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MLP & Strategic Equity Fund Inc.
Form N-CSRS
July 01, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-22040

Name of Fund: MLP & Strategic Equity Fund Inc. (MTP)

Fund Address: 2 World Financial Center, 7th Floor, New York, New York 10281.

Name and address of agent for service: Mitchell M. Cox, Chief Executive Officer, MLP & Strategic Equity Fund Inc., 4 World Financial Center, 6th Floor, New York, New York 10080.

Registrant's telephone number, including area code: (877) 449-4742

Date of fiscal year end: October 31, 2009

Date of reporting period: April 30, 2009

Item 1 – Report to Stockholders

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MLP & Strategic Equity
Fund Inc.

Semi-Annual Report

(Unaudited)
April 30, 2009

MLP & Strategic Equity Fund Inc.

Directors and Officers

Paul Glasserman, Director and Chairman of the Board
 Steven W. Kohlhagen, Director and Chairman of the Audit Committee
 Laura S. Unger, Director and Chairperson of the Nominating & Corporate Governance Committee
 William J. Rainer, Director
 Mitchell M. Cox, President
 James E. Hillman, Vice President and Treasurer
 Donald C. Burke, Vice President and Assistant Treasurer
 Colleen R. Rusch, Vice President and Secretary
 Martin G. Byrne, Chief Legal Officer
 Gloria Greco, Chief Compliance Officer
 Justin C. Ferri, Vice President
 Jeff E. McGoey, Vice President

Custodian

State Street Bank and Trust Company
 P.O. Box 351
 Boston, MA 02101

Transfer Agent

BNY Mellon Shareowner Services
 480 Washington Boulevard
 Jersey City, NJ 07310

Proxy Results

During the six-month period ended April 30, 2009, the stockholders of MLP & Strategic Equity Fund Inc. voted on the following proposals. On December 19, 2008 and January 23, 2009, a special stockholders meeting was adjourned with respect to the proposals until March 6, 2009, at which time they were approved. A description of the proposals and number of shares voted are as follows:

	Shares Voted For	Shares Voted Against	Abstentions/ Broker Non-Vote
1. To approve a new investment advisory and management agreement for the Fund.	6,613,590	202,787	606,389
2. To approve a new investment subadvisory agreement for the Fund.	6,602,947	205,276	614,543

During the six-month period ended April 30, 2009, the stockholders of MLP & Strategic Equity Fund Inc. voted on the following proposal, which was approved at the annual meeting of stockholders on April 24, 2009. A description of the proposal and number of shares voted are as

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follows:

		Shares Voted For	Shares Withheld From Voting
1. To elect the Fund's Board of Directors:	Paul Glasserman	13,348,042	544,479
	Steven W. Kohlhagen	13,387,090	505,431
	William J. Rainer	13,393,208	499,313
	Laura S. Unger	13,321,747	570,774

2

MLP & STRATEGIC EQUITY FUND INC.

APRIL 30, 2009

Fund Profile as of April 30, 2009 (Unaudited)

Fund Information

Symbol on New York Stock Exchange (NYSE)	MTP
Initial Offering Date	June 29, 2007
Yield on Closing Market Price as of April 30, 2009 (\$11.00)*	7.64%
Current Monthly Distribution per share of Common Stock**	\$.07
Current Annualized Distribution per share of Common Stock**	\$.84

* Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price as of April 30, 2009. Past performance does not guarantee future results.

** Distributions are subject to approval by the Fund's Board of Directors and may change. A substantial portion of the distribution may be deemed a tax return of capital at fiscal year end.

The table below summarizes the changes in the Fund's market price and net asset value for the six-month period:

	4/30/09(a)	10/31/08	Change(b)	High	Low
Market Price ^(c)	\$ 11.00	\$ 13.00	(15.38%)	\$ 13.50	\$ 6.68
Net Asset Value	\$ 11.13	\$ 11.70	(4.87%)	\$ 11.80	\$ 8.06

(a) For the six-month period, the Common Stock of the Fund had a total investment return of (0.06%) based on net asset value per share and (11.11%) based on market price per share, assuming reinvestment of distributions. For the same period, the most commonly referenced index of publicly traded master limited partnership (MLP) securities had a total investment return of (1.44%) and has no expenses associated with performance.

(b) Does not include reinvestment of distributions.

(c) Primary Exchange Price, NYSE.

Portfolio Information

Ten Largest MLP & MLP Affiliates Holdings	Percent of Net Assets
Plains All American Pipeline LP	6.1%
Enterprise Products Partners LP	5.6
Kinder Morgan Management LLC	5.5

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TEPPCO Partners LP	4.9
ONEOK Partners LP	4.7
El Paso Pipeline Partners LP	4.6
Buckeye Partners LP	4.6
Nustar Energy LP	4.4
Sunoco Logistics Partners LP	4.0
Boardwalk Pipeline Partners LP	3.8

MLP & STRATEGIC EQUITY FUND INC.

APRIL 30, 2009

3

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Schedule of Investments as of April 30, 2009 (Unaudited)

(Percentages shown are based on Net Assets)

Industry	Master Limited Partnerships & MLP Affiliates	Units Held	Value
Energy Equipment & Services 0.5%			
	Exterran Partners LP	65,416	\$ 868,070
Gas Utilities 7.0%			
	Amerigas Partners LP	110,500	3,393,455
	Spectra Energy Partners LP	241,526	5,398,106
	Suburban Propane Partners LP	63,506	2,540,240
			11,331,801
Oil, Gas & Consumable Fuels 91.0%			
	Alliance Resource Partners LP	70,946	2,333,414
	Atlas Energy Resources LLC	125,286	2,222,574
	Boardwalk Pipeline Partners LP	305,504	6,262,832
	Buckeye Partners LP	193,513	7,442,510
	Copano Energy LLC Common Units	197,734	3,092,560
	DCP Midstream Partners LP	96,682	1,440,562
	Duncan Energy Partners LP	197,420	3,589,096
	EV Energy Partner LP	31,390	566,589
	El Paso Pipeline Partners LP	386,050	7,454,625
	Enbridge Energy Management LLC (a)(b)	124,496	4,305,072
	Enbridge Energy Partners LP	93,419	3,388,307
	Energy Transfer Equity LP	228,657	5,862,765
	Energy Transfer Partners LP	103,373	4,088,402
	Enterprise Products Partners LP	388,525	9,165,305
	Genesis Energy LP	170,264	2,055,086
	Holly Energy Partners LP	70,272	2,090,592
	Inergy LP	107,056	2,472,994
	Kinder Morgan Management LLC (a)(b)	217,433	8,879,955
	Magellan Midstream Holdings LP	81,060	1,608,230
	Magellan Midstream Partners LP	184,803	6,172,420
	Natural Resource Partners LP	125,612	2,877,771
	Nustar Energy LP	143,449	7,228,395
	Nustar GP Holdings LLC	11,100	250,971
	ONEOK Partners LP	162,093	7,618,371
	OSG America LP	58,055	515,528
Industry	Master Limited Partnerships & MLP Affiliates	Units Held	Value
Oil, Gas & Consumable Fuels (concluded)			
	Pioneer Southwest Energy Partners LP	99,563	\$ 1,667,680
	Plains All American Pipeline LP	235,149	9,956,209
	Quicksilver Gas Services LP	81,661	1,110,590
	Regency Energy Partners LP	278,213	3,644,590
	Sunoco Logistics Partners LP	123,936	6,455,826
	TC PipeLines LP	119,397	3,589,074
	TEPPCO Partners LP	290,294	7,904,706
	Teekay LNG Partners LP	94,863	1,667,692
	Transmontaigne Partners LP	53,548	1,081,670
	Western Gas Partners LP	190,620	2,895,518

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Williams Partners LP	180,850	3,101,577
Williams Pipeline Partners LP	114,951	2,149,584
		148,209,642
Total Master Limited Partnerships & MLP Affiliates (Cost \$184,519,008) 98.5%		160,409,513
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Short-Term Securities		Shares Held
Money Market Fund 1.3%		
SSgA Prime Money Market Fund, 0.437% (c)	2,103,226	2,103,226
Total Short-Term Securities (Cost \$2,103,226) 1.3%		2,103,226
<hr/>		
Total Investments (Cost \$186,622,234*) 99.8%		162,512,739
Other Assets Less Liabilities 0.2%		345,928
		162,858,667
Net Assets 100.0%		\$ 162,858,667

* The cost and unrealized appreciation (depreciation) of investments as of April 30, 2009, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 181,750,982
Gross unrealized appreciation	\$ 5,115,950
Gross unrealized depreciation	(24,354,193)
Net unrealized depreciation	\$ (19,238,243)

- (a) Non-income producing security.
- (b) Represents a pay-in-kind security which may pay dividends in additional units.
- (c) Represents the current yield as of April 30, 2009.

For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for the purposes of this report, which may combine industry sub-classifications for reporting ease.

Effective November 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. Various inputs are used in determining the fair value of investments, which are as follows:

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Level 1 price quotations in active markets/exchanges for identical securities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including the Fund's own assumption used in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the inputs used as of April 30, 2009 in determining the fair valuation of the Fund's investments:

Valuation Inputs	Investments in Securities
Level 1	\$ 162,512,739
Level 2	
Level 3	
Total	\$ 162,512,739

See Notes to Financial Statements.

Statement of Assets, Liabilities and Capital

As of April 30, 2009 (Unaudited)

Assets

Investments in unaffiliated securities, at value (identified cost \$186,622,234)	\$ 162,512,739
Dividends receivable	1,352,454
Securities sold	392,569
Prepaid expenses	6,667
	<hr/>
Total assets	164,264,429

Liabilities

Payable for securities purchased	883,922
Dividends to stockholders	228,324
Payable to investment advisor	142,716
Accrued expenses	150,800
	<hr/>
Total liabilities	1,405,762

Net Assets

Net assets	\$ 162,858,667
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Capital

Common Stock, par value \$.001 per share, 100,000,000 shares authorized	\$ 14,630
Paid-in capital in excess of par	256,805,496
Accumulated distributions in excess of investment income net	\$ (10,497,474)
Accumulated realized capital losses net	(59,354,490)
Unrealized depreciation net	(24,109,495)
	<hr/>
Total accumulated losses net	(93,961,459)
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Total Capital Equivalent to \$11.13 per share based on 14,629,651 shares of Common Stock outstanding (market price \$11.00)	\$ 162,858,667

See Notes to Financial Statements.

Statement of Operations

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For the Six Months Ended April 30, 2009 (Unaudited)

Investment Income

Dividends from equity securities	\$	25
Dividends from money market investments		46,059
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Total income		46,084
		<hr/>

Expenses

Investment advisory fees	\$	812,593
Professional fees		69,921
Directors' fees and expenses		33,375
Custodian fees		6,179
Transfer agent fees		23,207
Accounting services		19,391
Listing fees		12,999
Printing and stockholder reports		18,508
Insurance		10,711
Other		5,092
		<hr/>
Total expenses		1,011,976
		<hr/>
Net investment loss		(965,892)
		<hr/>

Realized & Unrealized Gain (Loss) Net

Realized loss on investments net	(28,315,208)
Change in unrealized appreciation/depreciation on investments net	28,158,410
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Total realized and unrealized loss net	(156,798)
	<hr/>
Net Decrease in Net Assets Resulting from Operations	\$ (1,122,690)
	<hr/>

See Notes to Financial Statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:	For the Six Months Ended April 30, 2009 (Unaudited)	For the Year Ended October 31, 2008
Operations		
Investment loss net	\$ (965,892)	\$ (1,372,384)
Realized loss net	(28,315,208)	(31,695,103)
Change in unrealized appreciation/depreciation net	28,158,410	(42,062,814)
Net decrease in net assets resulting from operations	(1,122,690)	(75,130,301)
Dividends and Distributions to Stockholders		
Investment income net	(7,004,959)**	
Tax return of capital		(17,445,166)
Net decrease in net assets resulting from dividends and distributions to stockholders	(7,004,959)	(17,445,166)
Common Stock Transactions		
Value of shares issued to Common Stock stockholders in reinvestment of dividends and distributions	587,641	370,796
Net increase in net assets resulting from Common Stock transactions	587,641	370,796
Net Assets		
Total decrease in net assets	(7,540,008)	(92,204,671)
Beginning of period	170,398,675	262,603,346
End of period*	\$ 162,858,667	\$ 170,398,675
* Accumulated distributions in excess of investment income (loss) net	\$ (10,497,474)	\$ (2,526,623)

** A substantial portion of the dividends from net investment income may be deemed a tax return of capital at fiscal year end.

See Notes to Financial Statements.

Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements.	For the Six Months Ended April 30, 2009 (Unaudited)	For the Year Ended October 31, 2008	For the Period June 29, 2007 ^(a) to October 31, 2007
Per Share Operating Performance			
Net asset value, beginning of period	\$ 11.70	\$ 18.06	\$ 19.10
Investment income (loss) net ^(b)	(.07)	(.09)	.04
Realized and unrealized loss net	(.02)	(5.07)	(.74)
Total from investment operations	(.09)	(5.16)	(.70)
Less dividends and distributions from:			
Investment income net	(.48) _(c)		(.03)
Tax return of capital		(1.20)	(.27)
Total dividends and distributions	(.48)	(1.20)	(.30)
Offering costs resulting from the issuance of Common Stock			(.04)
Net asset value, end of period	\$ 11.13	\$ 11.70	\$ 18.06
Market price per share, end of period	\$ 11.00	\$ 13.00	\$ 16.24
Total Investment Return^(d)			
Based on net asset value per share	(0.06%) ^(e)	(29.45%)	(3.77%) ^(e)
Based on market price per share	(11.11%) ^(e)	(12.82%)	(17.37%) ^(e)
Ratios to Average Net Assets			
Expenses	1.39% ^(f)	1.33%	1.35% ^(f)
Investment income (loss) net	(1.33%) ^(f)	(.62%)	.62% ^(f)
Supplemental Data			
Net assets, end of period (in thousands)	\$ 162,859	\$ 170,399	\$ 262,603
Portfolio turnover	20%	5%	(g)

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- (a) Commencement of operations.
- (b) Based on average shares outstanding.
- (c) A substantial portion of the dividends from net investment income may be deemed a tax return of capital at fiscal year end.
- (d) Total investment returns based on market value, which can be significantly greater or less than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges.
- (e) Aggregate total investment return.
- (f) Annualized.
- (g) Amount is less than 1%.

See Notes to Financial Statements.

MLP & STRATEGIC EQUITY FUND INC.

APRIL 30, 2009

7

Notes to Financial Statements (Unaudited)**1. Significant Accounting Policies:**

MLP & Strategic Equity Fund Inc. (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end management investment company. The Fund pursues its investment objective by investing substantially all of its net assets in publicly traded master limited partnerships (MLPs). To enhance its returns, the Fund normally enters into variable prepaid forward contracts (Forward Contracts) with terms of approximately one year, to sell particular equity securities that the Fund will strategically purchase with the proceeds of the Forward Contracts. Due to the market conditions, the Fund did not replace the expired Forward Contracts during the six months ended April 30, 2009. Please see Note 1(e) for additional information. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. These unaudited financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the results for the interim period. All such adjustments are of a normal, recurring nature. All cash balances are invested on a daily basis in a money market fund. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund's Common Stock shares are listed on the New York Stock Exchange (NYSE) under the symbol MTP. The following is a summary of significant accounting policies followed by the Fund:

(a) Valuation of investments Portfolio securities that are held by the Fund that are traded on stock exchanges or the NASDAQ Global Market are valued at the last sale price or official close price on the exchange, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price for long positions, and at the last available asked price for short positions. In cases where securities are traded on more than one exchange, the securities are valued on the exchange designated as the primary market by or under the authority of the Board of Directors of the Fund. Long positions traded in the over-the-counter (OTC) market, NASDAQ Capital Market or Bulletin Board are valued at the last available bid price or yield equivalent obtained from one or more dealers or pricing services approved by the Board of Directors of the Fund. Short positions traded in the OTC market are valued at the last available asked price. Portfolio securities that are traded both in the OTC market and on an exchange are valued according to the broadest and most representative market. Other investments are valued at market value.

Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the option market. Options traded in the OTC market are valued at the last asked price (options written) or the last bid price (options purchased). Swap agreements and variable prepaid forward contracts are valued based upon quoted fair valuations received daily by the Fund from a pricing service or counterparty. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges. Valuation of short-term investment vehicles is generally based on the net asset value of the underlying investment vehicle or amortized cost.

The Fund may employ pricing services to provide certain securities prices for the Fund. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by the pricing services retained by the Fund, which may use a matrix system for valuations. The procedures of a pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Fund's Board of Directors. Such valuations and procedures will be reviewed periodically by the Board of Directors of the Fund.

Generally, trading in foreign securities, U.S. government securities, money market instruments and certain fixed-income securities is substantially completed each day at various times prior to the close of business on the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates generally are determined as of the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of the Fund's net asset value. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities will be valued at their fair value as determined in good faith by the Fund's Board of Directors or by the investment adviser using a pricing service and/or procedures approved by the Fund's Board of Directors.

Notes to Financial Statements (continued)

(b) Master Limited Partnerships The Fund will purchase both domestic and international MLPs. The Fund's investment in MLPs may include ownership of MLP common units and MLP subordinated units. The Fund also may purchase MLP I-Shares (together with the MLPs, the MLP Entities). MLP I-Shares are pay-in-kind securities created as a means to facilitate institutional ownership of MLPs by simplifying the tax and administrative implications of the MLP structure.

Generally, when an MLP pays its quarterly cash distribution to unitholders, holders of I-Shares do not receive a cash distribution; rather, they receive a dividend of additional I-Shares from the MLP of comparable value to the cash distribution paid to each unitholder. The Fund may purchase interests in MLP Entities on an exchange or may utilize non-public market transactions to obtain its holdings, including but not limited to privately negotiated purchases of securities from the issuers themselves, broker-dealers, or other qualified institutional buyers.

(c) Foreign currency transactions Transactions denominated in foreign currencies are recorded at the exchange rate prevailing when recognized. Assets and liabilities denominated in foreign currencies are valued at the exchange rate at the end of the period. Foreign currency transactions are the result of settling (realized) or valuing (unrealized) assets or liabilities expressed in foreign currencies into U.S. dollars. Realized and unrealized gains or losses from investments include the effects of foreign exchange rates on investments. The Fund may invest in foreign securities, which may involve a number of risk factors and special considerations not present with investments in securities of U.S. entities.

(d) Derivative financial instruments The Fund may engage in various portfolio investment strategies, including derivative financial instruments, to increase the return of the Fund. Losses may arise due to changes in the value of the contract due to an unfavorable change in the price of the underlying security, or index, or if the counterparty does not perform under the contract. The counterparty for certain instruments may pledge cash or securities as collateral.

Variable prepaid forward contracts The Fund may enter into Forward Contracts with terms of approximately one year to sell particular equity securities that the Fund will strategically purchase with the proceeds of the Forward Contracts. The strategic equity securities that are the subject of the Forward Contracts (the Contract Securities) may be the subject of a Forward Contract individually, or grouped together as a basket of multiple Contract Securities. In a Forward Contract, the amount of shares (or their cash equivalent) that the seller is required to deliver at maturity varies as a function of the performance of the Contract Security. The Forward Contracts will be prepaid by the counterparties to these transactions and as a result, the Fund will not be exposed to any risk that counterparties to these transactions will be unable to meet their obligations under the arrangements. The equity securities may serve as collateral for the Fund's obligation under the Forward Contracts. The proceeds of the Forward Contracts are reflected as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the Forward Contracts.

Options The Fund may purchase and write call and put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received). Written and purchased options are non-income producing investments.

Notes to Financial Statements (continued)

Financial futures contracts The Fund may purchase or sell financial futures contracts and options on such financial futures contracts. Financial futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

(e) Income Taxation Due primarily to market conditions preventing the effective use of the Fund's Forward Contracts, for the taxable year ended October 31, 2008, the Fund did not qualify as a regulated investment company pursuant to Subchapter M of the Internal Revenue Code and will be taxed as a corporation. If the Forward Contracts are again implemented, the Fund in the future may be eligible to re-qualify to be taxed pursuant to Subchapter M.

As a corporation, the Fund is obligated to pay federal, state and local income tax on its taxable income. Currently, the maximum marginal regular federal income tax rate for a corporation is 35 percent. The Fund may be subject to a 20 percent federal alternative minimum tax on its federal alternative minimum taxable income to the extent that its alternative minimum tax exceeds its regular federal income tax. For the six months ended April 30, 2009, the Fund had no tax liability.

The Fund invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Fund reports its allocable share of the MLP's taxable income in computing its own taxable income. The Fund's tax expense or benefit is included in the Statement of Operations based on the component of income or gains (losses) to which such expense or benefit relates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using effective tax rates expected to apply to taxable income in the years such temporary differences are realized or otherwise settled. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized. At the current time management has offset all potential deferred tax benefits pursuant to the valuation allowance principles.

Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) requires an analysis of tax positions taken or to be taken on a tax return and whether such positions are more likely than not to be sustained upon examination based on their technical merit. To the extent they would not be sustained, tax expense (and related interest and penalties) would be recognized for financial statement reporting purposes. Management has evaluated the application of FIN 48 to the Fund, and has determined that FIN 48 does not have a material impact on the Fund's financial statements. The Fund files U.S. and various state tax returns. To the best of the Fund's knowledge, no income tax returns are currently under examination. All tax years of the Fund are open at this time.

(f) Security transactions and investment income Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis. Initially a significant portion of any distributions the Fund receives from the MLP entities will be deferred from taxation until the Fund sells its interest in such MLP entities. Distributions received from the Fund's investments in MLP are not recorded as dividends.

For financial statement purposes, the Fund only records income from MLPs when it receives an estimate of allocable income from the MLP. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded, as the actual character of these distributions is not known until after the fiscal year-end of the Fund. Dividends, as reflected in the Statement of Operations, are net of any tax deferred distributions from the MLP entities. For the six months ended April 30, 2009, 100% of the MLP distributions, \$7,004,959, were tax deferred.

(g) Distributions Distributions paid by the Fund will be paid on a monthly basis. The Fund expects that its distributions primarily will consist of a return of capital.

Notes to Financial Statements (concluded)

(h) Recent accounting pronouncement In March 2008, Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (FAS 161), was issued. FAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity's results of operations and financial position. Disclosures required by FAS 161 are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

2. Investment Advisory and Management Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory and Management Agreement with IQ Investment Advisors LLC (IQ Advisors), an indirect, wholly owned subsidiary of Merrill Lynch & Co., Inc. (ML & Co.), which is a wholly owned subsidiary of Bank of America Corporation (Bank of America). IQ Advisors is responsible for the investment advisory, management and administrative services to the Fund. In addition, IQ Advisors provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate equal to 1.12% of the average daily value of the Fund's net assets.

IQ Advisors has entered into a Subadvisory Agreement with Fiduciary Asset Management, LLC (FAMCO). Pursuant to the agreement, FAMCO provides certain investment advisory services to IQ Advisors with respect to the Fund. For such services, IQ Advisors pays FAMCO a monthly fee at an annual rate equal to .50% of the average daily value of the Fund's net assets. There is no increase in aggregate fees paid by the Fund for these services.

IQ Advisors has entered into an Administration Agreement with Princeton Administrators, LLC (the Administrator). The Administration Agreement provides that IQ Advisors pays the Administrator a fee from its investment advisory fee at an annual rate equal to .12% of the average daily value of the Fund's net assets for the performance of administrative and other services necessary for the operation of the Fund. There is no increase in the aggregate fees paid by the Fund for these services. The Administrator is an indirect, wholly owned subsidiary of BlackRock, Inc. (BlackRock). ML & Co. has a substantial financial interest in BlackRock.

In addition, Merrill Lynch, Pierce, Fenner & Smith Incorporated, an affiliate of IQ Advisors, received \$4,804 in commissions on the execution of portfolio security transactions on an agency basis for the Fund for the six months ended April 30, 2009.

Certain officers of the Fund are officers and/or directors of IQ Advisors, ML & Co., and/or BlackRock or their affiliates.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the six months ended April 30, 2009, were \$31,379,382 and \$28,828,912, respectively.

4. Common Stock Transactions:

The Fund is authorized to issue 100,000,000 shares of stock, all of which are initially classified as Common Stock, par value \$.001. The Board of Directors is authorized, however, to classify and reclassify any unissued shares of Common Stock without approval of the holders of Common Stock.

Shares issued and outstanding increased by 61,989 and 30,024 as a result of dividend reinvestments for the six months ended April 30, 2009 and for the year ended October 31, 2008, respectively.

5. Capital Loss Carryforward:

On October 31, 2008, the Fund had a net capital loss carryforward of \$31,039,282 of which \$104,402 expires in 2012 and \$30,934,880 expires in 2013. The net operating loss carryforward of \$7,309,121 expires in 2028.

6. Subsequent Event:

The Fund paid a distribution to holders of Common Stock in the amount of \$0.07 per share on May 29, 2009 to stockholders of record on May 20, 2009.

Approval of New Advisory Agreements and New Subadvisory Agreements

On September 15, 2008, Merrill Lynch & Co., Inc. (*Merrill Lynch*), the parent company of IQ Investment Advisors LLC (*IQ Advisors* or the *Adviser*), announced that it had entered into a definitive Agreement and Plan of Merger with Bank of America Corporation (*Bank of America*) whereby a wholly owned subsidiary of Bank of America would be merged with and into Merrill Lynch (the *Transaction*). The Transaction was consummated effective January 1, 2009. Merrill Lynch informed the Board of Directors of each of the funds advised by IQ Advisors (the *IQ Funds* or the *Funds*) that it did not believe the Transaction would result in an assignment of the Funds' current investment advisory and management agreements (the *Current Advisory Agreements*) and current investment subadvisory agreements (the *Current Subadvisory Agreements*) (together, the *Current Agreements*) under the Investment Company Act of 1940, as amended (the *1940 Act*), but that it was possible that the Transaction could be determined to result in such an assignment, which would cause the automatic termination of each Current Agreement.

In anticipation of the completion of the Transaction, the Boards of Directors of each of the Funds (the *Board*) met in person on November 11, 2008 (the *Meeting*) for purposes of, among other things, considering whether it would be in the best interests of the Funds and their stockholders to approve new investment advisory and management agreements between IQ Advisors and each of the Funds (the *New Advisory Agreements*) and new investment subadvisory agreements between IQ Advisors and the respective subadviser to each Fund (the *New Subadvisory Agreements*) (together, the *New Agreements*) that would take effect upon the closing of the Transaction. The Board also approved interim investment advisory and management agreements between IQ Advisors and each of the Funds (the *Interim Advisory Agreements*) and interim subadvisory agreements between IQ Advisors and the respective subadviser to each Fund (the *Interim Subadvisory Agreements*) (together, the *Interim Agreements*) that would take effect for a maximum of 150 days following the closing of the Transaction only in the event that stockholders had not approved the respective New Agreements prior to such time. The Board considered substantially the same factors in approving the Interim Agreements as were considered in approving the New Agreements.

The Transaction was approved by the stockholders of Merrill Lynch on December 5, 2008. Effective January 1, 2009, Merrill Lynch became a wholly owned subsidiary of Bank of America. The stockholders of the Fund approved the New Agreements on March 6, 2009. The following discussion summarizes the information considered and the conclusions made by the Board in approving the New Agreements.

In considering the approval of the New Advisory Agreement between IQ Advisors and each Fund, the Directors received and discussed various materials provided to them in advance of the Meeting, which included, among other things, a copy of the form of New Advisory Agreement, the materials the Directors had received in connection with their consideration and approval of the continuation of certain of the Current Advisory Agreements at the June 5, 2008 Board meeting, and additional materials presented at the November 11, 2008 Board meeting in connection with the New Advisory Agreements, including information from Lipper, Inc. (*Lipper*) with respect to MLP & Strategic Equity Fund Inc. (*MLP Fund*), due diligence materials from IQ Advisors and a report on the Transaction and its potential impact on the services provided to the Funds. In addition, the Directors considered materials received at previous meetings of the Board regarding the Funds.

In considering whether to approve the New Advisory Agreements, the Directors reviewed materials from counsel to the Funds and from IQ Advisors including: (i) information concerning the services rendered to the Funds by IQ Advisors and its affiliates; (ii) information concerning the revenues and expenses incurred by IQ Advisors and its affiliates from the operation of the Funds; (iii) a memorandum outlining the legal duties of the Directors under the 1940 Act; and (iv) information from Lipper comparing each Fund's fee rate for advisory and administrative services to those of other closed end funds chosen by Lipper. Each New Advisory Agreement was considered separately by the Directors.

The Directors considered and discussed, among other things, the following factors in approving the New Advisory Agreements and Interim Advisory Agreements:

(a) Nature, Extent and Quality of Services Provided by IQ Advisors and its Affiliates In connection with their consideration of each New Advisory Agreement, the Directors considered representations by IQ Advisors that there would be no diminution in the services to be rendered to the Funds by IQ Advisors as a result of the Transaction. The Directors noted that representatives of IQ Advisors stated that they did not anticipate any change in their personnel responsible for providing services to the Funds.

In reviewing each New Advisory Agreement, the Directors focused on the services that IQ Advisors has provided to each Fund. The Directors considered the size and experience

Approval of New Advisory Agreements and New Subadvisory Agreements (continued)

of IQ Advisors' staff, its use of technology, and the degree to which IQ Advisors exercises supervision over the actions of each Fund's respective subadviser. In connection with the investment advisory services provided, the Directors took into account detailed discussions they had with officers of IQ Advisors at the November 11, 2008 Board meeting and at prior Board meetings regarding the management of each Fund's investments in accordance with each Fund's stated investment objective and policies and the types of transactions entered into on behalf of each Fund.

In addition to the investment advisory services provided to the Funds, the Directors considered that IQ Advisors and its affiliates also provide administrative services, stockholder services, oversight of Fund accounting, marketing services, assistance in meeting legal and regulatory requirements and other services necessary for the operation of the Funds. In particular, the Directors reviewed the compliance and administrative services provided to the Funds by IQ Advisors, including its oversight of each Fund's day-to-day operations and its oversight of Fund accounting. The Directors noted that IQ Advisors has access to administrative, legal and compliance resources that help ensure a high level of quality in the compliance and administrative services provided to the Funds. The Directors also considered each Fund's compliance history.

The Directors noted the representations of IQ Advisors that the Transaction would have no adverse effect on the resources and strengths of IQ Advisors in managing the Funds. The Directors then discussed the anticipated financial condition of IQ Advisors and its affiliates following the Transaction. The Directors noted statements from representatives of IQ Advisors that the financial position of IQ Advisors and its affiliates is not expected to be negatively affected by the Transaction. The Directors also considered representations from IQ Advisors that the Transaction is not expected to impact IQ Advisors' compliance personnel or compliance procedures. Based on the discussions held and the materials presented at the Board meetings held on November 11, 2008 and June 5, 2008 and other prior Board meetings, the Directors determined that the Transaction would not likely cause an adverse change in the nature, extent and quality of the services to be provided by IQ Advisors under the New Advisory Agreements and that they expect that the quality of such services will continue to be of high quality and beneficial to the Funds.

(b) Investment Performance of each Fund and IQ Advisors The Directors considered the history, experience, resources and strengths of IQ Advisors and its affiliates in developing and implementing the investment strategies used by each Fund. The Directors also considered the innovative nature of each Fund. The Directors noted the specialized nature of each Fund's investment strategy and the inherent limitations in comparing a Fund's investment performance to that of another investment company. The Directors reviewed the investment performance of each Fund that is currently operating and, where applicable, compared such performance to the performance of a relevant reference index. The Directors discussed the degree to which each such Fund was achieving its investment objective. In particular, the Directors noted that the Funds

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