgages and other REITs) or cash and government securities, derives most of its income from certain prescribed sources relating to real estate (including rents from real property and interest on loans secured by mortgages on real property), and distributes to stockholders annually a substantial portion of its otherwise taxable income.

REITs are characterized as equity REITs, mortgage REITs and hybrid REITs. Equity REITs, which may include operating or finance companies, own real estate directly, and the value of, and income earned by, the REITs depends upon the income of the underlying properties and the rental income they earn. An equity REIT may be affected by changes in the value of the underlying properties owned by the REIT. Mortgage REITs can make construction, development or long-term mortgage loans and are sensitive to the credit quality of the borrower. Hybrid REITs combine the characteristics of both equity and mortgage REITs, generally by holding both ownership interests and mortgage interests in real estate.

Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. They are subject to heavy cash flow dependency, defaults by borrowers or tenants, self-liquidation and the possibility of failing to qualify for tax-free status under the Code or to maintain exemption from the 1940 Act. REITs are dependent upon the skills of their managers and are not diversified. REITs whose underlying assets are concentrated in properties used by a particular industry, such as health care, are also subject to risks associated with such industry. REITs (especially mortgage REITs) are also subject to interest rate risks. REITs may have limited financial resources, may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than larger company securities. See "—Sector Concentration Risk—Real Estate."

Municipal Bond Risk

Municipal bonds are debt obligations issued by states or by political subdivisions or authorities of states. Municipal bonds are typically designated as general obligation bonds, which are general obligations of a governmental entity that are backed by the taxing power of such entity, or revenue bonds, which are payable from the income of a specific project or authority and are not supported by the issuer's power to levy taxes. Municipal bonds are long-term fixed rate debt obligations that generally decline in value with increases in interest rates, when an issuer's financial condition worsens or when the rating on a bond is decreased. Many municipal bonds may be called or redeemed prior to their stated maturity. Lower-quality revenue bonds and other credit-sensitive municipal securities carry higher risks of default than general obligation bonds.

Many municipal bonds are subject to continuing requirements as to the actual use of the bond proceeds or manner of operation of the project financed from bond proceeds that may affect the exemption of interest on such bonds from U.S. Federal income taxation. The market for municipal bonds is generally less liquid than for other securities, and therefore the price of municipal bonds may be more volatile and subject to greater price fluctuations than securities with greater liquidity. In addition, an issuer's ability to make income distributions generally depends on several factors including the financial condition of the issuer and general economic conditions.

Derivatives and Structured Instruments Risk

Certain Portfolio Funds may invest in, or enter into, derivatives such as forward contacts, options, futures contracts, options on futures contracts and swap agreements. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter ("OTC") derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. Each party to an OTC derivative bears the risk that the counterparty will default. OTC derivatives are less liquid than exchange-traded derivatives since the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative. Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on a Portfolio Fund's performance. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives. Successful use of derivatives also is subject to the ability of the Portfolio Fund's manager to predict correctly movements in the direction of the relevant market and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the derivatives.

Structured notes and other related instruments carry risks similar to those of more traditional derivatives such as futures, forward and option contracts. Structured notes are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of a benchmark asset, market, interest rate or other financial indicator (an "embedded index") or the relevant changes in two or more embedded indices, such as the differential performance of two assets or markets, such as indices reflecting bonds. The value of structured instruments may move in the same or the opposite direction as the value of the embedded index. The rate of return on structured notes may be determined by applying a multiplier to the performance or differential performance of the referenced index(es) or other asset(s) so that the instrument may be more or less volatile than the embedded index, depending on the multiplier. Application of a multiplier involves leverage that will serve to magnify the potential for gain and the risk of loss. Consequently, structured instruments may entail a greater degree of market risk and volatility than other types of debt obligations.

Portfolio Funds may invest in other types of derivatives, structured and similar instruments which are not currently available but which may be developed in the future.

Liquidity Risk

Liquidity risk is the risk that the value of a security will fall if trading in the security is limited or absent. No one can guarantee that a liquid trading market will exist for any security. Portfolio Funds may invest in restricted securities and other investments that may be illiquid. Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may be unregistered or may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid investments involve the risk that the securities will not be able to be sold at the time desired by a Portfolio Fund or at prices approximating the value at which the Portfolio Fund is carrying the securities on its books.

There is limited trading in the shares of closed-end funds that occurs on a regular basis. This may make it more diffucult to purchase or sell a large number of a Portfolio Fund's shares at any one time.

MANAGEMENT OF THE FUND

The business and affairs of the Fund are managed under the direction of the Board of Directors. The Directors approve all significant agreements between the Fund and persons or companies furnishing services to it, including the Fund's agreement with its Investment Manager, administrator, custodian and transfer agent. The management of the Fund's day-to-day operations is delegated to its officers, the Investment Manager and the Fund's sub-administrator, subject always to the investment objective and policies of the Fund and to the general supervision of the Directors. The names and business addresses of the Directors and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under "Management of the Fund" in the SAI.

Investment Manager

Cohen & Steers Capital Management, Inc., with offices located at 280 Park Avenue, New York, New York 10017, has been retained to provide investment advice, and, in general, to conduct the management and investment program of the Fund under the overall supervision and control of the Directors of the Fund. The Investment Manager, a registered investment adviser, was formed in 1986 and as of September 30, 2006 had $25.5 billion of assets under management. Its clients include pension plans, endowment funds, mutual funds and registered investment companies, including the open-end and closed-end Cohen & Steers Funds (nine closed-end investment companies with $10.7 billion in managed assets as of September 30, 2006). The Cohen & Steers Funds invest in U.S. and non-U.S. real estate investment trusts and other real estate securities, utility securities, preferred and other fixed income securities and dividend paying large-cap value securities. The Investment Manager currently serves as a portfolio consultant to Van Kampen Investments with respect to unit investment trusts investing in portfolios of closed-end funds with assets of approximately $660 million as of September 30, 2006. Unlike the Fund, unit investment trust portfolio holdings are generally fixed at the time the trust is created and do not vary thereafter. The Investment Manager is a wholly owned subsidiary of Cohen & Steers, Inc., a publicly traded company whose common stock is listed on the New York Stock Exchange under the symbol "CNS."

Investment Management Agreement

Under its Investment Management Agreement with the Fund, the Investment Manager furnishes a continuous investment program for the Fund's portfolio and generally manages the Fund's investments in accordance with the stated policies of the Fund, subject to the general supervision of the Board of Directors of the Fund. The Investment Manager also performs certain administrative services for the Fund and provides persons satisfactory to the Directors of the Fund to serve as officers of the Fund. Such officers, as well as certain other employees and Directors of the Fund, may be directors, officers or employees of the Investment Manager.

For its services under the Investment Management Agreement, the Fund will pay the Investment Manager a monthly investment management fee computed daily at the annual rate of .95% of the Fund's average daily net assets. The Investment Manager pays all expenses of the Fund and has contractually agreed to reimburse the Fund so that its total annual Fund operating expenses do not exceed .95% the Fund's average daily net assets, excluding the fees and expenses of the Fund's directors not affiliated with the Investment Manager and legal counsel or consultants retained by such directors, taxes, interest charges, brokerage fees and commissions, trade organization membership dues, registration fees and, upon approval of the Fund's Board of Directors, extraordinary expenses (such as litigation expenses). The Fund bears its pro rata portion of the management fees and operating expenses of the Portfolio Funds.

The Fund's portfolio managers are:

Douglas R. Bond—Mr. Bond joined the Investment Manager as an Executive Vice President in June 2004. Prior to joining Cohen & Steers, Mr. Bond worked at Merrill Lynch & Co., Inc. for 23 years, most recently as first vice president where he was responsible for asset managers and funds. Between 1992 and May 2004, Mr. Bond ran Merrill Lynch's closed-end fund new origination effort and was involved in all closed-end funds underwritten by Merrill Lynch during this period.

William F. Scapell—Mr. Scapell joined the Investment Manager as a Senior Vice President in February 2003. Prior to joining the Investment Manager, Mr. Scapell was a director in the fixed income research department of Merrill Lynch & Co., Inc., where he was also its chief strategist for preferred securities. Before joining Merrill Lynch's research department, Mr. Scapell worked in Merrill Lynch Treasury with a focus on balance sheet management. Prior to working for Merrill Lynch, Mr. Scapell was employed at the Federal Reserve Bank of New York in both bank supervision and monetary policy roles. Mr. Scapell is a Chartered Financial Analyst.

See "Compensation of Directors and Certain Officers" and "Investment Advisory and Other Services" in the SAI for further information about the Fund's portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities in the Fund.

Administrative Services

Under the Investment Management Agreement, the Investment Manager will have responsibility for providing administrative services and assisting the Fund with operational needs, including providing administrative services necessary for the operations of the Fund and furnishing office space and facilities required for conducting the business of the Fund.

In accordance with the Investment Management Agreement and with the approval of the Board of Directors of the Fund, the Fund has entered into an agreement with State Street Bank as sub-administrator under a fund accounting and administration agreement (the "Sub-Administration Agreement"). Under the Sub- Administration Agreement, State Street Bank has assumed responsibility for certain fund administration services. The Investment Manager pays for the cost of State Street Bank's services without any additional charge to the Fund.

State Street Bank also serves as the Fund's custodian, and The Bank of New York has been retained to serve as the Fund's transfer agent, dividend disbursing agent and registrar. See "Custodian, Transfer Agent, Dividend Disbursing Agent and Registrar."

DIVIDENDS AND DISTRIBUTIONS

Level Rate Dividend Policy

Subject to the determination of the Board of Directors to implement a Managed Dividend Policy, as discussed below, commencing with the Fund's first dividend, the Fund intends to implement a Level Rate Dividend Policy, pursuant to which the Fund intends to make regular monthly cash distributions to Common Shareholders at a level rate based on the projected performance of the Fund, which rate is a fixed dollar amount which may be adjusted from time to time. Distributions can only be made from net investment income after making any required payments on any interest rate transactions. The Fund's ability to maintain a level dividend rate will depend on a number of factors, including the stability of income received from its investments. Over time, the Fund will distribute all of its net investment income. In addition, at least annually, the Fund intends to distribute all of its net realized capital gains, if any, to stockholders. The Fund expects to declare the initial monthly dividend on the Common Shares within approximately 45 days, and paid approximately 60 to 75 days, from the completion of this offering, depending on market conditions. The net income of the Fund consists of all income accrued on portfolio assets less all expenses of the Fund. Expenses of the Fund are accrued each day. At times, to maintain a stable level of distributions, the Fund may pay out less than all of its net investment income or pay out accumulated undistributed income, or return capital, in addition to current net investment income. To permit the Fund to maintain a more stable monthly distribution, the Fund will initially distribute less than the entire amount of net investment income earned in a particular period. The undistributed net investment income would be available to supplement future distributions. As a result, the distributions paid by the Fund for any particular monthly period may be more or less than the amount of net investment income actually earned by the Fund during the period. Undistributed net investment income will be added to the Fund's net asset value and, correspondingly, distributions from undistributed net investment income will be deducted from the Fund's net asset value. See "Taxation."

Managed Dividend Policy

In December 2004, the Investment Manager, on behalf of itself and all of the then existing funds managed by the Investment Manager, filed an exemptive application with the Securities and Exchange Commission seeking an order under the 1940 Act facilitating the implementation of a Managed Dividend Policy. The staff of the Securities and Exchange Commission had suspended the processing of exemptive applications requesting this type of exemptive relief, pending review by the staff of the results of an industry-wide Securities and Exchange Commission inspection focusing on the dividend practices of closed-end investment companies. Although the staff has recently indicated that it will now consider amended applications subject to certain conditions, there is no assurance that exemptive relief will ultimately be granted. As a result, the Fund may not be in a position to include long-term capital gains in Fund distributions more frequently than is permitted under the 1940 Act, thus leaving the Fund with the possibility of variability in distributions (and their tax attributes) as discussed above. If the Investment Manager, on behalf of itself and other parties, receives the requested relief, the Fund may, subject to the determination of its Board of Directors, implement a Managed Dividend Policy. Under a Managed Dividend Policy, the Fund would intend to distribute a fixed percentage of net asset value to Common Shareholders. Under a Managed Dividend Policy, if, for any monthly distribution, net investment income and net realized capital gain were less than the amount of the distribution, the difference would be distributed from the Fund's assets and would constitute a return of capital. Accordingly, a Managed Dividend Policy may require certain distributions that may be deemed a return of capital for tax purposes. The Fund's final distribution for each calendar year would include any remaining net investment income and net realized capital gain undistributed during the year. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice would accompany each monthly distribution with respect to the estimated source of the distribution made. In the event the Fund distributed in any calendar year amounts in excess of net investment income and net realized capital gain (such excess, the "Excess"), such distribution would decrease the Fund's assets and, therefore, have the likely effect of increasing the Fund's expense ratio. There is a risk that the Fund would not eventually realize capital gains in an amount corresponding to a distribution of the Excess. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. There is no guarantee that the Board of Directors will determine to implement a Managed Dividend Policy. The Board of Directors reserves the right to change the dividend policy from time to time.

Dividend Reinvestment Plan

The Fund has a dividend reinvestment plan commonly referred to as an "opt-out" plan. Each Common Shareholder who participates in the Plan will have all distributions of dividends and capital gains automatically reinvested in additional Common Shares by The Bank of New York as agent (the "Plan Agent"). Shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend disbursing agent. Shareholders whose Common Shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

The Plan Agent serves as agent for the shareholders in administering the Plan. After the Fund declares a dividend or makes a capital gain distribution, the Plan Agent will, as agent for the shareholders, either (i) receive the cash payment and use it to buy Common Shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts or (ii) distribute newly issued Common Shares of the Fund on behalf of the participants. The Plan Agent will receive cash from the Fund with which to buy Common Shares in the open market if, on the distribution payment date, the net asset value per share exceeds the market price per Common Share plus estimated brokerage commissions on that date. The Plan Agent will receive the dividend or distribution in newly issued Common Shares of the Fund if, on the payment date, the market price per share plus estimated brokerage commissions equals or exceeds the net asset value per share of the Fund on that date. The number of shares to be issued will be computed at a per share rate equal to the greater of (i) the net asset value or (ii) 95% of the closing market price per Common Share on the payment date.

Participants in the Plan may withdraw from the plan upon notice to the Plan Agent. Such withdrawal will be effective immediately if received not less than ten days prior to a distribution record date; otherwise, it will be effective for all subsequent distributions. When a participant withdraws from the Plan or upon termination of the Plan as provided below, certificates for whole Common Shares credited to his or her account under the Plan will be issued and a cash payment will be made for any fraction of a Common Share credited to such account. If any participant elects to have the Plan Agent sell all or part of his or her shares and remit the proceeds, the Plan Agent is authorized to deduct a $15.00 fee plus $.10 per share brokerage commissions.

The Fund reserves the right to amend or terminate the Plan.

Dividends and Distributions

In the case of stockholders, such as banks, brokers or nominees, which hold Common Shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the record stockholders as representing the total amount registered in the record stockholder's name and held for the account of beneficial owners who are participants in the Plan. Common Shares may be purchased through any of the underwriters, acting as broker or, after the completion of this offering, acting as dealer.

The Plan Agent's fees for the handling of reinvestment of dividends and other distributions will be paid by the Fund. Each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of distributions. There are no other charges to participants for reinvesting dividends or capital gain distributions. Purchases and/or sales are usually made through a broker affiliated with The Bank of New York.

The automatic reinvestment of dividends and other distributions will not relieve participants of any income tax that may be payable or required to be withheld on such dividends or distributions. See "Taxation."

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any distribution paid subsequent to written notice of the change sent to all stockholders of the Fund at least 90 days before the record date for the dividend or distribution. The Plan also may be amended or terminated by the Plan Agent by at least 90 days' written notice to all stockholders of the Fund. All correspondence concerning the Plan should be directed to the Plan Agent by telephone at (800) 432-8224.

CLOSED-END FUND STRUCTURE

The Fund is a newly organized, non-diversified management investment company (closed-end fund). Closed-end funds differ from open-end investment companies (open-end funds or mutual funds) in that closed-end funds generally list their shares for trading on a stock exchange and do not redeem their shares at the request of the stockholder. This means that if you wish to sell your shares of a closed-end fund you must trade them on the market like any other stock at the prevailing market price at that time. In an open-end fund, if the stockholder wishes to sell shares, the fund will redeem or buy back the shares at "net asset value." Open-end funds generally offer new shares on a continuous basis to new investors, and closed-end funds generally do not. The continuous inflows and outflows of assets in an open-end fund can make it difficult to manage the fund's investments. By comparison, closed-end funds are generally able to stay fully invested in securities that are consistent with their investment objectives, and also have greater flexibility to make certain types of investments, and to use certain investment strategies.

Shares of closed-end funds frequently trade at a discount to their net asset value. See "Principal Risks of the Fund—Risks of Investing in Closed-End Funds—Risk of Market Price Discount From Net Asset Value." Because of this possibility and the recognition that any such discount may not be in the best interest of stockholders, the Fund's Board of Directors might consider from time to time engaging in open market repurchases, tender offers for shares at net asset value or other programs intended to reduce the discount. We cannot guarantee or assure, however, that the Fund's Board will decide to engage in any of these actions. Nor is there any guarantee or assurance that such actions, if undertaken, would result in shares trading at a price equal or close to net asset value per share. See "Repurchase of Shares." The Fund also might convert to an open-end fund, or the Board of Directors might also consider converting the Fund to an open-end fund, which would also require a vote of the stockholders of the Fund. See "Conversion to Open-End Fund Status."

REPURCHASE OF SHARES

Shares of closed-end funds often trade at a discount to net asset value, and the Fund's shares may also trade at a discount to their net asset value, although it is possible that they may trade at a premium above net asset value. The market price of the Common Shares will be determined by such factors as relative demand for and supply of shares in the market, the Fund's net asset value, general market and economic conditions and other factors beyond the control of the Fund.

Although Common Shareholders will not have the right to redeem their shares, the Fund may take action to repurchase shares in the open market or make tender offers for its shares at net asset value. During the pendency of any tender offer, the Fund will publish how Common Shareholders may readily ascertain the net asset value. For more information see "Repurchase of Shares" in the SAI. Repurchase of the Common Shares may have the effect of reducing any market discount to net asset value.

There is no assurance that, if action is undertaken to repurchase or tender for shares, such action will result in the shares trading at a price which approximates their net asset value. Although share repurchases and tenders could have a favorable effect on the market price of the shares, you should be aware that the acquisition of shares by the Fund will decrease the total assets of the Fund and, therefore, have the effect of increasing the Fund's expense ratio and may adversely affect the ability of the Fund to achieve its investment objective. To the extent the Fund may need to liquidate investments to fund repurchases of shares, this may result in portfolio turnover which will result in additional expenses being borne by the Fund. The Board of Directors currently considers the following factors to be relevant to a potential decision to repurchase shares: the extent and duration of the discount, the liquidity of the Fund's portfolio, the impact of any action on the Fund or its stockholders and market considerations. Any share repurchases or tender offers will be made in accordance with the requirements of the Securities Exchange Act of 1934, as amended, and the 1940 Act. See "Taxation" for a description of the potential tax consequences of a share repurchase.

CONVERSION TO OPEN-END FUND STATUS

Conversion Vote Trigger

The Fund's Articles of Incorporation provide that (beginning after five years from the date of this prospectus) if the Common Shares close on the New York Stock Exchange at an average price over a period of 75 consecutive trading days that is a 7.5% or greater discount from the average net asset value of the Common Shares during such period (Conversion Vote Trigger), the Fund will convene a Special Meeting for the purpose of voting on the Open-End Proposal. During any such 75-day period when the Common Shares are trading at a 7.5% or greater discount from the average net asset value of the Common Shares, the Fund could engage in open market purchases of Common Shares or any other strategy designed to decrease temporarily the discount from net asset value. If at the Special Meeting the Open-End Proposal is approved by a Majority Stockholder Vote the Fund will convert from a closed-end fund to an open-end fund.

The Open-End Proposal will provide an opportunity for shareholder approval for conversion to an open-end fund by approval of Articles of Amendment to the Fund's Articles of Incorporation, which will be in such form as the Fund's Board of Directors declares advisable and reasonably necessary to convert the Fund from a closed-end fund to an open-end fund. Matters that the Articles of Amendment may be expected to address include changing the Fund's status as a closed-end fund; provisions regarding the Fund's shares as being "redeemable securities" (as defined in the 1940 Act) (such as provisions relating to the Fund's right to redeem shares (at its option and under certain specified circumstances), exchangeability, convertibility and payment of redemption proceeds); designating the Fund's shares into classes (if the Fund will issue multiple classes of shares as an open-end fund) and/or series and other provisions relating to a multi-class or multi-series structure (such as allocation of expenses, assets and liabilities, relative entitlement to dividends and voting rights); the imposition of sales charges (if provided under the terms of issuance of such class of shares); removal of supermajority voting provisions; and removal of provisions regarding conversion from closed-end to open-end status.

Any changes to the Fund that would require a shareholder vote under the 1940 Act, such as adoption of a plan pursuant to Rule 12b-1 under the 1940 Act for an existing share class, would be done only pursuant to a separate proposal, either at the Special Meeting or at a subsequent shareholder meeting (but in any event prior to effecting such changes, including adoption of such a plan). The Open-End Proposal itself will not operate to effect any changes to the Fund other than for the Fund to convert to an open-end fund by amendment of the Fund's Articles of Incorporation.

Conversion by Stockholder Vote

The Board of Directors may at any time propose conversion of the Fund to open-end status, depending upon its judgment regarding the advisability of such action in light of circumstances then prevailing. Such conversion would require stockholder approval in the manner described under "Certain Provisions of the Articles of Incorporation and By-Laws."

Operation as an Open-End Fund

In the event of conversion, while the Fund's investment objective and principal investment strategies will remain materially unchanged, the Board of Directors will adopt policies and procedures applicable to the conduct of the Fund as an open-end fund intended to comply with the laws, rules and regulations then applicable to open-end funds. The Fund believes that its investment objective and policies are consistent with the operations of an open-end fund and that, in the event of such conversion, the holders of Common Shares would not be disadvantaged in any material respect.

The disclosure concerning the Fund contained in the Fund's prospectus and statement of additional information will be substantially identical to the disclosure contained in this prospectus except for the provisions concerning the purchase and sale of Fund shares, any sales charges and fees for distribution and servicing, minimum investment amounts and any other item particular to open-end funds. If the Fund converts to an open-end fund, it will be able to continuously issue and offer for sale shares of the Fund, and each such share could be presented to the Fund at the option of the holder for redemption at a price based on the then-current net asset value per share. Open-end funds are thus subject to periodic asset inflows and outflows that can complicate portfolio management. Further, the Common Shares would no longer be listed on the New York Stock Exchange.

Purchasing Shares

In the event of conversion to an open-end fund, investors will be permitted to purchase or redeem shares through the Fund's transfer agent or from other selected securities brokers or dealers following conversion. A purchase or redemption order received by the transfer agent before the close of trading on the New York Stock Exchange (usually 4:00 p.m. Eastern Time), which in the event of conversion will be adopted as the time at which the Fund calculates its net asset value each day, will be executed at the net asset value set as of that day. An order is received by the transfer agent after the close of trading on the New York Stock Exchange will be executed at the net asset value set as of the next trading day. A broker or other financial intermediary assisting with share orders may charge transaction fees.

Fees and Expenses

In the event of conversion to an open-end fund, the Fund may offer multiple classes of shares each of which may offer a distinct structure of sales charges, distribution and service fees and other features that are designed to address a variety of needs. The Fund may institute a distribution plan pursuant to Rule 12b-1 under the 1940 Act, pursuant to which the Fund would be permitted to incur distribution expenses related to the sale of its shares and to finance activities which are primarily intended to result in the sale of the Fund's shares, including, but not limited to, payments to brokers or other financial intermediaries who have rendered assistance and for other expenses such as advertising costs and the payment for the printing and distribution of prospectuses to prospective investors.

The investment advisory fees paid by the Fund are not expected to increase as a result of conversion. The Fund does not anticipate imposing any sales charges or 12b-1 fees on shares which existed prior to the Fund's conversion to an open-end fund, including the Common Shares, although the Fund may impose a redemption fee on redemptions made within a period of time following the conversion. In addition, total annual expenses of the Fund may increase in the event of conversion as a result of increased portfolio trading and administrative expenses associated with the operation of the Fund as an open-end fund or as a result of a decrease in the Fund's asset base resulting from redemptions of shares.

TAXATION

The following discussion offers only a brief outline of the U.S. Federal income tax consequences of investing in the Fund and is based on the U.S. Federal tax laws in effect on the date hereof. Such tax laws are subject to change by legislative, judicial or administrative action, possibly with retroactive effect. This discussion assumes you are a U.S. stockholder and that you hold your shares as a capital asset. No attempt is made to present a detailed explanation of all U.S. Federal, state, local or foreign tax concerns affecting the Fund and its stockholders. In the SAI we have provided more detailed information regarding the tax consequences of investing in the Fund.

The Fund intends to elect to be treated, and to qualify each year, as a regulated investment company under Federal income tax law. If the Fund so qualifies and distributes each year to its stockholders at least 90% of the sum of its investment company taxable income (as that term is defined in the Code, but without regard to the deduction for dividends paid) and net tax-exempt interest, the Fund will not be required to pay Federal income taxes on any income it distributes to stockholders. If the Fund distributes less than an amount equal to the sum of 98% of its ordinary income for the calendar year and 98% of its capital gain net income for the one-year period ending on October 31 of such calendar year (unless an election is made to use the Fund's fiscal year), plus such amounts from previous years that were not distributed, then the Fund will be subject to a nondeductible 4% excise tax on the undistributed amounts. The Fund intends to make sufficient distributions of its income to satisfy the distribution requirement and prevent application of the excise tax.

Dividends paid to you out of the Fund's current and accumulated earnings and profits will, except in the case of distributions of qualified dividend income and capital gain dividends described below, be taxable to you as ordinary income. For taxable years beginning on or before December 31, 2010, distributions of investment company taxable income designated by the Fund as derived from qualified dividend income (*i.e.,* generally dividends paid by certain U.S. corporations and "qualified foreign corporations") will be taxed in the hands of individuals at the rates applicable to long-term capital gain, provided holding period and other requirements are met by both you and the Fund. However, even if income received is in the form of a distribution of qualified dividend income and is taxed at the same rates as long-term capital gains, such income will not be considered long-term capital gains for other U.S. Federal income tax purposes. A foreign corporation is a "qualified foreign corporation" if it is (1) incorporated in a possession of the United States or is eligible for benefits of a comprehensive income tax treaty with the United States that the United States Treasury Department determines is satisfactory for this purpose and that includes an exchange of information program or (2) any other foreign corporation with respect to any dividend paid by such corporation if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States. A "qualified foreign corporation" does not include any foreign corporation, which for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a passive foreign investment company. The Fund cannot predict at this time what portion of dividends Portfolio Funds will receive from foreign corporations will be eligible for the reduced rates of taxation applicable to qualified dividend income.

Distributions of net capital gain (the excess of net long-term capital gain over net short-term capital loss), if any, designated as capital gain dividends are taxable to you as long-term capital gains, regardless of how long you have held your Fund shares. Long-term capital gain rates for individuals have been temporarily reduced to 15% (with lower rates for individuals in the 10% and 15% rate brackets) for taxable years beginning on or before December 31, 2010.

A distribution of an amount in excess of the Fund's current and accumulated earnings and profits is treated as a non-taxable return of capital that reduces your tax basis in your Fund shares; any such distributions in excess of your basis are treated as gain from a sale of your shares. The tax treatment of your dividends and distributions will be the same regardless of whether they were paid to you in cash or reinvested in additional Fund shares.

A distribution will be treated as paid to you on December 31 of the current calendar year if it is declared by the Fund in October, November or December with a record date in such a month and paid during January of the following year.

Each year, we will notify you of the tax status of dividends and other distributions.

If you sell or otherwise dispose of your Fund shares, or have shares repurchased by the Fund, you may realize a capital gain or loss which will be long-term or short-term, depending generally on your holding period for the shares.

We may be required to withhold U.S. Federal income tax on all taxable distributions and redemption proceeds payable if you:

- fail to provide us with your correct taxpayer identification number;
- fail to make required certifications; or
- have been notified by the Internal Revenue Service that you are subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld may be credited against your U.S. Federal income tax liability.

Certain dividends and other distributions received from sources outside of the United States may be subject to withholding taxes imposed by other countries. In the event that more than 50% of the value of the net assets of the Fund at the close of the taxable year consists of stock or securities of foreign corporations, the Fund will make an election to pass through to its stockholders a credit or deduction for foreign taxes paid by it.

Fund distributions also may be subject to state and local taxes. You should consult with your own tax adviser regarding the particular consequences of investing in the Fund.

DESCRIPTION OF SHARES

Common Shares

The Fund is authorized to issue 100,000,000 shares of Common Shares, $.001 par value. The Common Shares have no preemptive, conversion, exchange or redemption rights. Each share has equal voting, dividend, distribution and liquidation rights. The Common Shares outstanding are, and those offered hereby when issued will be, fully paid and nonassessable. Common Shareholders are entitled to one vote per share. All voting rights for the election of Directors are noncumulative, which means that the holders of more than 50% of the Common Shares can elect 100% of the Directors then nominated for election if they choose to do so and, in such event, the holders of the remaining Common Shares will not be able to elect any Directors. The Common Shares have been approved for listing on the New York Stock Exchange, subject to notice of issuance, under the symbol "FOF."

Under the rules of the New York Stock Exchange applicable to listed companies, the Fund will be required to hold an annual meeting of stockholders in each year. The foregoing description and the description below under "Certain Provisions of the Articles of Incorporation and By-Laws" and above under "Conversion to Open-End Fund Status" are subject to the provisions contained in the Fund's Articles of Incorporation and By-Laws.

Net asset value will be reduced immediately following the offering by the amount of the sales load and offering expenses paid by the Fund. The Investment Manager has agreed to pay all organizational expenses and offering costs (other than sales load) that exceed $.04 per Common Share. See "Use of Proceeds."

As of the date of this prospectus, the Investment Manager owned of record and beneficially shares of the Fund's Common Shares constituting 100% of the outstanding shares of the Fund, and thus, until the public offering of the shares is completed, will control the Fund.

Fund Net Asset Value

The Fund will determine the net asset value of its shares daily, as of the close of trading on the New York Stock Exchange (currently 4:00 p.m. New York time). Net asset value of our Common Shares is computed by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including accrued expenses and dividends declared but unpaid), by the total number of shares outstanding.

For purposes of determining the net asset value of the Fund, Portfolio Fund shares and other securities will be valued at the last sale price for such securities on the securities exchange or market on which they are principally traded on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day, then securities are valued by such method as the Board of Directors shall determine in good faith to reflect its fair market value. Securities traded on more than one exchange are valued at the last sale price on the business day as of which such value is being determined as reflected on the tape at the close of the exchange representing the principal market for such securities. If market quotations or official closing prices are not readily available or do not accurately reflect fair value for a security or if the value of a security has been materially affected by events occurring after the close of the exchange or market on which the security is principally traded, the security will be valued by another method that the Board of Directors believes accurately reflects fair value in accordance with the Fund's pricing policies. Other assets are valued at available market prices, or at fair value by or pursuant to guidelines approved by the Board of Directors.

CERTAIN PROVISIONS OF THE ARTICLES OF INCORPORATION AND BY-LAWS

The Fund has provisions in its Articles of Incorporation and By-Laws that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. Commencing with the first annual meeting of stockholders, the Board of Directors will be divided into three classes, having initial terms of one, two and three years, respectively. At the annual meeting of stockholders in each year thereafter, the term of one class will expire and Directors will be elected to serve in that class for terms of three years. This provision could delay for up to two years the replacement of a majority of the Board of Directors. A Director may be removed from office only for cause and only by a vote of the holders of at least 75% of the outstanding shares of the Fund entitled to vote on the matter.

Except when the Conversion Vote Trigger governs (see "Conversion to Open-End Fund Status—Conversion Vote Trigger" above), the affirmative vote of at least 75% of the entire Board of Directors is required to authorize the conversion of the Fund from a closed-end to an open-end fund. Such conversion (except when the Conversion Vote Trigger governs) also requires the affirmative vote of the holders of at least 75% of the votes entitled to be cast thereon by the Common Shareholders unless it is approved by a vote of at least 75% of the Continuing Directors (as defined below), in which event such conversion requires the approval of the holders of a majority of the votes entitled to be cast thereon by the stockholders of the Fund. When the Conversion Vote Trigger governs, the 75% voting requirements in this paragraph will not apply.

A "Continuing Director" is any member of the Board of Directors of the Fund who (i) is not a person or affiliate of a person who enters or proposes to enter into a Business Combination (as defined below) with the Fund (an "Interested Party") and (ii) who has been a member of the Board of Directors of the Fund for a period of at least 12 months, or has been a member of the Board of Directors since the Fund's initial public offering of

Common Shares, or is a successor of a Continuing Director who is unaffiliated with an Interested Party and is recommended to succeed a Continuing Director by a majority of the Continuing Directors then on the Board of Directors of the Fund. The affirmative vote of at least 75% of the votes entitled to be cast thereon by stockholders of the Fund will be required to amend the Articles of Incorporation to change any of the provisions in this paragraph and the preceding paragraph.

The affirmative votes of at least 75% of the entire Board of Directors and the holders of at least (i) 80% of the votes entitled to be cast thereon by the stockholders of the Fund and (ii) in the case of a Business Combination (as defined below), 66⅔% of the votes entitled to be cast thereon by the stockholders of the Fund other than votes held by an Interested Party who is (or whose affiliate is) a party to a Business Combination or an affiliate or associate of the Interested Party, are required to authorize any of the following transactions:

(i) merger, consolidation or statutory share exchange of the Fund with or into any other entity;

(ii) issuance or transfer by the Fund (in one or a series of transactions in any 12-month period) of any securities of the Fund to any person or entity for cash, securities or other property (or combination thereof) having an aggregate fair market value of $1,000,000 or more, excluding (a) issuances or transfers of debt securities of the Fund, (b) sales of securities of the Fund in connection with a public offering, (c) issuances of securities of the Fund pursuant to a dividend reinvestment plan adopted by the Fund, (d) issuances of securities of the Fund upon the exercise of any stock subscription rights distributed by the Fund and (e) portfolio transactions effected by the Fund in the ordinary course of business;

(iii) sale, lease, exchange, mortgage, pledge, transfer or other disposition by the Fund (in one or a series of transactions in any 12 month period) to or with any person or entity of any assets of the Fund having an aggregate fair market value of $1,000,000 or more except for portfolio transactions (including pledges of portfolio securities in connection with borrowings) effected by the Fund in the ordinary course of its business (transactions within clauses (i) and (ii) and this clause (iii) above being known individually as a "Business Combination");

(iv) any voluntary liquidation or dissolution of the Fund or an amendment to the Fund's Articles of Incorporation to terminate the Fund's existence; or

(v) any stockholder proposal as to specific investment decisions made or to be made with respect to the Fund's assets as to which stockholder approval is required under Federal or Maryland law.

However, the stockholder vote described above will not be required with respect to the foregoing transactions (other than those set forth in (v) above) if they are approved by a vote of at least 75% of the Continuing Directors (as defined above). In that case, if Maryland law requires stockholder approval, the affirmative vote of a majority of votes entitled to be cast thereon shall be required and if Maryland law does not require stockholder approval, no stockholder approval will be required. The Fund's By-Laws contain provisions the effect of which is to prevent matters, including nominations of Directors, from being considered at a stockholders' meeting where the Fund has not received notice of the matters generally at least 90 but no more than 120 days prior to the first anniversary of the preceding year's annual meeting.

The Board of Directors has determined that the foregoing voting requirements, which are generally greater than the minimum requirements under Maryland law and the 1940 Act, are in the best interest of the Fund's stockholders generally.

Reference is made to the Articles of Incorporation and By-Laws of the Fund, on file with the Securities and Exchange Commission, for the full text of these provisions. These provisions could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. On the other hand, these provisions may require persons seeking control of a Fund to negotiate with its management regarding the price to be paid for the shares required to obtain such control, they promote continuity and stability and they enhance the Fund's ability to pursue long-term strategies that are consistent with its investment objective.

UNDERWRITING

Subject to the terms and conditions stated in the purchase agreement dated November 20, 2006, each underwriter named below, for which Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative, has severally agreed to purchase, and the Fund has agreed to sell to such underwriter, the number of Common Shares set forth opposite the name of such underwriter.

Underwriter	Number of Common Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	18,275,000
BB&T Capital Markets, a division of Scott & Stringfellow, Inc.	550,000
Robert W. Baird & Co. Incorporated	200,000
Banc of America Securities LLC	375,000
H&R Block Financial Advisors, Inc.	175,000
Crowell, Weedon & Co.	175,000
Deutsche Bank Securities Inc.	800,000
Ferris, Baker Watts, Incorporated	175,000
J.J.B. Hilliard, W.L. Lyons, Inc.	200,000
KeyBanc Capital Markets, a division of McDonald Investments Inc.	175,000
Ladenburg Thalmann & Co. Inc.	175,000
RBC Capital Markets Corporation	500,000
Stifel, Nicolaus & Company, Incorporated	175,000
Wedbush Morgan Securities Inc.	200,000
Wells Fargo Securities, LLC	400,000
William Blair & Company, L.L.C.	50,000
Chatsworth Securities, LLC	50,000
D.A. Davidson & Co.	50,000
Dominick & Dominick LLC	50,000
Morgan Keegan & Company, Inc.	50,000
Ryan Beck & Co., Inc.	50,000
Stephens Inc.	50,000
SunTrust Capital Markets, Inc.	50,000
TD Ameritrade, Inc.	50,000
Anderson & Strudwick, Incorporated	25,000
Bishop, Rosen & Co., Inc.	25,000
Brean Murray, Carret & Co., LLC	25,000
Brookstreet Securities Corporation	25,000
First Montauk Securities Corp.	25,000
First Southwest Company	25,000
Gilford Securities Incorporated	25,000
GunnAllen Financial, Inc.	25,000
Joseph Gunnar & Co., LLC	25,000
J. B. Hanauer & Co.	25,000
Huntleigh Securities Corporation	25,000
Jesup & Lamont Securities Corporation	25,000
Johnston, Lemon & Co. Incorporated	25,000
LaSalle St. Securities, L.L.C.	25,000
Maxim Group LLC	25,000
Mesirow Financial, Inc.	25,000
Morgan Wilshire Securities, Inc.	25,000
National Securities Corporation	25,000
Northeast Securities, Inc.	25,000
Paulson Investment Company, Inc.	25,000

Underwriter	Number of Common Shares
Peacock, Hislop, Staley & Given, Inc.	25,000
Sanders Morris Harris Inc.	25,000
Source Capital Group, Inc.	25,000
Southwest Securities, Inc.	25,000
Stanford Group Company	25,000
Strand, Atkinson, Williams & York, Inc.	25,000
Torrey Pines Securities, Inc.	25,000
J.P. Turner & Company, L.L.C.	25,000
Westminster Financial Securities, Inc.	25,000
Wunderlich Securities, Inc.	25,000
Total	23,750,000

The purchase agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to the approval of certain legal matters by counsel and to certain other conditions. The underwriters are obligated to purchase all the Common Shares sold under the purchase agreement if any of the Common Shares are purchased. In the purchase agreement, the Fund and the Investment Manager have agreed to indemnify the underwriters against certain liabilities, including liabilities arising under the Securities Act, or to contribute payments the underwriters may be required to make for any of those liabilities.

Commissions and Discounts

The underwriters propose to initially offer some of the Common Shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the Common Shares to certain dealers at the public offering price less a concession not in excess of $.40 per share. The sales load investors in the Fund will pay of $.60 per share is equal to 3.0% of the initial offering price. The underwriters may allow, and the dealers may reallow, a discount not in excess of $.10 per share on sales to other dealers. After the initial public offering, the public offering price, concession and discount may be changed. Investors must pay for any Common Shares purchased on or before November 24, 2006.

The following table shows the public offering price, sales load, estimated offering expenses and proceeds, after expenses, to the Fund. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	Per Share	Without Option	With Option
Public offering price	$20.00	$475,000,000	$546,250,000
Sales load	$.60	$14,250,000	$16,387,500
Estimated offering expenses	$.04	$950,000	$1,092,500
Proceeds, after expenses, to the Fund	$19.36	$459,800,000	$528,770,000

The expenses of the offering are estimated at $950,000 and are payable by the Fund. The Fund has agreed to pay the underwriters $.00667 per Common Share as a partial reimbursement of expenses incurred in connection with the offering. The amount paid by the Fund as this partial reimbursement to the underwriters will not exceed .03335% of the total price to the public of the Common Shares sold in this offering. The Investment Manager has agreed to pay all organizational expenses and offering costs of the Fund (other than sales load) that exceed $.04 per Common Share.

Overallotment Option

The Fund has granted the underwriters an option to purchase up to 3,562,500 additional Common Shares at the public offering price, less the sales load, within 45 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the preceding table.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the Common Shares is complete, Securities and Exchange Commission rules may limit underwriters and selling group members from bidding for and purchasing our Common Shares. However, the representatives may engage in transactions that stabilize the price of our Common Shares, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in our Common Shares in connection with the offering (*i.e.*, if they sell more Common Shares than are listed on the cover of this prospectus), the representatives may reduce that short position by purchasing Common Shares in the open market. The representatives may also elect to reduce any short position by exercising all or part of the overallotment option described above. The underwriters may also impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of Common Shares sold in this offering for their account may be reclaimed by the syndicate if such Common Shares are repurchased by the syndicate in stabilizing or covering transactions. Purchases of our Common Shares to stabilize its price or to reduce a short position may cause the price of our Common Shares to be higher than it might be in the absence of such purchases.

Neither the Fund nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transaction described above may have on the price of our Common Shares. In addition, neither we nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Fund has agreed not to offer or sell any additional Common Shares for a period of 180 days after the date of the purchase agreement without the prior written consent of the underwriters, except for the sale of the Common Shares to the underwriters pursuant to the purchase agreement.

The Fund anticipates that the underwriters may from time to time act as brokers or dealers in executing the Fund's portfolio transactions after they have ceased to be underwriters, and may also act as placement agent for issuers whose securities the Fund purchases in direct placement transactions. The underwriters are active underwriters of, and dealers in, securities and act as market makers in a number of such securities, and therefore can be expected to engage in portfolio transactions with the Fund.

The Common Shares will be sold to ensure that New York Stock Exchange distribution standards (*i.e.*, round lots, public shares and aggregate market value) will be met.

Other Relationships

During the continuance of the Investment Management Agreement between the Investment Manager and the Fund, the Investment Manager (not the Fund) has agreed to pay a fee to Merrill Lynch equal to 1.25% of the total price to the public of the Common Shares sold in this offering, payable annually at the annual rate of .15% of the total price to the public of the Common Shares sold in this offering. The total amount of these additional compensation payments to Merrill Lynch will not exceed 1.25% of the total price to the public of the Common Shares sold in this offering; provided, that such compensation payments will cease in the event that the Fund converts to an open-end fund (regardless of whether the Investment Management Agreement is in effect or the Investment Manager has paid less than 1.25% of the total price to the public of the Common Shares sold in this offering). In consideration for these payments, Merrill Lynch has agreed to provide, upon request, certain after-market support services designed to maintain the visibility of the Fund on an ongoing basis, and to provide, upon request, to the Investment Manager relevant information, studies or reports regarding the Fund and the closed-end investment company and asset management industry.

The total amount of these additional compensation payments plus the amount paid by the Fund as the $.00667 per Common Share reimbursement to the underwriters, will not exceed 4.5% of the total price to the public of the Common Shares offered hereby. In addition, the sum total of all compensation to the underwriters in connection with this offering of Common Shares, as well as any such charges in connection with the Fund's investment in Portfolio Funds, will not exceed in the aggregate 8.5% of the total price to the public of the Common Shares sold in this offering.

Merrill Lynch also has engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with affiliates of the Fund, including the parent company of the Investment Manager, Cohen & Steers, Inc.

The principal business address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is 4 World Financial Center, New York, New York 10080.

CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND REGISTRAR

State Street Bank and Trust Company, whose principal business address is One Lincoln Street, Boston, Massachusetts 21111, has been retained to act as custodian of the Fund's investments, and The Bank of New York, whose principal business address is 101 Barclay Street, Floor 11 East, New York, New York 10286, has been retained to serve as the Fund's transfer and dividend disbursing agent and registrar.

Neither State Street Bank nor The Bank of New York has any part in deciding the Fund's investment policies or which securities are to be purchased or sold for the Fund's portfolio.

REPORTS TO STOCKHOLDERS

The Fund will send unaudited semi-annual and audited annual reports to its stockholders, including a list of investments held.

VALIDITY OF THE COMMON SHARES

The validity of the Common Shares offered hereby is being passed on for the Fund by Stroock & Stroock & Lavan LLP, New York, New York, and certain other legal matters will be passed on for the underwriters by Clifford Chance US LLP. Venable LLP will opine on certain matters pertaining to Maryland law. Stroock & Stroock & Lavan LLP and Clifford Chance US LLP may rely as to certain matters of Maryland law on the opinion of Venable LLP.

TABLE OF CONTENTS FOR THE STATEMENT OF ADDITIONAL INFORMATION

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Through and including December 15, 2006 (25 days after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

23,750,000 Shares

COHEN & STEERS
CLOSED-END OPPORTUNITY FUND

Cohen & Steers Closed-End Opportunity Fund, Inc.

Common Shares
$20.00 Per Share

PROSPECTUS

Merrill Lynch & Co.

BB&T Capital Markets

Robert W. Baird & Co.

Banc of America Securities LLC

H&R Block Financial Advisors, Inc.

Crowell, Weedon & Co.

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KeyBanc Capital Markets

Ladenburg Thalmann & Co. Inc.

RBC Capital Markets

Stifel Nicolaus

Wedbush Morgan Securities Inc.

Wells Fargo Securities

November 20, 2006