

FOXBY CORP.
Form N-CSR
March 08, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-09261

Foxby Corp.
(Exact name of registrant as specified in charter)

11 Hanover Square, New York, NY 10005
(Address of principal executive offices) (Zipcode)

Russell Kamerman, Esq.
11 Hanover Square
New York, NY 10005
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-212-785-0900
Date of fiscal year end: 12/31

Date of reporting period: 1/1/17 - 12/31/17

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

A registrant is required to disclose the information specified by Form N-CSR and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under clearance requirements of 44 U.S.C. sec. 3507.

Item 1. Reports to Stockholders.

PORTFOLIO ANALYSIS

December 31, 2017

December 31, 2017

TOP TEN
HOLDINGS

- 1 Berkshire Hathaway, Inc. Class B
- 2 Alphabet Inc. Class A
- 3 Wal-Mart Stores, Inc.
- 4 The Greenbrier Companies, Inc.
- 5 Copart, Inc.
- 6 Polaris Industries, Inc.
- 7 Wyndham Worldwide Corporation
- 8 Laboratory Corporation of American Holdings
- 9 United Therapeutics Corporation
- 10 Apple Inc.

Top ten holdings comprise approximately 35% of total assets.

December 31, 2017

TOP TEN
INDUSTRIES

- 1 Business Services
- 2 Transportation Equipment
- 3 Security and Commodity
Brokers, Dealers, Exchanges, and
Services
- 4 Chemical and Allied Products
- 5 Insurance Carriers
- 6 Automotive Dealers and
Gasoline Service Stations
- 7 General Merchandise Stores
- 8 Miscellaneous Retail
- 9 Fabricated Metal Products,
except Machinery and
Transportation Equipment
- 10 Apparel and Accessory Stores

Top ten holdings and industries are shown for informational purposes only and are subject to change. The above portfolio information should not be considered as a recommendation to purchase or sell a particular security and is not indicative of future portfolio characteristics. There is no assurance that any securities will remain in or out of the Fund.

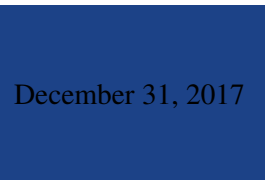
Holdings by Security Type on December 31, 2017*

*Based on approximate percentages of net assets and may not add up to 100% due to leverage or other assets, rounding, and other factors. Allocations of less than 1% in aggregate are not shown. Allocations are subject to change.



Annual Report 2017

TO OUR SHAREHOLDERS



Dear Fellow Shareholders:

It is a pleasure to welcome our new shareholders who find the total return investment objective of Foxby Corp. (the “Fund”) attractive and to submit this 2017 Annual Report.

Investment Strategies

In seeking its objective, the Fund exercises a flexible strategy in the selection of securities, and is not limited by the issuer’s location, size, or market capitalization. The Fund may invest in equity and fixed income securities of new and seasoned U.S. and foreign issuers, including securities convertible into common stock, debt securities, futures, options, derivatives, and other instruments. The Fund also may employ aggressive and speculative investment techniques, such as selling securities short and borrowing money for investment purposes, a practice known as “leveraging,” and may invest defensively in short term, liquid, high grade securities and money market instruments. There is a risk that these transactions sometimes may reduce returns or increase volatility. In addition, derivatives, such as options and futures, can be illiquid and highly sensitive to changes in their underlying security, interest rate or index, and as a result can be highly volatile. A small investment in certain derivatives could have a potentially large impact on the Fund’s performance. The Fund may invest in debt securities rated below investment grade, commonly referred to as junk bonds, as well as investment grade and U.S. Government securities. Generally, investments in securities in the lower rating categories or comparable unrated securities provide higher yields but involve greater price volatility and risk of loss of principal and interest than investments in securities with higher ratings. A potential benefit of its closed end structure, the Fund may invest without limit in illiquid investments such as private placements and private companies.

Economic and Market Report

At the December 2017 meeting of the Federal Open Market Committee (FOMC) of the Federal Reserve Bank (the “Fed”), the Fed staff’s review of the economic situation suggested that real gross domestic product (GDP) was “rising at a solid pace in the second half of 2017.” The staff viewed labor market conditions as reflecting in part a rebound from the negative effects of the hurricanes in September, as the national unemployment rate declined to 4.1% through November 2017. Regarding inflation, the staff noted that “total consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), remained below 2 percent in October and was lower than early in the year.” In fact, over the 12 months through October 2017, total U.S. consumer prices, as measured by the PCE price index, increased slightly more than 1.5%.

Addressing the financial situation, the Fed staff noted that asset price movements appeared to be “reflecting slightly stronger-than-expected economic data releases, announcements related to Treasury debt issuance, and an increase in the perceived probability that the Congress would enact tax legislation. On net, the Treasury yield curve flattened, U.S. equity prices moved up, and the foreign exchange value of the dollar was little changed. Financing conditions for businesses and households remained broadly supportive of continued growth in household spending and business investment.”

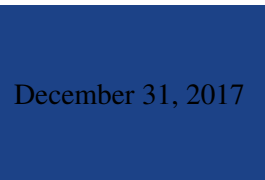
In conjunction with the FOMC meeting, the Fed's board members and bank presidents submitted their projections for future real GDP growth, unemployment, and similar measures. They projected real growth in GDP in a range of 2.2 - 2.6% for 2018, and 1.9 - 2.3% for 2019, and an unemployment rate in a range of 3.7 - 4.0% for 2018 and 3.6 - 4.0% for 2019.

In summary, the U.S. economy appears to be growing sluggishly during a period of strengthening employment and mild inflation, which suggests to us that investors might anticipate favorable markets ahead, although certain signs of speculative excess, such as cryptocurrencies and growing systemic leverage, indicate a cautious approach might be in order for 2018.

Investment Strategy and Returns

In view of these economic and market developments, the Fund's strategy in 2017 was to focus on quality companies deemed by Midas Management Corporation (the "Investment Manager") to be undervalued. Generally, the Fund purchased and held equity securities in seeking to achieve its total return investment objective and sold investments that appeared to have appreciated to levels reflecting less potential for total return. In 2017, the Fund's net investment loss, net realized gain on investments, and unrealized appreciation on investments were, respectively, \$(96,755), \$568,166, and \$629,007, which contributed significantly to the Fund's net asset value return of 15.50%. Profitable sales in the period were made of, among others, part of the Fund's holding of Alphabet Inc. Class A shares in the business services sector and Cisco Systems, Inc. in the industrial and commercial machinery and computer equipment sector and losses were taken on, among others, Hibbett Sports, Inc. in the retail sector. Although no particular investment was responsible for the majority of the unrealized appreciation or depreciation on investments over the period, retailers Dick's Sporting Goods, Inc. and Bed Bath & Beyond Inc. were significant contributors to unrealized depreciation during the

TO OUR SHAREHOLDERS



period. At the same time, the Fund benefited from unrealized appreciation from its holdings of Pilgrim's Pride Corporation in the food and kindred products sector and The GAP, Inc. in the apparel and accessory stores sector.

The Fund's market return for 2017 was 16.76%. Generally, the Fund's total return on a market value basis will be higher than total return on a net asset value basis in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. For comparison, in the same period, the S&P 500 Index total return was 21.83%. This index is unmanaged and does not reflect fees and expenses, nor is it available for direct investment. At December 31, 2017, the Fund's portfolio included over 60 securities of different issuers, with the top ten amounting to approximately 35% of total assets. At that time, the Fund's investments totaled approximately \$10.2 million, reflecting the use of about \$2 million of leverage on net assets of about \$8.2 million. As the Fund pursues its investment objective of total return, these holdings and allocations are subject to change at any time.

Fund Website

The Fund's website, www.FoxbyCorp.com, provides investors with investment information, news, and other material about the Fund. The website also has links to SEC filings, performance data, and daily net asset value reporting. You are invited to use this excellent resource to learn more about the Fund.

Long Term Strategies

Our current view of financial conditions continues to suggest that Foxby Corp. may benefit during the current year from its flexible

portfolio approach, investing opportunistically in a variety of markets, and employing aggressive and speculative investment techniques as deemed appropriate. We thank you for investing in the Fund and share your enthusiasm for the Fund, as evidenced by the fact that affiliates of the Investment Manager own approximately 24% of the Fund's shares. We look forward to serving your investment needs over the years ahead.

Board of Directors

Bruce B. Huber announced his retirement and has resigned from the Board of the Fund effective January 29, 2018. Bruce agreed to join the Fund complex as an independent director on October 30, 1981 and over the years, he has given so much of his time, wisdom, and perspective, we shall remain deeply in his debt. We wish him the very best as he pursues his many, varied interests outside of the investment company world.

Sincerely,

Thomas B. Winmill

President and Co-Portfolio Manager

William Winmill

Vice President and Co-Portfolio Manager

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SCHEDULE OF PORTFOLIO INVESTMENTS

December 31,
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Shares	Common Stocks (121.30%)	Value
Apparel and Accessory Stores (3.55%)		
8,000	Hanesbrands Inc. ^(a)	\$ 167,280
3,600	The GAP, Inc. ^(a)	122,616
		289,896
Automotive Dealers and Gasoline Service Stations (7.22%)		
2,300	AutoNation, Inc. ^{(a) (b)}	118,059
250	AutoZone, Inc. ^{(a) (b)}	177,842
6,800	Copart, Inc. ^{(a) (b)}	293,692
		589,593
Building Construction General Contractors and Operative Builders (2.34%)		
2,550	LGI Homes, Inc. ^(b)	191,326
Building Materials, Hardware, Garden Supply (1.10%)		
1,200	Tractor Supply Company ^(a)	89,700
Business Services (15.73%)		
500	Alphabet Inc. Class A ^{(a) (b)}	526,700
2,600	DST Systems, Inc.	161,382
11,069	GlobalSCAPE, Inc.	39,295
2,400	Omnicom Group Inc. ^(a)	174,792
3,300	Robert Half International Inc. ^(a)	183,282
2,200	WPP plc ADR	199,232
		1,284,683
Chemical and Allied Products (8.82%)		
950	Amgen Inc. ^(a)	165,205
500	Biogen Inc. ^{(a) (b)}	159,285
250	Bioverativ Inc. ^{(a) (b)}	13,480
2,500	Gilead Sciences, Inc. ^(a)	179,100
1,375	United Therapeutics Corporation ^{(a) (b)}	203,431
		720,501
Communications (0.46%)		
350	The Walt Disney Company ^(a)	37,629
Educational Services (2.37%)		

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2,500	Capella Education Company	193,500
	Electric, Gas, and Sanitary Services (2.07%)	
4,250	SCANA Corporation ^(a)	169,065
	Electronic and Other Electrical Equipment and Components, except Computer Equipment (3.29%)	
2,700	Cirrus Logic, Inc. ^{(a) (b)}	140,022
3,250	Taiwan Semiconductor Manufacturing Co. Ltd.	128,862
		268,884

See notes to financial statements.

SCHEDULE OF PORTFOLIO INVESTMENTS

December 31,
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Shares	Common Stocks (continued)	Value
	Fabricated Metal Products, except Machinery and Transportation Equipment (3.89%)	
750	Snap-on Incorporated ^(a)	\$ 130,725
3,350	Sturm, Ruger & Company, Inc.	187,098
		317,823
	Food and Kindred Products (1.90%)	
5,000	Pilgrim's Pride Corporation ^{(a) (b)}	155,300
	Food Stores (2.35%)	
7,000	The Kroger Co. ^(a)	192,150
	General Merchandise Stores (6.29%)	
5,200	Wal-Mart Stores, Inc. ^(a)	513,500
	Health Services (2.54%)	
1,300	Laboratory Corporation of America Holdings ^(a)	207,363
	Holding and Other Investment Offices (1.40%)	
1,500	InterDigital, Inc. ^(a)	114,225
	Home Furniture, Furnishings, and Equipment Stores (2.25%)	
2,500	Bed Bath & Beyond Inc. ^(a)	54,975
2,500	Williams-Sonoma, Inc. ^(a)	129,250
		184,225
	Hotels, Rooming Houses, Camps, and Other Lodging Places (2.69%)	
1,900	Wyndham Worldwide Corporation ^(a)	220,153
	Industrial and Commercial Machinery and Computer Equipment (3.54%)	
1,200	Apple Inc. ^(a)	203,076
2,250	Cisco Systems, Inc. ^(a)	86,175
		289,251
	Insurance Carriers (8.49%)	
3,500	Berkshire Hathaway, Inc. Class B ^{(a)(b)}	693,770
	Measuring, Analyzing, and Controlling Instruments; Photographic, Medical and Optical Goods; Watches and Clocks (2.31%)	
1,800	KLA-Tencor Corporation ^(a)	189,126
	Miscellaneous Retail (3.92%)	

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1,400	CVS Health Corporation ^(a)	101,500
2,439	Dick's Sporting Goods, Inc. ^(a)	70,097
2,050	Walgreens Boots Alliance, Inc. ^(a)	148,871
		320,468
Non-Depository Credit Institutions (1.22%)		
1,000	American Express Company ^(a)	99,310

See notes to financial statements.

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SCHEDULE OF PORTFOLIO INVESTMENTS

December 31,
2017Financial
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Shares	Common Stocks (concluded)	Value
	Paper and Allied Products (0.88%)	
1,588	Schweitzer-Mauduit International, Inc.	\$ 72,032
	Real Estate (2.00%)	
5,000	Marcus & Millichap, Inc. ^(b)	163,050
	Retail Consulting and Investment (0.0%)	
72,728	Amerivon Holdings LLC ^{(b) (c)}	0
	Security and Commodity Brokers, Dealers, Exchanges, and Services (11.69%)	
900	Affiliated Managers Group, Inc. ^(a)	184,725
700	Diamond Hill Investment Group, Inc.	144,662
5,000	Federated Investors, Inc. ^(a)	180,400
3,300	GAMCO Investors, Inc.	97,845
4,500	Hennessy Advisors, Inc.	74,430
2,000	Invesco Ltd. ^(a)	73,080
1,900	T. Rowe Price Group, Inc. ^(a)	199,367
		954,509
	Tobacco Products (2.60%)	
1,500	Altria Group, Inc. ^(a)	107,115
1,000	Philip Morris International, Inc. ^(a)	105,650
		212,765
	Transportation by Air (0.76%)	
400	Allegiant Travel Company ^(a)	61,900
	Transportation Equipment (12.93%)	
4,250	General Motors Company ^(a)	174,207
5,500	Gentherm Incorporated ^(b)	174,625
1,900	Polaris Industries Inc. ^(a)	235,581
8,850	The Greenbrier Companies, Inc.	471,705
		1,056,118
	Wholesale Trade - Nondurable Goods (0.70%)	
365	McKesson Corporation ^(a)	56,922
	Total common stocks (Cost \$8,116,805)	9,908,737
	Units Master Limited Partnerships (0.46%)	
	Mining And Quarrying Of Nonmetallic Minerals, Except Fuels (0.46%)	
1,500	Ciner Resources LP (Cost \$38,296)	37,830

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Shares Preferred Stocks (2.80%)
Communications (0.20%)
1,500 Frontier Communications Corp., Series A, 11.125%

	16,230

See notes to financial statements.

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SCHEDULE OF PORTFOLIO INVESTMENTS

December 31,
2017

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Statements

Shares	Preferred Stocks (continued)	Value
	Water Transportation (1.53%)	
1,734	Seaspan Corporation Series G 8.20%	\$ 42,136
3,500	Seaspan Corporation Series H 7.875%	82,740
		124,876
	Retail Consulting and Investment (1.07%)	
207,852	Amerivon Holdings LLC ^(c)	87,298
	Total preferred stocks (Cost \$647,415)	228,404
Shares	Money Market Fund (0.54%)	
43,965	State Street Institutional U.S. Government Money Market Fund, Administration Class,	
	7 day annualized yield 0.95% (Cost \$43,965)	43,965
	Total investments (Cost \$8,846,481) (125.10%)	10,218,936
	Liabilities in excess of other assets (-25.10%)	(2,050,353)
	Net assets (100.00%)	\$ 8,168,583

(a) All or a portion of this security has been pledged as collateral pursuant to the Liquidity Agreement. As of December 31, 2017,

the value of securities pledged was \$3,999,831.

(b) *Non-income producing.*

(c) Illiquid and/or restricted security that has been fair valued.

See notes to financial statements.

FOXBY CORP.

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STATEMENT OF ASSETS AND LIABILITIES

Financial
Statements

December 31, 2017

Assets	
Investments at value (cost \$8,846,481)	\$ 10,218,936
Dividends receivable	10,760
Other assets	1,754
Total assets	10,231,450
Liabilities	
Liquidity agreement borrowing	2,000,000
Payables	
Accrued expenses	49,475
Investment management fee	8,203
Directors	3,010
Administrative services	2,179
Total liabilities	2,062,867
Net Assets	\$ 8,168,583
Net Asset Value Per Share (applicable to 2,610,050 shares outstanding; 500,000,000 shares of \$.01 par value authorized)	\$ 3.13
Net Assets Consist of	
Paid in capital	\$ 7,515,484
Accumulated undistributed net investment income	88,197
Accumulated net realized loss on investments	(807,555)
Net unrealized appreciation on investments	1,372,457
	\$ 8,168,583

See notes to financial statements.

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STATEMENT OF OPERATIONS

Financial Statements

Year Ended
December 31, 2017

Investment Income	
Dividends (net of \$677 foreign tax expense)	\$ 126,711
Total investment income	126,711
Expenses	
Investment management	75,339
Interest and fees on liquidity agreement	30,359
Bookkeeping and pricing	28,330
Audit	21,380
Legal	15,940
Directors	13,957
Shareholder communications	13,458
Administrative services	11,310
Transfer agent	6,932
Custody	2,650
Insurance	1,612
Registration	1,321
Other	878
Total expenses	223,466
Net investment loss	(96,755)
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on	
Investments	568,230
Foreign currencies	(64)
Unrealized appreciation on	
Investments	628,880
Translation of assets and liabilities in foreign currencies	127
Net realized and unrealized gain	1,197,173
Net increase in net assets resulting from operations	\$ 1,100,418
See notes to financial statements.	



STATEMENTS OF CHANGES IN NET ASSETS

Financial Statements

	Year Ended December 31, 2017	Year Ended December 31, 2016
Operations		
Net investment loss	\$ (96,755)	\$ (4,420)
Net realized gain	568,166	486,944
Unrealized appreciation	629,007	254,740
Net increase in net assets resulting from operations	1,100,418	737,264
Distributions to Shareholders		
Net investment income	-	(4,700)
Return of capital	-	(21,401)
Total distributions	-	(26,101)
Total increase in net assets	1,100,418	711,163
Net Assets		
Beginning of period	7,068,165	6,357,002
End of period	\$ 8,168,583	\$ 7,068,165
End of period net assets include undistributed net investment income	\$ 88,197	\$ 97,272
See notes to financial statements.		

STATEMENT OF CASH FLOWS

Financial Statements

Year Ended
December 31, 2017

Cash Flows From Operating Activities	
Net increase in net assets resulting from operations	\$ 1,100,418
Adjustments to reconcile increase in net assets resulting from operations to net cash provided by (used in) operating activities:	
Unrealized appreciation of investments	(629,007)
Net realized gain on sales of investments	(568,166)
Purchase of long term investments	(3,832,535)
Proceeds from sales of long term investments	3,176,037
Net purchases of short term investments	(22,978)
Decrease in dividends receivable	21,338
Decrease in foreign withholding taxes reclaimed	1,872
Increase in other assets	(559)
Increase in accrued expenses	7,112
Increase in investment management fee payable	632
Increase in administrative services payable	831
Increase in directors payable	5
Net cash used in operating activities	(745,000)
Cash Flows from Financing Activities	
Liquidity agreement borrowing, net	745,000
Net cash provided by financing activities	745,000
Net change in cash	-
Cash	
Beginning of period	-
End of period	\$ -
Supplemental disclosure of cash flow information:	
Cash paid for interest on liquidity agreement	\$ 11,142
See notes to financial statements.	

Financial Statements

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES Foxby Corp. (the “Fund”), a Maryland corporation registered under the Investment Company Act of 1940, as amended (the “Act”), is a non-diversified, closed end management investment company whose shares are quoted over the counter under the ticker symbol FXBY. The Fund’s non-fundamental investment objective is total return which it may seek from growth of capital and from income in any security type and in any industry sector. The Fund retains Midas Management Corporation (the “Investment Manager”) as its investment manager.

As an investment company, the Fund follows the accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standard Codification Topic 946 “Financial Services – Investment Companies.” The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. Subsequent events, if any, through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. The following summarizes the significant accounting policies of the Fund:

Valuation of Investments – Portfolio securities are valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is in the United States are usually valued at the official closing price, last sale price or, if no sale has occurred, at the closing bid price. Most equity securities for which the primary market is outside the United States are usually valued using the official closing price or the last sale price in the principal market in which they are traded. If the last sale price on the local exchange is unavailable, the last evaluated quote or closing bid price normally is used. In the event of an unexpected closing of the primary market or exchange, a security may continue to trade on one or more other markets, and the price as reflected on those other trading venues may be more reflective of the security’s value than an earlier price from the primary market or exchange. Accordingly, the Fund may seek to use these additional sources of pricing data or information when prices from the primary market or exchange are unavailable, or are earlier and less representative of current market value. Certain debt securities may be priced through pricing services that may utilize a matrix pricing system which takes into consideration factors such as yields, prices, maturities, call features, and ratings on comparable securities or according to prices quoted by a securities dealer that offers pricing services. Open end investment companies are valued at their net asset value. Foreign securities markets may be open on days when the U.S.

markets are closed. For this reason, the value of any foreign securities owned by the Fund could change on a day when shareholders cannot buy or sell shares of the Fund. Securities for which market quotations are not readily available or reliable and other assets may be valued as determined in good faith by the Investment Manager’s Valuation Committee under the direction of or pursuant to procedures approved by the Fund’s Board of Directors, called “fair value pricing.” Due to the inherent uncertainty of valuation, fair value pricing values may differ from the values that would have been used had a readily available or reliable market quotation for the securities existed. These differences in valuation could be material. A security’s valuation may differ depending on the method used for determining value. The use of fair value pricing by the Fund may cause the net asset value of its shares to differ from the net asset value that would be calculated using market prices. A fair value price is an estimate and there is no assurance that such price will be at or close to the price at which a security is next quoted or next trades.

Foreign Currency Translation – Securities denominated in foreign currencies are translated into U.S. dollars at prevailing exchange rates. Realized gain or loss on sales of such investments in local currency terms is reported separately from gain or loss attributable to a change in foreign exchange rates for those investments.

Short Sales – The Fund may sell a security short it does not own in anticipation of a decline in the market value of the security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker/dealer through which it made the short sale. The Fund is liable for any dividends or interest paid on securities sold short. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, normally is recognized upon the termination of the short sale. Securities sold short result in off balance sheet risk as the Fund’s ultimate obligation to satisfy the terms of a sale of securities sold short may exceed the amount recognized in the Statement of Assets and Liabilities.

Derivatives – The Fund may use derivatives for a variety of reasons, such as to attempt to protect against possible changes in the value of its portfolio holdings or to generate potential gain. Derivatives are financial instruments that derive their values from other securities or commodities, or that are based on indices. Derivative instruments are marked to market with the change in value reflected in unrealized appreciation or depreciation. Upon disposition, a realized gain or loss is recognized accordingly, except when taking delivery of a security underlying a contract. In these instances, the recognition of gain or loss is postponed until the disposal of the security underlying the contract. Risk may arise



NOTES TO FINANCIAL STATEMENTS



Financial Statements

as a result of the potential inability of the counterparties to meet the terms of their contracts. Derivative instruments include written options, purchased options, futures contracts, forward foreign currency exchange contracts, and swap agreements.

Investments in Other Investment Companies – The Fund may invest in shares of other investment companies such as closed end funds, exchange traded funds, and mutual funds (each, an “Acquired Fund”) in accordance with the Act and related rules. Shareholders in the Fund bear the pro rata portion of the fees and expenses of the Acquired Funds in addition to the Fund’s expenses. Expenses incurred by the Fund that are disclosed in the Statement of Operations do not include fees and expenses incurred by the Acquired Funds. The fees and expenses of an Acquired Fund are reflected in such Acquired Fund’s total returns.

Investment Transactions – Investment transactions are accounted for on the trade date (the date the order to buy or sell is executed). Realized gains or losses are determined by specifically identifying the cost basis of the investment sold.

Investment Income – Dividend income is recorded on the ex-dividend date or in the case of certain foreign securities, as soon as practicable after the Fund is notified. Interest income is recorded on the accrual basis. Amortization of premium and accretion of discount on corporate bonds and notes are included in interest income. Taxes withheld on foreign dividends have been provided for in accordance with the Fund’s understanding of the applicable country’s tax rules and rates.

Expenses – Expenses deemed by the Investment Manager to have been incurred solely by the Fund are charged to the Fund. Expenses deemed by the Investment Manager to have been incurred jointly by the Fund and one or more of the other investment companies for which the Investment Manager, or its affiliates serve as investment manager, or other related entities, are allocated on the basis of relative net assets, except where a more appropriate allocation can be made fairly in the judgment of the Investment Manager.

Expense Reduction Arrangement – Through arrangements with the Fund’s custodian, credits realized as a result of uninvested cash balances are used to reduce custodian expenses. No credits were realized by the Fund during the years ended December 31, 2017 and 2016.

Distributions to Shareholders – Distributions to shareholders are determined in accordance with income tax regulations and are recorded on the ex-dividend date.

Income Taxes – No provision has been made for U.S. income taxes because the Fund’s current intention is to continue to qualify as a regulated investment company under the Internal Revenue Code (the “IRC”) and to distribute to its shareholders substantially all of its taxable income and net realized gains. Foreign securities held by the Fund may be subject to foreign taxation. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. The Fund has reviewed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to

uncertain tax positions taken on federal, state, and local income tax returns for open tax years (2014-2016) or expected to be taken in the Fund's 2017 tax returns.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities, and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

2. FEES AND TRANSACTIONS WITH RELATED PARTIES The Fund has retained the Investment Manager pursuant to an investment management agreement. Under the terms of the investment management agreement, the Investment Manager receives a fee payable monthly for investment advisory services at an annual rate of 0.95% of the Fund's Managed Assets. "Managed Assets" means the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, which liabilities exclude debt relating to leverage, short term debt, and the aggregate liquidation preference of any outstanding preferred stock.

Pursuant to the investment management agreement, the Fund reimburses the Investment Manager for providing at cost certain administrative services comprised of compliance and accounting services. For the year ended December 31, 2017, the Fund's reimbursements of such costs were \$11,310, of which \$7,290 and \$4,020 was for compliance and accounting services, respectively. Certain officers and directors of the Fund are officers and directors of the Investment Manager. As of December 31, 2017, affiliates of the Investment Manager owned approximately 24% of the Fund's outstanding shares.

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The Fund compensates each director who is not an employee of the Investment Manager or its affiliates. These directors receive fees for service as a director from the Fund and the other investment companies for which the Investment Manager or its affiliates serve as investment manager. In addition, director out-of-pocket expenses are allocated to each fund for which the Investment Manager or its affiliates serve as investment manager on the basis of relative net assets, except where a more appropriate allocation can be made fairly in the judgment of the Investment Manager.

3. DISTRIBUTIONS TO SHAREHOLDERS AND DISTRIBUTABLE EARNINGS For the year ended December 31, 2017, there were no distributions paid to shareholders and for the year ended December 31, 2016, the Fund paid a distribution of \$26,101, comprised of \$4,700 and \$21,401 of net investment income and return of capital, respectively.

As of December 31, 2017, the components of distributable earnings on a tax basis were as follows:

Capital loss carryover	\$	(779,419)
Unrealized appreciation		1,432,518
	\$	653,099

Capital loss carryovers are calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryovers actually available for the Fund to utilize under the IRC and related regulations. Capital losses incurred in taxable years beginning after December 22, 2010 are allowed to be carried forward indefinitely and retain the character of the original loss. As a transition rule, post-enactment net capital losses are required to be utilized before pre-enactment net capital losses. During the year ended December 31, 2017, the Fund used \$442,079 of capital losses carryover due to expire in 2017. As of December 31, 2017, the Fund has a net capital loss carryover of \$779,419, comprised of short term losses, which expires in 2018.

GAAP requires certain components related to permanent differences of net assets to be classified differently for financial reporting than for tax reporting purposes. These differences have no effect on net assets or net asset value per share. These differences, which may result in distribution reclassifications, are primarily due to differences in partnership income, return of capital dividends, re-characterization of capital gain income, and timing of distributions. As of December 31, 2017, the Fund recorded the following financial reporting reclassifications to the net asset accounts to reflect those differences:

Accumulated	Accumulated Net	
Net Investment	Realized Loss	Paid
Income	on Investments	in Capital

\$87,680	\$1,207	\$(88,887)
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4. **VALUE MEASUREMENTS** GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities including securities actively traded on a securities exchange.

Level 2 – observable inputs other than quoted prices included in level 1 that are observable for the asset or liability which may include quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level 3 – unobservable inputs for the asset or liability including the Fund’s own assumptions about the assumptions a market participant would use in valuing the asset or liability.

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

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

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

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Restricted and/or illiquid securities – Restricted and/or illiquid securities for which quotations are not readily available or reliable may be valued with fair value pricing as determined in good faith by the Investment Manager under the direction of or pursuant to procedures approved by the Fund’s Board of Directors. Restricted securities issued by publicly traded companies are generally

Valued at a discount to similar publicly traded securities. Restricted or illiquid securities issued by nonpublic entities may be valued by reference to comparable public entities or fundamental data relating to the issuer or both or similar inputs. Depending on the relative significance of valuation inputs, these instruments may be categorized in either level 2 or level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2017 in valuing the Fund’s assets. Refer to the Schedule of Portfolio Investments for detailed information on specific investments.

ASSETS	Level 1	Level 2	Level 3	Total
Investments, at value				
Common stocks	\$ 9,908,737	\$ -	\$ 0	\$ 9,908,737
Master limited partnerships	37,830	-	-	37,830
Preferred stocks	141,106	-	87,298	228,404
Money market funds	43,965			
			-	-
				43,965
Total investments, at value	\$ 10,131,638	\$ -	\$ 87,298	\$ 10,218,936