

Special Opportunities Fund, Inc.  
(SPE)  
Annual Report  
For the year ended  
December 31, 2021



# Special Opportunities Fund, Inc.

## Managed Distribution Plan (unaudited)

On March 4, 2019, the Special Opportunities Fund (the “Fund”) received authorization from the SEC that permits the Fund to distribute long-term capital gains to stockholders more than once per year. Accordingly, on April 1, 2019, the Fund announced its Board of Directors formally approved the implementation of a Managed Distribution Plan (“MDP”) to make monthly cash distributions to stockholders.

In the year ended December 31, 2021, the Fund made monthly distributions to common stockholders at an annual rate of 7% for the period January 1, 2021 – June 30, 2021 and 8% for the period July 1, 2021 – December 31, 2021, based on the NAV of the Fund’s common shares as of the close of business on the last business day of the previous year. You should not draw any conclusions about the Fund’s investment performance from the amount of these distributions or from the terms of the MDP. The MDP will be subject to regular periodic review by the Fund’s Board of Directors.

With each distribution, the Fund will issue a notice to stockholders which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund’s exemptive order. The Fund’s Board of Directors may amend or terminate the MDP at any time without prior notice to stockholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP. For tax reporting purposes the actual composition of the total amount of distributions for each year will continue to be provided on a Form 1099-DIV issued after the end of the year.

The conversion price for each share of the Fund’s convertible preferred stock will decrease by the amount of each distribution to common stockholders. The current conversion price as well as other information about the Fund will be available on the Fund’s website at [www.specialopportunitiesfundinc.com](http://www.specialopportunitiesfundinc.com).

# Special Opportunities Fund, Inc.

February 28, 2022

Dear Fellow Shareholder:

Special Opportunities Fund has a managed distribution plan that provides for monthly distributions to common shareholders at an annual rate of at least 8% of the net asset value (NAV) of the Fund's common shares as of the last trading day of the prior year. The Board and the Fund's investment adviser believe a managed distribution policy enables the investment adviser to better manage the portfolio because the Fund can remain more fully invested for the entire year than would otherwise be the case if the adviser has to continually keep in mind the possibility of having to make large sales of securities within a short time span to pay a sizeable year-end dividend. In 2021, a monthly distribution of \$0.094 per share was paid from January through June, \$0.1075 per share was paid from July through November and \$0.69763 per share was paid in December (to satisfy an IRS requirement to distribute substantially all of the Fund's realized capital gains). As of December 31, 2021, the NAV was \$16.55 so the minimum monthly distribution for 2022 is \$0.11 per share.

After accounting for dividends, the Fund's NAV per common share increased by 3.36% and 14.09% for the second half and full year of 2021 respectively compared to 11.67% and 28.71% for the S&P 500 Index. We provide these comparisons only for your information but given the Fund's unique activist focus and risk averse posture, we know of no reliable benchmark for the Fund. Also, please note that in 2021 the NAV dilution resulting from conversion of the Fund's "B" Convertible Preferred Stock was about 10.77%. Since the Fund's trading discount narrowed in 2021, the market price returns for the Fund's common shares were significantly higher at 10.47% and 23.62% respectively. As noted above, the Fund's portfolio is designed to be risk averse so it is not surprising to underperform a pure equity benchmark like the S&P 500 Index in a rising market. Since the beginning of 2022, the market has cooled off. As of February 18, 2022, the Fund's NAV is down 2.66% vs. a decline of 8.57% for the S&P 500 Index.

As we previously reported, on July 9, 2021, all 60,923 shares of the Fund's "B" Convertible Preferred Stock still outstanding were redeemed at \$25 per share. On January 21, 2022, the Fund completed a rights offering for shares of a newly issued "C" class of Convertible Preferred Stock at \$25 per share. The Class C Stock will pay a dividend on the last business day of each quarter at a rate of 2.75% per annum and may be converted into common stock at a price of \$20.50 per share of common stock (or a ratio of 1.2195 shares of common stock for each share of Convertible Preferred Stock) adjusted for any subsequent distributions made to or on behalf of common stockholders. All outstanding shares of the Class C Stock as of January 21, 2027 (five years from the Expiration Date) will be redeemed at a price of \$25.00 per share plus accrued dividends. Please refer to the prospectus, which is available on EDGAR for the full details and to the Fund's website for the latest conversion ratio and the latest nominal and diluted NAV of the common shares (assuming all Class C Stock is converted to common shares).

---

# Special Opportunities Fund, Inc.

## Updates on Some Significant Positions

As of December 31, 2021, shares of closed-end funds (CEFs) and business development companies (BDCs) comprised about 50% of the Fund's total investible assets. Investments in four CEFs accounted for almost 20% of the Fund's \$210 million in assets: Central Securities (CET), General American Investors (GAM), Boulder Growth & Income (BIF), and Adams Diversified Equity (ADX). Each of these CEFs provides broad-based exposure to U.S. equities at double-digit discounts to their NAV. Although none of them is a promising candidate for shareholder activism, each offers good value at a double-digit discount to NAV.

We continually monitor the discount of each of our CEF and BDC holdings and, assuming all else being equal, will look to add to our position if the discount widens and pare it if it narrows. For example, one of the Fund's large investments has been Suro Capital (SSSS), an equity oriented BDC. Suro has a uniquely attractive portfolio of investments, primarily in private technology-oriented companies. Over the past few years, Suro has been a very good investment for the Fund. That said, Suro's shares, which can be volatile, have recently traded up to what may be a premium to its NAV (which is only reported quarterly). We see that as a yellow warning light and, as a result, have been lightening up on our position.

The Fund has about 8% of its assets in a handful of asset rich (primarily real estate focused) operating companies. Our two largest positions are INDUS Realty Trust (INDT) and Texas Pacific Land (TPL). INDUS, formerly Griffin Industrial Realty, is a real estate investment trust (REIT) that is engaged in developing, acquiring, managing and leasing industrial/logistics properties located on the East Coast. We think INDUS is well managed, has growth potential, and that its stock is undervalued relative to its peers. TPL owns approximately 880,000 acres of very valuable land in West Texas, primarily in the Permian Basin, and generates revenue through rental and royalty payments by oil and gas producers. While TPL has a high margin business with low capital requirements, it has come under pressure from stockholders (including Bulldog Investors) who believe that its potential is not being fully realized. At the annual meeting last December, a stockholder proposal to declassify the board was approved. In light of that vote, we are considering whether to submit proposals and solicit proxies for the next annual meeting.

The BDCs held by the Fund generally continued to perform well in the second half of 2021. Our focus is on BDCs that we can buy at a sizeable discount to NAV and that have high quality shareholder-friendly managers, pay good dividends, and are likely prospects for discount narrowing. Careful readers may notice that we no longer hold shares of Barings BDC (BBDC). BBDC is a well-managed BDC which is slated to merge with a private BDC, Sierra Income, by March 31, 2022. Investors in Sierra have had limited liquidity for years and our concern is that a significant number of Sierra's stockholders, who will soon own 41% of BBDC, may be looking to sell their shares after the merger. That overhang could depress BBDC's stock price. If that happens, we might look to re-establish a position in BBDC.

# Special Opportunities Fund, Inc.

As we have previously discussed, the Fund's investment in the 7.625% Series A Cumulative Redeemable Preferred Stock of Brookfield DTLA Fund Office Trust Investor Inc. (DTLA-) has been a disappointment. Nevertheless, the stock is very cheap compared to its liquidation value and we are cautiously optimistic that it will ultimately be monetized at a significant premium to the current market price. Hopefully, our patience will be rewarded.

We have also discussed our investment in Vertical Capital Income Fund (VCIF) in previous letters. Although VCIF implemented a managed distribution plan in response to stockholder concern about the trading discount of its shares, the discount is still above 10%. We believe that most stockholders of VCIF would support a plan to maximize the value of their shares and that pressure on the board to adopt such a plan in the near future makes that all but inevitable.

The Fund has sizeable stakes in two energy focused CEFs managed by Tortoise Capital Advisors, Tortoise Power and Energy Infrastructure Fund (TPZ) and Tortoise Energy Independence Fund (NDP). The shares of each of these funds trade at double-digit discounts to NAV. In October 2020, each adopted bylaws that purport to prohibit (1) a large shareholder from voting all of its shares, and (2) a shareholder from submitting a nominee for director unless the shareholder has held shares for at least three years. These bylaws may well violate the Investment Company Act of 1940 and a lawsuit challenging them is a real possibility especially after a recent court decision, which is discussed below. On the bright side, Tortoise recently announced a series of actions to address the discounts of its CEFs including significant dividend increases and two conditional tender offers if the average discount exceeds 10% over a specified time span.

More generally, the Fund holds shares in a number of discounted CEFs that have significant institutional ownership. We believe the potential of an activist campaign to push for a liquidity event serves as a buffer against a significant widening of their discounts. These CEFs include Taiwan Fund (TWN), Morgan Stanley Emerging Markets Debt Fund (MSD), Japan Smaller Capitalization Fund, and The New Ireland Fund (IRL).

The Fund also owns shares of Saba Capital Income & Opportunities Fund (BRW) and High Income Securities Fund (PCF), two well-managed income funds that have implemented attractive managed distribution plans and that trade at modest discounts. (Three of the Fund's directors also serve as trustees of PCF.) We think both of these CEFs are attractive to income oriented investors and their shares may eventually trade at a premium to NAV.

Highland Income Fund (HFRO) is a new investment for the Fund. In June of 2021, management proposed converting HFRO from a CEF to a holding company. On the news, HFRO's discount immediately increased from 14% to 20%. It continued to grow, peaking at almost 30%. Although neither the Fund nor Bulldog owned any shares at the time, several stockholders of HFRO contacted us to ask for help in defeating the proposal. We assessed the situation and

# Special Opportunities Fund, Inc.

concluded that we might be able to help make that happen. We quickly began to purchase shares and then issued a press release and sent a letter to HFRO stockholders advising them to vote against the conversion proposal. On October 13, 2021, HFRO announced that it had abandoned its plan to deregister as an investment company and would commence a \$40 million share buyback, “bolstering efforts to reduce the discount between the Fund’s market price and NAV.” By January 31, 2022, HFRO reported that about \$28 million of shares have been repurchased at an average discount of almost 20%. So far, so good.

The Fund has a sizeable allocation representing about 26% of its total investible assets as of December 31, 2021 in special purpose acquisition companies (SPACs). Despite the occasional negative stories about SPACs, they continue to proliferate and, presumably in response to a supply-demand imbalance, the terms have generally improved from the investor’s standpoint. Indeed, the typical SPAC IPO today consists of a unit of one share and ½ of a warrant, with 102% of the IPO proceeds placed in a trust account (with the excess funds being provided by the sponsor). Bulldog continues to expect the Fund to achieve a return of between 5% and 8% per annum from a diversified portfolio of SPACs with minimal or no loss on any individual SPAC investment primarily because of the redemption feature that is baked into every SPAC.

## Closed-end Fund Activism Update

Shareholder activism in CEFs has been chilled ever since May 27, 2020 when the SEC staff cravenly acquiesced to lobbying from the industry to allow boards of CEFs to place limitations on the shareholder franchise. We have been closely following a lawsuit filed on January 14, 2021 in the District Court for the Southern District of New York challenging the legality of so-called “control share” limitations on voting by shareholders of CEFs. Just a few days ago, the Court issued a well-reasoned opinion that such a voting limitation “violates Section 18(i) of the Investment Company Act of 1940.” While an appeal is always a possibility, we think it is unlikely to succeed. In any event, all investors in CEFs should applaud the Court’s decision.

\* \* \*

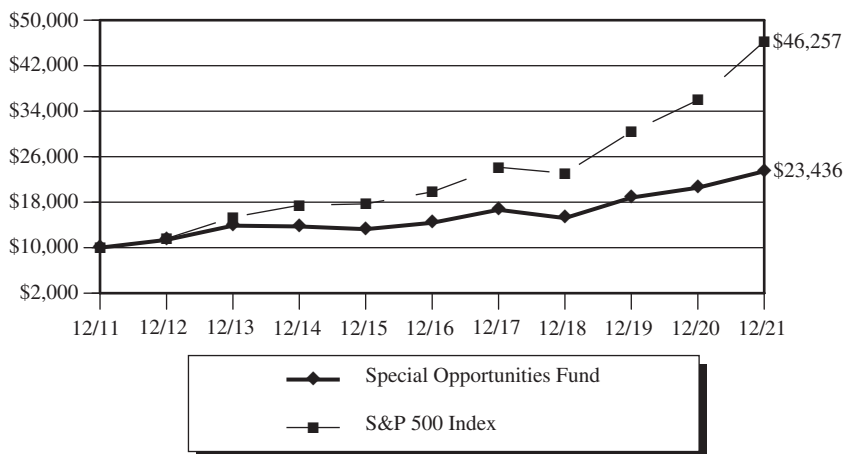
As always, please note that instruction forms for voting proxies for certain closed-end funds held by the Fund are available at [http://www.specialopportunitiesfundinc.com/proxy\\_voting.html](http://www.specialopportunitiesfundinc.com/proxy_voting.html). To be notified directly of such instances, please email us at [proxyinstructions@bulldoginvestors.com](mailto:proxyinstructions@bulldoginvestors.com).

Sincerely yours,



Phillip Goldstein  
Chairman

# Special Opportunities Fund, Inc.



## Performance at a glance (unaudited)

### Average annual total returns for common stock for the periods ended 12/31/2021

Net asset value returns	1 year	5 years	10 years
Special Opportunities Fund, Inc.	14.09%	10.27%	8.89%

### Market price returns

Special Opportunities Fund, Inc.	23.62%	12.87%	10.21%
----------------------------------	--------	--------	--------

### Index returns

S&P 500® Index	28.71%	18.47%	16.55%
----------------	--------	--------	--------

### Share price as of 12/31/2021

Net asset value	\$16.55
Market price	\$15.45

**Past performance does not predict future performance. The return and value of an investment will fluctuate so that an investor's share, when sold, may be worth more or less than their original cost. The Fund's common stock net asset value ("NAV") return assumes, for illustration only, that dividends and other distributions, if any, were reinvested at the NAV on the ex-dividend date. The Fund's common stock market price returns assume that all dividends and other distributions, if any, were reinvested at the lower of the NAV or the closing market price on the ex-dividend date. NAV and market price returns for the period of less than one year have not been annualized. Returns do not reflect the deduction of taxes that a shareholder could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.**

The S&P 500® Index is a capital weighted, unmanaged index that represents the aggregate market value of the common equity of 500 stocks primarily traded on the New York Stock Exchange. You cannot invest directly in an index.



# Special Opportunities Fund, Inc.

## Portfolio composition as of 12/31/2021<sup>(1)</sup> (Unaudited)

	Value	Percent
Investment Companies	\$104,640,572	49.73%
Special Purpose Acquisition Vehicles	54,456,876	25.88
Other Common Stocks	16,234,684	7.72
Money Market Funds	13,960,716	6.64
Preferred Stocks	12,339,304	5.86
Corporate Obligations	3,631,998	1.73
Warrants	1,322,406	0.63
Trust Certificates	70,568	0.03
Rights	56,948	0.03
<b>Total Investments</b>	<b>\$206,714,072</b>	<b>98.25%</b>
Other Assets in Excess of Liabilities	3,679,460	1.75
<b>Total Net Assets</b>	<b>\$210,393,532</b>	<b>100.00%</b>

<sup>(1)</sup> As a percentage of net assets.

The following table represents the Fund's investments categorized by country of risk as of December 31, 2021:

Country	% of Net Assets
United States	94.92%
Ireland	1.73
Cayman Islands	0.59
United Kingdom	0.54
Hong Kong	0.32
Bermuda	0.14
Denmark	0.01
	<b>98.25%</b>
Other Assets in Excess of Liabilities	1.75
	<b>100.00%</b>

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares	Value
<b>INVESTMENT COMPANIES—49.73%</b>		
<b>Closed-End Funds—44.15%</b>		
Aberdeen Japan Equity Fund, Inc.	114,992	\$ 934,885
Adams Diversified Equity Fund, Inc.	114,900	2,230,209
Apollo Tactical Income Fund, Inc.	18,695	286,407
ASA Gold and Precious Metals Ltd. (f)	13,645	287,773
Boulder Growth & Income Fund, Inc.	846,913	12,034,634
Center Coast Brookfield MLP & Energy Infrastructure Fund	26,045	352,649
Central and Eastern Europe Fund, Inc.	24,694	651,675
Central Securities Corp.	278,407	12,411,384
Cushing MLP & Infrastructure Total Return Fund	65,450	1,996,225
Delaware Enhanced Global Dividend & Income Fund	95,529	969,619
Delaware Investments Colorado Municipal Income Fund, Inc.	13,729	195,638
Delaware Investments Minnesota Municipal Income Fund II, Inc.	142,869	2,015,882
Delaware Investments National Municipal Income Fund	300	4,236
Dividend and Income Fund	350,673	5,105,273
First Trust Dynamic Europe Equity Income Fund	10,000	132,800
General American Investors Co., Inc.	287,778	12,719,788
High Income Securities Fund	300,200	2,596,730
Highland Global Allocation Fund	145,823	1,322,615
Highland Income Fund	387,178	4,255,086
Japan Smaller Capitalization Fund, Inc.	143,972	1,133,060
Liberty All Star Equity Fund	256,500	2,149,470
Mexico Equity & Income Fund, Inc. (a)	100,100	892,892
Miller/Howard High Dividend Fund	52,789	544,782
Morgan Stanley Emerging Markets Debt Fund, Inc.	370,850	3,341,358
PGIM Global High Yield Fund, Inc.	68,996	1,041,150
RiverNorth Opportunities Fund, Inc.	103,381	1,648,927
Royce Micro-Cap Trust, Inc.	43,298	500,092
Saba Capital Income & Opportunities Fund	647,033	2,924,589
Salient Midstream & MLP Fund	15,220	102,583
Taiwan Fund, Inc.	204,099	7,667,999
The New Ireland Fund, Inc.	77,906	869,431
The Swiss Helvetia Fund, Inc.	236,992	2,355,700
Tortoise Energy Independence Fund, Inc.	55,315	1,224,685
Tortoise Power and Energy Infrastructure Fund, Inc.	208,356	2,837,809
Vertical Capital Income Fund	310,486	3,166,957
		92,904,992

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares	Value
<b>INVESTMENT COMPANIES—(continued)</b>		
<b>Business Development Companies—5.58%</b>		
CION Investment Corp.	77,738	\$ 1,016,036
Crescent Capital BDC, Inc.	25,000	440,000
FS KKR Capital Corp.	153,274	3,209,558
PennantPark Investment Corp.	27,600	191,268
Portman Ridge Finance Corp.	45,670	1,130,789
SuRo Capital Corp.	443,856	5,747,929
		11,735,580
<b>Total Investment Companies (Cost \$84,020,848)</b>		<b>104,640,572</b>
<b>TRUST CERTIFICATES—0.03%</b>		
Lamington Road Grantor Trust (a)(c)(f)	320,690	70,568
<b>Total Trust Certificates (Cost \$92,870)</b>		<b>70,568</b>
<b>PREFERRED STOCKS—5.86%</b>		
<b>Capital Markets—0.35%</b>		
B. Riley Financial, Inc., 6.375%	28,000	735,000
<b>Electrical Equipment—1.00%</b>		
Babcock & Wilcox Enterprises, Inc., 8.125%	80,000	2,104,000
<b>Entertainment—0.52%</b>		
Chicken Soup For The Soul Entertainment, Inc., 9.500%	43,270	1,103,385
<b>Internet &amp; Direct Marketing Retail—0.50%</b>		
iMedia Brands, Inc., 8.500%	50,000	1,060,000
<b>Real Estate Investment Trusts—3.49%</b>		
Brookfield DTLA Fund Office Trust Investor, Inc.—Series A, 7.625%	171,723	2,266,743
NexPoint Diversified Real Estate Trust—Series A, 5.500%	22,324	472,376
Sachem Capital Corp., 7.125%	60,000	1,507,800
Sachem Capital Corp., 7.750%	120,000	3,090,000
		7,336,919
<b>Total Preferred Stocks (Cost \$14,425,332)</b>		<b>12,339,304</b>
<b>OTHER COMMON STOCKS—7.72%</b>		
<b>Food &amp; Staples Retailing—0.50%</b>		
Village Super Market, Inc.	44,607	1,043,358

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares	Value
<b>OTHER COMMON STOCKS—(continued)</b>		
<b>Insurance—0.02%</b>		
Syncora Holdings Ltd. (f)	300,000	\$ 51,000
<b>Oil, Gas &amp; Consumable Fuels—1.60%</b>		
Texas Pacific Land Corp.	2,700	3,371,949
<b>Real Estate Investment Trusts—4.76%</b>		
Indus Realty Trust, Inc.	72,874	5,907,166
Monmouth Real Estate Investment Corp.—Class A	60,000	1,260,600
Seven Hills Realty Trust	274,093	2,845,085
		10,012,851
<b>Real Estate Management &amp; Development—0.75%</b>		
Howard Hughes Corp. (a)	12,000	1,221,360
Trinity Place Holdings, Inc. (a)	190,851	351,166
		1,572,526
<b>Software—0.09%</b>		
Synchronoss Technologies, Inc. (a)	75,000	183,000
<b>Total Other Common Stocks (Cost \$16,323,983)</b>		<b>16,234,684</b>

	Shares/Units	
<b>SPECIAL PURPOSE ACQUISITION VEHICLES—25.88% (a)</b>		
ABG Acquisition Corp. I (f)	15,000	146,700
AltC Acquisition Corp.	100,000	985,000
Arbor Rapha Capital Bioholdings Corp. I Units	92,800	941,920
Ares Acquisition Corp. (f)	100,000	974,000
Austerlitz Acquisition Corp. I (f)	50,000	485,500
Austerlitz Acquisition Corp. II (f)	100,000	972,000
B Riley Principal 150 Merger Corp.	26,400	267,168
B Riley Principal 250 Merger Corp.	99,999	973,990
Big Sky Growth Partners, Inc. Units	111,780	1,094,326
Blockchain Coinvestors Acquisition Corp. I Units (f)	65,000	657,150
Bridgetown 2 Holdings Ltd. (f)	64,738	641,554
Cactus Acquisition Corp 1 Ltd. Units (f)	81,400	822,140
CC Neuberger Principal Holdings II (f)	104,700	1,036,530
CF Acquisition Corp. VIII	34,000	339,320
Churchill Capital Corp. V	105,728	1,040,364

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares/Units	Value
<b>SPECIAL PURPOSE ACQUISITION VEHICLES—(continued)</b>		
Churchill Capital Corp. VI	81,000	\$ 792,180
Churchill Capital Corp. VII	124,920	1,227,964
Colombier Acquisition Corp. Units	100,000	981,000
Corner Growth Acquisition Corp. (f)	99,999	979,990
Corner Growth Acquisition Corp. 2 Units (f)	39,800	398,796
Digital Health Acquisition Corp. Units	116,000	1,187,910
DTRT Health Acquisition Corp. Units	76,250	767,837
EdtechX Holdings Acquisition Corp. II	111,000	1,111,110
FAST Acquisition Corp. II	128,348	1,247,543
FinTech Acquisition Corp. VI	100,000	980,000
Fortress Value Acquisition Corp. IV	53,000	516,750
Forum Merger IV Corp.	96,900	943,806
FTAC Hera Acquisition Corp. (f)	142,000	1,387,340
Fusion Acquisition Corp. II	139,998	1,357,981
G Squared Ascend II, Inc. (f)	67,998	659,581
GigInternational1, Inc.	141,812	1,408,193
GO Acquisition Corp.	150,999	1,485,830
Gores Guggenheim, Inc.	26,680	312,156
Graf Acquisition Corp. IV Units	100,000	990,000
GX Acquisition Corp. II	150,000	1,453,995
Haymaker Acquisition Corp. III	106,084	1,039,623
Healthcare Services Acquisition Corp. Units	100,000	994,000
Ibere Pharmaceuticals Units (f)	15,000	150,300
Industrial Human Capital, Inc.	111,300	1,104,096
Insight Acquisition Corp. Units	24,900	248,751
Jack Creek Investment Corp. (f)	81,378	794,249
KKR Acquisition Holdings I Corp.	100,000	974,000
Landcadia Holdings IV, Inc.	100,000	973,000
Larkspur Health Acquisition Corp. Units	87,000	871,740
Leo Holdings Corp. II Units (f)	49,235	481,518
Live Oak Crestview Climate Acquisition Corp. Units	1,621	16,534
M3-Brigade Acquisition II Corp.	57,750	572,302
M3-Brigade Acquisition III Corp. Units	110,000	1,102,200
Macondray Capital Acquisition Corp. I Units (f)	66,586	664,528
Marlin Technology Corp. (f)	17,199	167,862

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares/Units	Value
<b>SPECIAL PURPOSE ACQUISITION VEHICLES—(continued)</b>		
Newcourt Acquisition Corp. Units (f)	135,035	\$ 1,366,554
Northern Star Investment Corp. III	106,998	1,043,231
Oxbridge Acquisition Corp. (f)	50,000	493,500
Periphas Capital Partnering Corp. Units	2,980	73,576
PWP Forward Acquisition Corp. I	50,000	485,000
SilverBox Engaged Merger Corp. I	56,448	572,947
Social Capital Suvretta Holdings Corp. I (f)	50,000	496,500
Social Capital Suvretta Holdings Corp. II (f)	50,000	494,500
Social Capital Suvretta Holdings Corp. III (f)	50,000	495,000
Social Capital Suvretta Holdings Corp. IV (f)	50,000	491,000
Software Acquisition Group, Inc. III Units	110,700	1,118,070
Spartan Acquisition Corp. III	75,016	740,408
Tailwind Two Acquisition Corp. (f)	51,249	506,853
Tekcorp Digital Acquisition Corp. (f)	33,200	329,676
TG Venture Acquisition Corp.	100,000	981,900
Tishman Speyer Innovation Corp. II Units	93,530	921,271
Yellowstone Acquisition Co.	140,020	1,424,003
Z-Work Acquisition Corp.	72,000	700,560
<b>Total Special Purpose Acquisition Vehicles (Cost \$53,986,266)</b>		<b>54,456,876</b>

	Principal Amount	
<b>CORPORATE OBLIGATIONS—1.73%</b>		
Lamington Road DAC (b)(c)(f)		
5.000%, 04/07/2121	\$3,372,705	2,427,774
9.750%, 04/07/2121	1,708,119	1,204,224
<b>Total Corporate Obligations (Cost \$4,795,398)</b>		<b>3,631,998</b>

	Shares	
<b>WARRANTS—0.63% (a)</b>		
AdTheorent Holding Co., Inc.		
Expiration: December 2027		
Exercise Price: \$11.50	21,633	14,710
Agba Acquisition Ltd.		
Expiration: May 2024		
Exercise Price: \$11.50 (f)	51,750	11,318

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares	Value
<b>WARRANTS—(continued)</b>		
Alberton Acquisition Corp. Expiration: November 2023 Exercise Price: \$11.50 (f)	36,300	\$ 6,534
Archer Aviation, Inc. Expiration: September 2026 Exercise Price: \$11.50	23,333	27,066
Ares Acquisition Corp. Expiration: December 2027 Exercise Price: \$11.50 (f)	20,000	17,822
Authentic Equity Acquisition Corp. Expiration: December 2027 Exercise Price: \$11.50 (f)	54,000	29,138
B Riley Principal 150 Merger Corp. Expiration: March 2028 Exercise Price: \$11.50	8,515	12,347
B Riley Principal 250 Merger Corp. Expiration: December 2027 Exercise Price: \$11.50	33,333	26,666
BigBear.ai Holdings, Inc. Expiration: December 2028 Exercise Price: \$11.50	20,333	16,470
CC Neuberger Principal Holdings II Expiration: July 2025 Exercise Price: \$11.50 (f)	26,175	35,598
CF Acquisition Corp. VIII Expiration: December 2027 Exercise Price: \$11.50	8,500	7,056
Churchill Capital Corp. V Expiration: October 2027 Exercise Price: \$11.50	26,432	25,906
Churchill Capital Corp. VI Expiration: December 2027 Exercise Price: \$11.50	16,200	16,605
Churchill Capital Corp. VII Expiration: February 2028 Exercise Price: \$11.50	24,984	24,987
CompoSecure, Inc. Expiration: October 2025 Exercise Price: \$11.50	9,500	14,535

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares	Value
<b>WARRANTS—(continued)</b>		
Corner Growth Acquisition Corp. Expiration: December 2027 Exercise Price: \$11.50 (f)	33,333	\$ 22,996
Dune Acquisition Corp. Expiration: October 2027 Exercise Price: \$11.50	19,300	9,457
EdtechX Holdings Acquisition Corp. II Expiration: June 2027 Exercise Price: \$11.50	55,500	27,417
FAST Acquisition Corp. II Expiration: March 2026 Exercise Price: \$11.50	32,087	27,916
FinTech Acquisition Corp. VI Expiration: December 2027 Exercise Price: \$11.50	25,000	24,250
Fortress Value Acquisition Corp. IV Expiration: March 2028 Exercise Price: \$11.50	6,625	5,565
Forum Merger IV Corp. Expiration: December 2027 Exercise Price: \$11.50	24,225	19,867
FTAC Hera Acquisition Corp. Expiration: December 2027 Exercise Price: \$11.50 (f)	35,500	33,704
Fusion Acquisition Corp. II Expiration: December 2027 Exercise Price: \$11.50	46,666	28,000
G Squared Ascend II, Inc. Expiration: December 2026 Exercise Price: \$11.50 (f)	22,666	13,597
GigInternational1, Inc. Expiration: December 2028 Exercise Price: \$11.50	70,906	41,097
GO Acquisition Corp. Expiration: August 2027 Exercise Price: \$11.50	50,333	33,220
Gores Guggenheim, Inc. Expiration: December 2027 Exercise Price: \$11.50	10,000	38,399

The accompanying notes are an integral part of these financial statements.



# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares	Value
<b>WARRANTS—(continued)</b>		
GX Acquisition Corp. II Expiration: December 2028 Exercise Price: \$11.50	50,000	\$ 26,248
Haymaker Acquisition Corp. III Expiration: February 2027 Exercise Price: \$11.50	26,521	19,095
IG Acquisition Corp. Expiration: October 2027 Exercise Price: \$11.50	88,173	70,106
Industrial Human Capital, Inc. Expiration: December 2028 Exercise Price: \$11.50	111,300	42,294
Jack Creek Investment Corp. Expiration: December 2027 Exercise Price: \$11.50 (f)	40,689	21,964
KKR Acquisition Holdings I Corp. Expiration: December 2027 Exercise Price: \$11.50	25,000	24,965
Lamington Road Expiration: July 2025 Exercise Price: \$0.20 (c)(e)(f)	640,000	0
Landcadia Holdings IV, Inc. Expiration: December 2028 Exercise Price: \$11.50	25,000	25,250
Lionheart Acquisition Corp. II Expiration: February 2026 Exercise Price: \$11.50	25,297	13,660
Longview Acquisition Corp. II Expiration: May 2026 Exercise Price: \$11.50	8,908	7,571
M3-Brigade Acquisition II Corp. Expiration: December 2027 Exercise Price: \$11.50	19,250	22,330
Marlin Technology Corp. Expiration: March 2026 Exercise Price: \$11.50 (f)	5,733	3,955
Northern Star Investment Corp. III Expiration: February 2028 Exercise Price: \$11.50	17,833	15,695

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares	Value
<b>WARRANTS—(continued)</b>		
Northern Star Investment Corp. IV Expiration: December 2027 Exercise Price: \$11.50	8,833	\$ 7,596
Oaktree Acquisition Corp. II Expiration: September 2027 Exercise Price: \$11.50 (f)	25,000	26,503
Oncology Institute, Inc. Expiration: June 2026 Exercise Price: \$11.50	52,595	36,301
Oxbridge Acquisition Corp. Expiration: January 2023 Exercise Price: \$11.50 (f)	50,000	20,240
PWP Forward Acquisition Corp. I Expiration: March 2026 Exercise Price: \$11.50	10,000	8,000
Quantum FinTech Acquisition Corp. Expiration: December 2027 Exercise Price: \$11.50	76,000	38,760
Shapeways Holdings, Inc. Expiration: October 2026 Exercise Price: \$11.50	100,000	51,200
Signa Sports United NV Expiration: July 2023 Exercise Price: \$11.50 (f)	29,000	24,937
SilverBox Engaged Merger Corp. I Expiration: December 2027 Exercise Price: \$11.50	18,816	26,346
Spartan Acquisition Corp. III Expiration: February 2026 Exercise Price: \$11.50	18,754	27,006
Tailwind Two Acquisition Corp. Expiration: March 2028 Exercise Price: \$11.50 (f)	17,083	14,459
TG Venture Acquisition Corp. Expiration: August 2023 Exercise Price: \$11.50	100,000	42,990
Yellowstone Acquisition Co. Expiration: October 2025 Exercise Price: \$11.50	95,010	77,927

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2021

	Shares	Value
<b>WARRANTS—(continued)</b>		
Z-Work Acquisition Corp. Expiration: January 2026 Exercise Price: \$11.50	24,000	\$ 14,765
<b>Total Warrants (Cost \$1,629,093)</b>		<b>1,322,406</b>
<b>RIGHTS—0.03% (a)</b>		
Agba Acquisition Ltd. (f)	12,500	2,087
Alberton Acquisition Corp. (Expiration: April 26, 2022) (f)	70,000	24,808
Nocturne Acquisition Corp. (f)	75,000	30,053
<b>Total Rights (Cost \$43,951)</b>		<b>56,948</b>
<b>MONEY MARKET FUNDS—6.64%</b>		
Fidelity Institutional Government Portfolio—Class I, 0.010% (d)	6,980,358	6,980,358
Invesco Treasury Portfolio—Institutional Class, 0.010% (d)	6,980,358	6,980,358
<b>Total Money Market Funds (Cost \$13,960,716)</b>		<b>13,960,716</b>
Total Investments (Cost \$189,278,457)—98.25%		206,714,072
Other Assets in Excess of Liabilities—1.75%		3,679,460
<b>TOTAL NET ASSETS—100.00%</b>		<b>\$210,393,532</b>

Percentages are stated as a percent of net assets.

- (a) Non-income producing security.
- (b) The coupon rate shown represents the rate at December 31, 2021.
- (c) Fair valued securities. The total market value of these securities was \$3,702,566, representing 1.76% of net assets. Value determined using significant unobservable inputs.
- (d) The rate shown represents the seven-day yield at December 31, 2021.
- (e) Illiquid securities. The total market value of these securities was \$0, representing 0.00% of net assets.
- (f) Foreign-issued security.

The Schedule of Investments incorporates the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poors Financial Services LLC (“S&P”). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Statement of assets and liabilities—December 31, 2021

### Assets:

Investments, at value (Cost \$189,278,457)	\$ 206,714,072
Cash	16,048
Receivables:	
Investments sold	2,551,910
Dividends and interest	1,451,514
Other assets	24,108
Total assets	210,757,652

### Liabilities:

Payables:	
Investments purchased	37,886
Advisory fees	183,212
Administration fees	36,684
Chief Compliance Officer fees	5,500
Director fees	11,292
Fund accounting fees	2,639
Custody fees	3,833
Transfer Agent fees	3,356
Legal fees	6,260
Audit fees	45,006
Reports and notices to shareholders	19,584
Accrued expenses and other liabilities	8,868
Total liabilities	364,120
Net assets applicable to common shareholders	\$ 210,393,532

### Net assets applicable to common shareholders:

Common stock – \$0.001 par value per common share; 199,995,800 shares authorized; 12,712,964 shares issued and outstanding, 14,343,863 shares held in treasury	\$ 403,361,411
Cost of shares held in treasury	(220,518,502)
Total distributable earnings (deficit)	27,550,623
Net assets applicable to common shareholders	\$ 210,393,532
Net asset value per common share (\$210,393,532 applicable to 12,712,964 common shares outstanding)	\$16.55

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Statement of operations

For the year ended  
December 31, 2021

	For the year ended December 31, 2021
<b>Investment income:</b>	
Dividends	\$ 3,921,009
Interest	331,514
Total investment income	4,252,523
<b>Expenses:</b>	
Investment advisory fees	2,109,493
Directors' fees and expenses	180,204
Administration fees and expenses	158,821
Legal fees and expenses	136,375
Stock exchange listing fees	67,391
Compliance fees and expenses	55,661
Reports and notices to shareholders	46,515
Accounting fees and expenses	40,219
Audit fees	34,431
Insurance fees	30,609
Transfer agency fees and expenses	28,393
Custody fees and expenses	22,349
Other expenses	2,853
Net expenses	2,913,314
Net investment income	1,339,209
<b>Net realized and unrealized gains from investment activities:</b>	
Net realized gain from:	
Investments	21,575,933
Distributions received from investment companies	8,394,774
Net realized gain	29,970,707
Change in net unrealized appreciation on:	
Investments	9,469,453
Net realized and unrealized gains from investment activities	39,440,160
Increase in net assets resulting from operations	40,779,369
Distributions to preferred stockholders	(862,762)
Net increase in net assets applicable to common shareholders resulting from operations	\$39,916,607

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Statement of cash flows

For the Year Ended  
December 31, 2021

---

**Cash flows from operating activities:**

Net increase in net assets applicable to common shareholders	\$ 40,779,369
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:	
Purchases of investments	(160,447,610)
Proceeds from sales of investments	172,793,665
Net purchases and sales of short-term investments	(1,284,554)
Return of capital distributions received from underlying investments	3,096,186
Proceeds from corporate actions	1,128,405
Accretion of discount	(7,498)
Increase in dividends and interest receivable	(314,120)
Increase in receivable for investments sold	(1,486,811)
Increase in other assets	(40)
Decrease in payable for investments purchased	(36,460)
Increase in payable to Adviser	19,239
Decrease in accrued expenses and other liabilities	(65,115)
Net distributions received from investment companies	8,394,774
Net realized gains from investments and foreign currency translations	(29,970,707)
Litigation and other proceeds	709
Net change in unrealized appreciation of investments	(9,469,453)
Net cash provided by operating activities	23,129,979

---

**Cash flows from financing activities:**

Distributions paid to common shareholders	(20,728,094)
Distributions paid to preferred shareholders	(862,762)
Redemptions of preferred shares	(1,523,075)
Net cash used in financing activities	(23,113,931)
Net change in cash	\$ 16,048

---

**Cash:**

Beginning of year	—
End of year	\$ 16,048

Non cash financing activities not included herein consist of \$54,076,325 of conversion of preferred stock to common stock.

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Statements of changes in net assets applicable to common shareholders

	For the year ended December 31, 2021	For the year ended December 31, 2020
<b>From operations:</b>		
Net investment income	\$ 1,339,209	\$ 2,278,962
Net realized gain (loss) from:		
Investments	21,575,933	5,933,967
Short Transactions	—	(393,778)
Distributions received from investment companies	8,394,774	1,473,382
Net change in unrealized appreciation on:		
Investments	9,469,453	2,866,864
Net increase in net assets resulting from operations	40,779,369	12,159,397
<b>Distributions paid to preferred shareholders:</b>		
Net dividends and distributions	(862,762)	(1,945,979)
Total dividends and distributions paid to preferred shareholders	(862,762)	(1,945,979)
Net increase in net assets applicable to common shareholders resulting from operations	39,916,607	10,213,418
<b>Distributions paid to common shareholders:</b>		
Net dividends and distributions	(20,728,094)	(9,589,092)
Total dividends and distributions paid to common shareholders	(20,728,094)	(9,589,092)
<b>Capital Stock Transactions (Note 4)</b>		
Conversion of preferred stock to common stock	54,076,325	—
Total capital stock transactions	54,076,325	—
Net increase in net assets applicable to common shareholders	73,264,838	624,326
<b>Net assets applicable to common shareholders:</b>		
Beginning of year	137,128,694	136,504,368
End of year	\$210,393,532	\$137,128,694

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Financial highlights

Selected data for a share of common stock outstanding throughout each year is presented below:

---

**Net asset value, beginning of year**

Net investment income (loss)<sup>(1)</sup>

Net realized and unrealized gains (losses) from investment activities

---

**Total from investment operations****Common share equivalent of dividends paid to preferred shareholders from:**

Net investment income

Net realized gains from investment activities

---

**Net increase in net assets attributable to common stockholders resulting from operations****Dividends and distributions paid to common shareholders from:**

Net investment income

Net realized gains from investment activities

Return of capital

Total dividends and distributions paid to common shareholders

Anti-Dilutive effect of Common Share Repurchase

Dilutive effect of conversions of preferred shares to common shares

---

**Net asset value, end of year**

---

**Market value, end of year**

---

**Total net asset value return<sup>(2)</sup>**

---

**Total market price return<sup>(3)</sup>**

---

**Ratio to average net assets attributable to common shares:**

Ratio of expenses to average assets<sup>(4)</sup>

Ratio of net investment income to average net assets<sup>(1)</sup>

---

**Supplemental data:**

Net assets applicable to common shareholders, end of year (000's)

Liquidation value of preferred stock (000's)

Portfolio turnover

---

**Preferred Stock:**

Total Shares Outstanding

Asset coverage per share of preferred shares, end of year

---

The accompanying notes are an integral part of these financial statements.



# Special Opportunities Fund, Inc.

## Financial highlights (continued)

For the year ended December 31,				
2021	2020	2019	2018	2017
\$16.13	\$16.06	\$13.78	\$16.70	\$15.56
0.18	0.59	0.31	(0.18)	0.44
4.06	0.84	3.13	(1.06)	2.26
4.24	1.43	3.44	(1.24)	2.70
(0.05)	(0.21)	(0.05)	(0.08)	(0.10)
(0.03)	(0.02)	(0.18)	(0.15)	(0.13)
4.16	1.20	3.21	(1.47)	2.47
(0.23)	(0.65)	(0.20)	(0.26)	(0.33)
(1.57)	(0.48)	(0.73)	(1.15)	(1.00)
—	—	—	(0.04)	—
(1.80)	(1.13)	(0.93)	(1.45)	(1.33)
—	—	—	—	0.00 <sup>(5)</sup>
(1.94)	—	—	—	—
\$16.55	\$16.13	\$16.06	\$13.78	\$16.70
\$15.45	\$14.08	\$14.73	\$11.84	\$14.88
14.09%	9.24%	23.72%	-8.79%	15.93%
23.62%	5.00%	32.93%	-10.55%	18.71%
1.57%	2.13%	1.99%	1.92%	1.92%
0.72%	1.96%	2.01%	0.27%	2.45%
\$210,394	\$137,129	\$136,504	\$117,173	\$141,946
\$ —	\$ 55,599	\$ 55,599	\$ 55,599	\$ 55,599
80%	85%	75%	66%	59%
—	2,223,976	2,223,976	2,223,976	2,223,976
\$ —	\$ 87	\$ 86	\$ 78	\$ 89

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Financial highlights (continued)

- <sup>(1)</sup> Recognition of investment income by the Fund is affected by the timing and declaration of dividends by the underlying investment companies in which the Fund invests.
- <sup>(2)</sup> Total net asset value return is calculated assuming a \$10,000 purchase of common stock at the current net asset value on the first day of each period reported and a sale at the current net asset value on the last day of each period reported, and assuming reinvestment of dividends and other distributions at the net asset value on the ex-dividend date. Total investment return based on net asset value is hypothetical as investors can not purchase or sell Fund shares at net asset value but only at market prices. Returns do not reflect the deduction of taxes that a shareholder could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.
- <sup>(3)</sup> Total market price return is calculated assuming a \$10,000 purchase of common stock at the current market price on the first day of each period reported and a sale at the current market price on the last day of each period reported, and assuming reinvestment of dividends and other distributions to common shareholders at the lower of the NAV or the closing market price on the ex-dividend date. Total investment return does not reflect brokerage commissions and has not been annualized for the period of less than one year. Returns do not reflect the deduction of taxes that a shareholder could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.
- <sup>(4)</sup> Does not include expenses of the investment companies in which the Fund invests.
- <sup>(5)</sup> Less than 0.5 cents per share.

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Notes to financial statements

### Note 1

#### **Organization and significant accounting policies**

Special Opportunities Fund, Inc. (formerly, Insured Municipal Income Fund Inc.) (the "Fund") was incorporated in Maryland on February 18, 1993, and is registered with the United States Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, as amended, as a closed-end diversified management investment company. Effective December 21, 2009, the Fund changed its name to the Special Opportunities Fund, Inc. and changed its investment objective to total return. There can be no assurance that the Fund's investment objective will be achieved. The Fund's previous investment objective was to achieve a high level of current income that was exempt from federal income tax, consistent with the preservation of capital.

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 "Financial Services—Investment Companies".

In the normal course of business, the Fund may enter into contracts that contain a variety of representations or that provide indemnification for certain liabilities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

The preparation of financial statements in accordance with Accounting Principles Generally Accepted in the United States of America requires the Fund's management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies:

**Valuation of investments**—The Fund calculates its net asset value based on the current market value for its portfolio securities. The Fund obtains market values for its securities from independent pricing sources and broker-dealers. Independent pricing sources may use last reported sale prices or if not available the most recent bid price, current market quotations or valuations from computerized "matrix" systems that derive values based on comparable securities. A matrix system incorporates parameters such as security quality, maturity and coupon, and/or research and evaluations by its staff, including review of broker-dealer market price quotations, if available, in determining the valuation of the portfolio securities. If a market value is not available from an independent pricing source or a broker-dealer for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors (the "Board"). Various factors may be

# Special Opportunities Fund, Inc.

## Notes to financial statements

reviewed in order to make a good faith determination of a security's fair value. The purchase price, or cost, of these securities is arrived at through an arms length transaction between a willing buyer and seller in the secondary market and is indicative of the value on the secondary market. Current transactions in similar securities in the marketplace are evaluated. Factors for other securities may include, but are not limited to, the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; and changes in overall market conditions. If events occur that materially affect the value of securities between the close of trading in those securities and the close of regular trading on the New York Stock Exchange, the securities may be fair valued. U.S. and foreign debt securities including short-term debt instruments having a maturity of 60 days or less shall be valued in accordance with the price supplied by a Pricing Service using the evaluated bid price. Money market mutual funds, demand notes and repurchase agreements are valued at cost. If cost does not represent current market value the securities will be priced at fair value as determined in good faith by or under the direction of the Fund's Board.

The Fund has adopted fair valuation accounting standards that establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various input and valuation techniques used in measuring fair value. Fair value inputs are summarized in the three broad levels listed below:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2—Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, 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, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

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

# Special Opportunities Fund, Inc.

## Notes to financial statements

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 instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, 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 significant unobservable inputs used in the fair value measurement of the Fund's Level 3 investments are listed in the table on page 28. Significant changes in any of these inputs in isolation may result in a change in fair value measurement.

In accordance with procedures established by the Fund's Board of Directors, the Adviser shall initially value non-publicly-traded securities (for which a current market value is not readily available) at their acquisition cost less related expenses, where identifiable, unless and until the Adviser determines that such value does not represent fair value.

The Adviser sends a memorandum to the Chairman of the Valuation Committee with respect to any non-publicly-traded positions that are valued using a method other than cost detailing the reason, factors considered, and impact on the Fund's NAV. If the Chairman determines that such fair valuation(s) require the involvement of the Valuation Committee, a special meeting of the Valuation Committee is called as soon as practicable to discuss such fair valuation(s). The Valuation Committee of the Board consists of at least two non-interested Directors, as defined by the Investment Company Act of 1940.

In addition to special meetings, the Valuation Committee meets prior to each regular quarterly Board meeting. At each quarterly meeting, the Adviser delivers a written report (the "Quarterly Report") regarding any recommendations of fair valuation during the past quarter, including fair valuations which have not changed. The Valuation Committee reviews the Quarterly Report, discusses the valuation of the fair valued securities with appropriate levels of representatives from the Adviser's management, and, unless more information is required, approves the valuation of fair valued securities.

The Valuation Committee also reviews other interim reports as necessary.

# Special Opportunities Fund, Inc.

## Notes to financial statements

The following is a summary of the fair valuations according to the inputs used as of December 31, 2021 in valuing the Fund's investments:

	Quoted Prices in Active Markets for Identical Investments (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)*	Total
Investment Companies				
Closed-End Funds	\$ 92,904,992	\$ —	\$ —	\$ 92,904,992
Business Development Companies	11,735,580	—	—	11,735,580
Trust Certificates	—	—	70,568	70,568
Preferred Stocks				
Capital Markets	735,000	—	—	735,000
Electrical Equipment	2,104,000	—	—	2,104,000
Entertainment	—	1,103,385	—	1,103,385
Internet & Direct Marketing Retail	1,060,000	—	—	1,060,000
Real Estate Investment Trusts	5,829,119	1,507,800	—	7,336,919
Other Common Stocks				
Food & Staples Retailing	1,043,358	—	—	1,043,358
Insurance	51,000	—	—	51,000
Oil, Gas & Consumable Fuels	3,371,949	—	—	3,371,949
Real Estate Investment Trusts	10,012,851	—	—	10,012,851
Real Estate Management & Development	1,572,526	—	—	1,572,526
Software	183,000	—	—	183,000
Special Purpose				
Acquisition Vehicles	48,295,398	6,161,478	—	54,456,876
Corporate Obligations	—	—	3,631,998	3,631,998
Warrants	1,270,739	51,667	0	1,322,406
Rights	56,948	—	—	56,948
Money Market Funds	13,960,716	—	—	13,960,716
<b>Total</b>	<b>\$194,187,176</b>	<b>\$8,824,330</b>	<b>\$3,702,566</b>	<b>\$206,714,072</b>

\* The Fund measures Level 3 activity as of the beginning and end of each financial reporting period.

# Special Opportunities Fund, Inc.

## Notes to financial statements

The fair value of derivative instruments as reported within the Schedule of Investments as of December 31, 2021:

<b>Derivatives not accounted for as hedging instruments</b>	<b>Statement of Assets &amp; Liabilities Location</b>	<b>Value</b>
Equity Contracts – Warrants	Investments, at value	\$1,322,406

The effect of derivative instruments on the Statement of Operations for the year ended December 31, 2021:

<b>Derivatives not accounted for as hedging instruments</b>	<b>Amount of Realized Gain on Derivatives Recognized in Income</b>	
	<b>Statement of Operations Location</b>	<b>Value</b>
Equity Contracts – Warrants	Net Realized Gain on Investments	\$2,185,112

<b>Derivatives not accounted for as hedging instruments</b>	<b>Change in Unrealized Depreciation on Derivatives Recognized in Income</b>	
	<b>Statement of Operations Location</b>	<b>Total</b>
Equity Contracts – Warrants	Net change in unrealized depreciation of investments	\$(1,204,507)

The average monthly share amount of warrants during the period was 2,151,117. The average monthly market value of warrants during the period was \$1,413,204.

### Level 3 Reconciliation Disclosure

The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

<b>Category</b>	<b>Trust Certificates</b>	<b>Corporate Obligations</b>	<b>Warrants</b>
Balance as of 12/31/2020	\$ —	\$ 1,400,000	\$ 0
Acquisitions	—	151,045	—
Dispositions	—	—	—
Transfers into (out of) Level 3	—	—	—
Accretion/Amortization	—	(2,172)	—
Corporate Actions	92,870	3,046,525	—
Realized Gain (Loss)	—	—	—
Change in unrealized appreciation (depreciation)	(22,302)	(963,400)	—
Balance as of 12/31/2021	\$ 70,568	\$ 3,631,998	\$ 0
Change in unrealized appreciation (depreciation) during the period for Level 3 investments held at December 31, 2021	\$(22,302)	\$(1,163,400)	\$—

# Special Opportunities Fund, Inc.

## Notes to financial statements

The following table presents additional information about valuation methodologies and inputs used for investments that are measured at fair value and categorized within Level 3 as of December 31, 2021:

Category	Fair Value 12/31/2021	Valuation Methodologies	Unobservable Inputs	Range	Impact to valuation from an increase to input
Trust Certificates	\$ 70,568	Last Traded Price	Market Assessments	\$0.2201	Significant changes in market conditions could result in direct and proportional changes in the fair value of the security
Corporate Obligations	3,631,998	Last Traded Price, Company-Specific Information	Terms of the Note/ Financial Assessments/ Company Announcements	70.50- 87.50	Significant changes in company's financials, changes to the terms of the notes or changes to the general business conditions impacting the company's business may result in changes to the fair value of the securities
Warrants	0	Last Traded Price	Market Assessments	0.00	Significant changes in market conditions could result in direct and proportional changes in the fair value of the security

### Note 2

#### Related party transactions

Bulldog Investors, LLP serves as the Fund's Investment Adviser (the "Investment Adviser") under the terms of the Investment Advisory Agreement effective October 10, 2009. Effective May 7, 2013 Brooklyn Capital Management, LLC changed its name to Bulldog Investors, LLP. In accordance with the investment advisory agreement, the Fund is obligated to pay the Investment Adviser a monthly investment advisory fee at an annual rate of 1.00% of the Fund's average weekly total assets.

Effective January 1, 2020, the Fund pays each of its directors who is not a director, officer or employee of the Investment Adviser, the Administrator or any affiliate thereof an annual fee of \$45,000, paid pro rata, quarterly plus \$5,000 for each special in-person meeting (or \$500 if attended by telephone) of the board of directors and \$500 for special committee meetings held in between regularly scheduled Board meetings. As additional annual compensation, the Audit Committee Chairman and Valuation Committee Chairman receive \$5,000, and the Corporate Governance Committee Chairman receive \$3,000. Effective January 1, 2022, the Fund's Chief Compliance Officer ("CCO") receives annual



# Special Opportunities Fund, Inc.

## Notes to financial statements

compensation in the amount of \$56,700. In addition, the Fund reimburses the directors and CCO for travel and out-of-pocket expenses incurred in connection with Board of Directors' meetings and CCO due diligence requirements.

U.S. Bank Global Fund Services ("Fund Services"), an indirect wholly-owned subsidiary of U.S. Bancorp, serves as the Fund's Administrator (the "Administrator") and, in that capacity, performs various administrative services for the Fund. Fund Services also serves as the Fund's Fund Accountant (the "Fund Accountant"). U.S. Bank, N.A. serves as the Fund's custodian (the "Custodian"). The Custodian is an affiliate of the Administrator. The Administrator prepares various federal and state regulatory filings, reports and returns for the Fund; prepares reports and materials to be supplied to the directors, monitors the activities of the Custodian and Fund Accountant; coordinates the preparation and payment of the Fund's expenses and reviews the Fund's expense accruals. American Stock Transfer & Trust Company, LLC serves as the Fund's Transfer Agent.

### **Note 3**

#### **Convertible Preferred Stock**

During the year ended December 31, 2021 the Fund converted 2,163,053 shares or \$54,076,325 of the Fund's Convertible Preferred Stock into 4,211,996 shares of the Fund's common stock. The remaining 60,923 of Convertible Preferred Shares were redeemed at \$25 per share for a total of \$1,523,075. At December 31, 2021 there was no Convertible Preferred Shares outstanding. For further information see Note 9.

### **Note 4**

#### **Purchases and sales of securities**

For the year ended December 31, 2021, aggregate purchases and sales of portfolio securities, excluding short-term securities, were \$160,447,610 and \$172,793,665, respectively. The Fund did not purchase or sell U.S. government securities during the year ended December 31, 2021.

### **Note 5**

#### **Capital share transactions**

During the year ended December 31, 2021 the Fund converted 2,163,053 shares of 3.50% Convertible Preferred Stock into 4,211,996 shares of Common Stock. For further information see Note 3.

During the years ended December 31, 2021, 2020, 2019 and 2018 there were no shares of common stock repurchased by the Fund.

During the year ended December 31, 2017, the Fund purchased 7,582 shares of its capital stock in the open market at a cost of \$118,039. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 10.44%.

# Special Opportunities Fund, Inc.

## Notes to financial statements

During the year ended December 31, 2016, the Fund purchased 362,902 shares of its capital stock in the open market at a cost of \$4,661,968. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 13.50%.

The Fund announced on September 21, 2016 that it was offering to purchase up to 1.15 million common shares of the Fund at 97% of the net asset value (NAV) per common share with the right to purchase up to an additional 2% of the outstanding shares. The offer expired October 21, 2016 and because the number of shares tendered exceeded the amount offered to be purchased, the proration was 17.98%.

### Note 6

#### Federal tax status

The Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all taxable income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. Therefore, no provision for federal income taxes or excise taxes has been made.

In order to avoid imposition of the excise tax applicable to regulated investment companies, the Fund intends to declare each year as dividends in each calendar year at least 98.0% of its net investment income (earned during the calendar year) and 98.2% of its net realized capital gains (earned during the twelve months ended October 31) plus undistributed amounts, if any, from prior years.

The tax character of distributions paid to shareholders during the fiscal years ended December 31, 2021 and December 31, 2020 were as follows:

<b>Distributions paid to common shareholders from:</b>	<b>For the year ended December 31, 2021</b>	<b>For the year ended December 31, 2020</b>
Ordinary income	\$ 12,420,427	\$ 5,545,452
Long-term capital gains	8,307,667	4,043,640
Total distributions paid	\$ 20,728,094	\$ 9,589,092

<b>Distributions paid to preferred shareholders from:</b>	<b>For the year ended December 31, 2021</b>	<b>For the year ended December 31, 2020</b>
Ordinary income	\$ 577,139	\$ 1,752,940
Long-term capital gains	285,623	193,039
Total distributions paid	\$ 862,762	\$ 1,945,979

The Fund designated as long-term capital gain dividends, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits for the Fund related to net capital gains to zero for the year ended December 31, 2021.

# Special Opportunities Fund, Inc.

## Notes to financial statements

The following information is presented on an income tax basis as of December 31, 2021:

Tax cost of investments	\$189,563,403
Unrealized appreciation	25,078,003
Unrealized depreciation	(7,927,334)
Net unrealized appreciation	17,150,669
Undistributed ordinary income	—
Undistributed long-term gains	10,399,954
Total distributable earnings	10,399,954
Other accumulated/gains losses and other temporary differences	—
Total accumulated gains	\$ 27,550,623

There were no reclassifications made between total distributable earnings and paid-in capital.

Net capital losses incurred after October 31, and within the taxable year are deemed to arise on the first business day of the Fund's next taxable year. At December 31, 2021, the Fund had no post October losses.

At December 31, 2021, the Fund did not have capital loss carryforwards.

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. Management has analyzed the Fund's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (2018-2020), or expected to be taken in the Fund's 2020 tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal and the State of Maryland; however the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

### Note 7

#### Recent Market Events

U.S. and international markets have experienced volatility in recent months and years due to a number of economic, political and global macro factors, including the impact of the coronavirus (COVID-19) global pandemic, which resulted in a public health crisis, business interruptions, growth concerns in the U.S. and overseas, travel restrictions, changed social behaviors, rising inflation and reduced consumer spending. While several countries, including the U.S., have begun to lift public health restrictions in efforts to reopen their respective economies, the outbreak of the new variants has led to the renewal of health mandates by local governments and businesses, reduced hiring efforts by employers, event

# Special Opportunities Fund, Inc.

## Notes to financial statements

cancellations and additional travel restrictions, supply chain shortages, cessation of return-to-office plans and an overall economic slowdown. While U.S. and global economies are recovering from the effects of COVID-19, the recovery is proceeding at slower than expected rates and may last for a prolonged period of time. Uncertainties regarding inflation, interest rates, political events, rising government debt in the U.S. and trade tensions have also contributed to market volatility. Global economies and financial markets are increasingly interconnected, which increases the possibility that conditions in one country or region might adversely impact issuers in a different country or region. In particular, a rise in protectionist trade policies, slowing global economic growth, risks associated with epidemic and pandemic diseases, risks associated with the United Kingdom's departure from the European Union, the risk of trade disputes, and the possibility of changes to some international trade agreements, could affect the economies of many nations, including the United States, in ways that cannot necessarily be foreseen at the present time. Continuing market volatility as a result of recent market conditions or other events may have adverse effects on your account.

### **Note 8**

#### **Additional information**

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock in the open market.

Fund directors and officers and advisory persons to the Fund, including insiders and employees of the Fund and of the Fund's investment adviser, may purchase or sell Fund securities from time to time, subject to the restrictions set forth in the Fund's Code of Ethics, as amended, a copy of which is available on the Fund's website. Please see the corporate governance section of the Fund's website at [www.specialopportunitiesfundinc.com](http://www.specialopportunitiesfundinc.com).

The Fund may seek proxy voting instructions from shareholders regarding certain underlying closed-end funds held by the Fund. Please see the proxy voting instructions section on the Fund's website at [www.specialopportunitiesfundinc.com](http://www.specialopportunitiesfundinc.com) for further information.

### **Note 9**

#### **Subsequent events**

On January 24, 2022 the Fund completed its Convertible Preferred Rights offering. As a result of this offering the Fund raised \$58,373,850 and issued 2,334,954 shares of 2.75% Convertible Preferred Stock.

On February 22, 2022, the Board of Directors of the Fund authorized a tender offer to purchase up to 1.25 million common shares of the Fund at 97% of the NAV per common share as determined at the close of the regular trading session

# Special Opportunities Fund, Inc.

## Notes to financial statements

of the New York Stock Exchange on the Expiration Date of the offering. In accordance with the rules of the U.S. Securities and Exchange Commission, the Fund may purchase additional shares not to exceed 2% of the outstanding shares without amending or extending the tender offer. The tender offer will commence as soon as practicable.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure resulting from subsequent events through the date the financial statements were available to be issued. Management has determined that there were no other subsequent events that would need to be disclosed in the Fund's financial statements.

# Special Opportunities Fund, Inc.

## Report of independent registered public accounting firm

### To the Board of Directors and Shareholders of Special Opportunities Fund, Inc.

#### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of Special Opportunities Fund, Inc., including the portfolio of investments, as of December 31, 2021, the related statement of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of Special Opportunities Fund, Inc. as of December 31, 2021, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as the Fund’s auditor since 2009.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2021 by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
March 1, 2022**

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

### **Fund Investment Objective and Policies**

The Fund investment objective is total return. The investment objective is not fundamental and may be changed by the Board with 60 days' notice to stockholders. To achieve the objective, the Fund invests primarily in securities the Adviser believes have opportunities for appreciation. The Fund may employ strategies designed to capture price movements generated by anticipated corporate events such as investing in companies involved in special situations, including, but not limited to, mergers, acquisitions, asset sales, spin-offs, balance sheet restructuring, bankruptcy, liquidations and tender offers. In addition, the Fund may employ strategies designed to invest in the debt, equity, or trade claims of companies in financial distress when the Adviser perceives a mispricing. Furthermore, the Fund may invest both long and short in related securities or other instruments in an effort to take advantage of perceived discrepancies in the market prices for such securities, including long and short positions in securities involved in an announced merger or acquisition. Securities which the Adviser identifies include closed-end investment companies with opportunities for appreciation, including funds that trade at a market price discount from their NAV. In addition to the foregoing, the Adviser seeks out other opportunities in the market that have attractive risk reward characteristics for the Fund.

The Fund intends its investment portfolio, under normal market conditions, to consist principally of investments in other closed-end investment companies and the securities of large, mid and small-capitalization companies, including potentially direct and indirect investments in the securities of foreign companies. Equity securities in which the Fund may invest include common and preferred stocks, convertible securities, warrants and other securities having the characteristics of common stocks, such as ADRs and IDRs, other closed-end investment companies and exchange-traded funds. The Fund may, however, invest a portion of its assets in debt securities or other investment opportunities when the Adviser believes that it is appropriate to do so to earn current income. For example, when interest rates are high in comparison to anticipated returns on equity investments, the Fund's investment adviser may determine to invest in debt or preferred securities including bank, corporate or government bonds, notes, and debentures that the Adviser determines are suitable investments for the Fund. Such determination may be made regardless of the maturity, duration or rating of any such debt security.

The Fund may, from time to time, engage in short sales of securities for investment or for hedging purposes. Short sales are transactions in which the Fund sells a security it does not own. To complete the transaction, the Fund must borrow the security to make delivery to the buyer. The Fund is then obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The Fund may sell short individual stocks, baskets of

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

individual stocks and ETFs that the Fund expects to underperform other stocks which the Fund holds. For hedging purposes, the Fund may purchase or sell short future contracts on global equity indexes.

The Fund may invest, without limitation, in the securities of closed-end funds, provided that, in accordance with Section 12(d)(1)(F) of the 1940 Act, the Fund will limit any such investment to no more than 3% of the voting stock of such fund and will vote such shares as provided in such Section as set forth below.

To comply with provisions of the 1940 Act, on any matter upon which stockholders of a closed-end investment company in which the Fund has invested may vote, the Adviser will direct such shares to be voted in the same proportion as shares held by all other stockholders of such closed-end investment company (i.e., "mirror vote") or seek instructions from the Fund's stockholders with regard to the voting on such matter. If the Adviser deems it appropriate to seek instructions from Fund stockholders, the Adviser will vote such proxies proportionally based upon the total number of shares owned by those shareholders that provide instructions. Fund stockholders are informed of such proxy votes on the Fund's website and by email, if so requested, and they may provide proxy voting instructions by email. In a letter dated August 11, 2020 discussing the results of its 2018 compliance examination, the staff of the New York regional office of the SEC's Office of Compliance Inspections and Examinations opined that, in connection with its prior proxy voting policy, pursuant to which the Fund voted its shares of closed-end funds as determined by a plurality of proxy voting instructions received, the Fund "does not in certain cases meet the requirements of the exception set forth in Section 12(d)(1)(E)(iii) of the 1940 Act because in connection with seeking instructions from Fund shareholders with regard to voting certain proxies on behalf of the Fund, the Fund votes such proxies as determined by a majority of the shares owned by those Fund shareholders who provide proxy voting instructions." In response thereto, the Fund has amended its proxy voting policy to provide that the Fund will vote such proxies proportionally based upon the total number of shares owned by those shareholders that provide instructions.

The ETFs and other closed-end investment companies in which the Fund invests may invest in common stocks and may invest in fixed income securities. As a stockholder in any investment company, the Fund will bear its ratable share of the investment company's expenses and would remain subject to payment of the Fund's advisory and administrative fees with respect to the assets so invested.

The Fund's management utilizes a balanced approach, including "value" and "growth" investing by seeking out companies at reasonable prices, without regard to sector or industry, which demonstrate favorable long-term growth characteristics. Valuation and growth characteristics may be considered for purposes of selecting potential investment securities. In general, valuation analysis is used to determine the inherent value of the company by analyzing



# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

financial information such as a company's price to book, price to sales, return on equity, and return on assets ratios; and growth analysis is used to determine a company's potential for long-term dividends and earnings growth due to market-oriented factors such as growing market share, the launch of new products or services, the strength of its management and market demand. Fluctuations in these characteristics may trigger trading decisions to be made by the Fund's investment adviser with respect to the Fund's portfolio.

Generally, securities will be purchased or sold by the Fund on national securities exchanges and in the over-the-counter market. From time to time, securities may be purchased or sold in private transactions, including securities that are not publicly traded or that are otherwise illiquid.

The Fund may, from time to time, take temporary defensive positions that are inconsistent with the Fund's principal investment strategies in attempting to respond to adverse market, economic, political or other conditions. During such times, the Fund may temporarily invest up to 100% of its assets in cash or cash equivalents, including money market instruments, prime commercial paper, repurchase agreements, Treasury bills and other short-term obligations of the U.S. Government, its agencies or instrumentalities. In these and in other cases, the Fund may not achieve its investment objective.

The Fund's investment adviser may invest the Fund's cash balances in any investments it deems appropriate, subject to the restrictions set forth in below under "Fundamental Investment Restrictions" and as permitted under the 1940 Act, including investments in repurchase agreements, money market funds, additional repurchase agreements, U.S. Treasury and U.S. agency securities, municipal bonds and bank accounts. Any income earned from such investments will ordinarily be reinvested by the Fund in accordance with its investment program. Many of the considerations entering into the Fund's investment adviser's recommendations and the portfolio manager's decisions are subjective.

### **Fundamental Investment Restrictions**

The following fundamental investment limitations cannot be changed without the affirmative vote of the lesser of (a) more than 50% of the outstanding shares of the Fund or (b) 67% or more of such shares present at a stockholders' meeting if more than 50% of the outstanding shares are represented at the meeting in person or by proxy. If a percentage restriction is adhered to at the time of an investment or transaction, a later increase or decrease in percentage resulting from a change in values of portfolio securities or the amount of total assets will not be considered a violation of any of the following limitations or of any of the Fund's investment policies. The Fund may not:

(1) issue senior securities (including borrowing money from banks and other entities and thorough reverse repurchase agreements), except (a) the Fund may

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

borrow in an amount not in excess of 33 1/3% of total assets (including the amount of senior securities issued, but reduced by any liabilities and indebtedness not constituting senior securities), (b) the Fund may issue preferred stock having a liquidation preference in an amount which, combined with the amount of any liabilities or indebtedness constituting senior securities, is not in excess of 50% of its total assets (computed as provided in clause (a) above) and (c) the Fund may borrow up to an additional 5% of its total assets (not including the amount borrowed) for temporary or emergency purposes;

The following interpretation applies to, but is not a part of, fundamental limitation:

(1) each state (including the District of Columbia and Puerto Rico), territory and possession of the United States, each political subdivision, agency, instrumentality and authority thereof, and each multi-state agency of which a state is a member is a separate "issuer." When the assets and revenues of an agency authority, instrumentality or other political subdivision are separate from the government creating the subdivision and the security is backed only by the assets and revenues of the subdivision, such subdivision would be deemed to be the sole issuer. Similarly, in the case of an Industrial Development Bond or Private Activity Bond, if that bond is backed only by the assets and revenues of the non-governmental user, then that non-governmental user would be deemed to be the sole issuer. However, if the creating government or another entity guarantees a security, then to the extent that the value of all securities issued or guaranteed by that government or entity and owned by the Fund exceeds 10% of the Fund's total assets, the guarantee would be considered a separate security and would be treated as issued by that government or entity. This restriction does not limit the percentage of the Fund's assets that may be invested in Municipal Obligations insured by any given insurer.

(2) purchase any security if, as a result of that purchase, 25% or more of the Fund's total assets would be invested in securities of issuers having their principal business activities in the same industry, except that this limitation does not apply to securities issued or guaranteed by the U.S. government, its agencies or instrumentalities or to municipal securities.

(3) make loans, except through loans of portfolio securities or through repurchase agreements, provided that for purposes of this restriction, the acquisition of bonds, debentures, other debt securities or instruments, or participations or other interests therein and investment in government obligations, commercial paper, certificates of deposit, bankers' acceptances or similar instruments will not be considered the making of a loan.

(4) engage in the business of underwriting securities of other issuers, except to the extent that the Fund might be considered an underwriter under the federal securities laws in connection with its disposition of portfolio securities.

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

(5) purchase or sell real estate, except that investments in securities of issuers that invest in real estate and investments in mortgage-backed securities, mortgage participations or other instruments supported by interests in real estate are not subject to this limitation, and except that the Fund may exercise rights under agreements relating to such securities, including the right to enforce security interests and to hold real estate acquired by reason of such enforcement until that real estate can be liquidated in an orderly manner.

(6) purchase or sell physical commodities unless acquired as a result of owning securities or other instruments, but the Fund may purchase, sell or enter into financial options and futures, forward and spot currency contracts, swap transactions and other financial contracts or derivative instruments.

The Fund has no intention to file a voluntary application for relief under federal bankruptcy law or any similar application under state law for so long as the Fund is solvent and does not foresee becoming insolvent.

### Principal Risks Factors Related to The Fund's Investments

***Other Closed-End Investment Company Securities:*** The Fund invests in the securities of other closed-end investment companies. Investing in other closed-end investment companies involves substantially the same risks as investing directly in the underlying instruments, but the total return on such investments at the investment company level may be reduced by the operating expenses and fees of such other closed-end investment companies, including advisory fees. There can be no assurance that the investment objective of any investment company in which the Fund invests will be achieved. Closed-end investment companies are subject to the risks of investing in the underlying securities. The Fund, as a holder of the securities of another closed-end investment company, will bear its pro rata portion of the closed-end investment company's expenses, including advisory fees. These expenses are in addition to the direct expenses of the Fund's own operations. To the extent the Fund invests a portion of its assets in investment company securities, those assets will be subject to the risks of the purchased investment company's portfolio securities, and a stockholder in the Fund will bear not only his proportionate share of the expenses of the Fund, but also, indirectly, the expenses of the purchased investment company. The market price of a closed-end investment company fluctuates and may be either higher or lower than the NAV of such closed-end investment company.

In accordance with Section 12(d)(1)(F) of the 1940 Act, the Fund will be limited by provisions of the 1940 Act that limit the amount the Fund, together with its affiliated persons, can invest in other investment companies to 3% of any other investment company's total outstanding stock. As a result, the Fund may hold a smaller position in a closed-end investment company than if it were not subject to this restriction.

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

**Special Purpose Acquisition Companies.** The Fund may invest in units, stock, warrants, and other securities of special purpose acquisition companies or similar special purpose entities that pool funds to seek potential acquisition opportunities (“SPACs”). Unless and until an acquisition meeting the SPAC’s requirements is completed, a SPAC generally deposits substantially all of the cash raised in its IPO (less a specified amount to cover operating expenses) in a bank trust account which is generally invested in U.S. Government securities, money market securities and cash. If an acquisition that meets the requirements for the SPAC is not completed within a pre-established period of time, the invested funds are returned to the entity’s shareholders. In addition, just prior to completion of an acquisition, shareholders of the SPAC can redeem their shares for a pro rata share of the value of the trust account. Because SPACs have no operating history or ongoing business other than seeking acquisitions, the value of their securities can vary on the perceived likelihood of management to identify and complete a profitable acquisition. In addition, such securities are subject to secondary market risk and may decline in value if sold prior to deal completion or trust liquidation. However, until a SPAC is liquidated or completes an acquisition, its common stock is unlikely to fall substantially below the per share value of the trust account. If an acquisition is completed, the former SPAC’s shares and other securities will take on the same risks as an equivalent investment in the acquired company. Some SPACs may pursue acquisitions only within certain industries or regions, which may increase the volatility of their prices.

**Short sales.** The Fund is authorized to make short sales. The Fund effects a short sale by borrowing and selling a security it does not own in anticipation of a decline in the value of the security or to hedge against the decline of a security the Fund owns. Short sales carry risks of loss if the price of the security sold short increases after the short sale. As collateral for its short positions, the Fund is required under the 1940 Act to maintain segregated assets consisting of cash, cash equivalents, or liquid securities. The amount of segregated assets is required to be adjusted daily to the extent additional collateral is required based on the change in fair value of the securities sold short.

**Common Stocks.** The Fund invests in common stocks. Common stocks represent an ownership interest in a company. The Fund may also invest in securities that can be exercised for or converted into common stocks (such as convertible preferred stock). Common stocks and similar equity securities are more volatile and riskier than some other forms of investment. Therefore, the value of your investment in the Fund may sometimes decrease instead of increase. Common stock prices fluctuate for many reasons, including adverse events such as unfavorable earnings reports, changes in investors’ perceptions of the financial condition of an issuer, the general condition of the relevant stock market or when political or economic events affecting the issuers occur. In addition, common stock prices may be sensitive to rising interest rates, as the costs of capital rise and borrowing costs increase for issuers. Because convertible securities can be

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

converted into equity securities, their values will normally increase or decrease as the values of the underlying equity securities increase or decrease. The common stocks in which the Fund invests are structurally subordinated to preferred securities, bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and assets and, therefore, will be subject to greater risk than the preferred securities or debt instruments of such issuers.

**Exchange Traded Funds.** The Fund may invest in exchange-traded funds, which are investment companies that, in general, aim to track or replicate a desired index, such as a sector, market or global segment. ETFs are passively or, to a lesser extent, actively managed and their shares are traded on a national exchange. ETFs do not sell individual shares directly to investors and only issue their shares in large blocks known as "creation units." The investor purchasing a creation unit may sell the individual shares on a secondary market. Therefore, the liquidity of ETFs depends on the adequacy of the secondary market. There can be no assurance that an ETF's investment objective will be achieved, as ETFs based on an index may not replicate and maintain exactly the composition and relative weightings of securities in the index. ETFs are subject to the risks of investing in the underlying securities. The Fund, as a holder of the securities of the ETF, will bear its pro rata portion of the ETF's expenses, including advisory fees. These expenses are in addition to the direct expenses of the Fund's own operations.

**Fixed Income Securities, including Non-Investment Grade Securities.** The Fund may invest in fixed income securities, also referred to as debt securities. Fixed income securities are subject to credit risk and market risk. Credit risk is the risk of the issuer's inability to meet its principal and interest payment obligations. Market risk is the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. There is no limitation on the maturities or duration of fixed income securities in which the Fund invests. Securities having longer maturities generally involve greater risk of fluctuations in value resulting from changes in interest rates. The Fund's credit quality policy with respect to investments in fixed income securities does not require the Fund to dispose of any debt securities owned in the event that such security's rating declines to below investment grade, commonly referred to as "junk bonds." Although lower quality debt typically pays a higher yield, such investments involve substantial risk of loss. Junk bonds are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for junk bonds tend to be very volatile and those securities are less liquid than investment grade debt securities. Moreover, junk bonds pose a greater risk that exercise of any of their redemption or call provisions in a declining market may result in their replacement by lower-yielding bonds. In addition, bonds in the lowest two investment grade categories, despite being of higher credit rating than junk bonds, have speculative characteristics with respect to the issuer's ability to pay interest and principal and their susceptibility to default or decline in market value.

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

### **Corporate Bonds, Government Debt Securities and Other Debt Securities:**

The Fund may invest in corporate bonds, debentures and other debt securities. Debt securities in which the Fund may invest may pay fixed or variable rates of interest. Bonds and other debt securities generally are issued by corporations and other issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain debt securities are “perpetual” in that they have no maturity date.

The Fund may invest in government debt securities, including those of emerging market issuers or of other non-U.S. issuers. These securities may be U.S. dollar-denominated or non-U.S. dollar-denominated and include: (a) debt obligations issued or guaranteed by foreign national, provincial, state, municipal or other governments with taxing authority or by their agencies or instrumentalities; and (b) debt obligations of supranational entities. Government debt securities include: debt securities issued or guaranteed by governments, government agencies or instrumentalities and political subdivisions; debt securities issued by government owned, controlled or sponsored entities; interests in entities organized and operated for the purpose of restructuring the investment characteristics issued by the above noted issuers; or debt securities issued by supranational entities such as the World Bank or the European Union. The Fund may also invest in securities denominated in currencies of emerging market countries. Emerging market debt securities generally are rated in the lower rating categories of recognized credit rating agencies or are unrated and considered to be of comparable quality to lower rated debt securities. A non-U.S. issuer of debt or the non-U.S. governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the Fund may have limited resources in the event of a default. Some of these risks do not apply to issuers in large, more developed countries. These risks are more pronounced in investments in issuers in emerging markets or if the Fund invests significantly in one country.

**Short Sale Risk:** When a cash dividend is declared on a security in which the Fund holds a short position, the Fund incurs the obligation to pay an amount equal to that dividend to the lender of the shorted security.

Depending on arrangements made with the broker-dealer from which it borrowed the security regarding payment over of any payments received by the Fund on such security, the Fund may not receive any payments (including interest) on its collateral deposited with such broker-dealer.

Although the Fund's gain is limited to the price at which it sold the security short, its potential loss is unlimited.

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating a possible loss. Short selling exposes the Fund to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.

The requirements of the 1940 Act and Internal Revenue Code of 1986, as amended (the "Code") provide that the Fund not make a short sale if, after giving effect to such sale, the market value of all securities sold short by the Fund exceeds 30% of the value of its managed assets.

**Small and Medium Cap Company Risk:** Compared to investment companies that focus only on large capitalization companies, the Fund's share price may be more volatile because it also invests in small and medium capitalization companies. Compared to large companies, small and medium capitalization companies are more likely to have (i) more limited product lines or markets and less mature businesses, (ii) fewer capital resources, (iii) more limited management depth and (iv) shorter operating histories. Further, compared to large cap stocks, the securities of small and medium capitalization companies are more likely to experience sharper swings in market values, be harder to sell at times and at prices that the Fund's investment adviser believes appropriate, and offer greater potential for gains and losses.

**Foreign Securities:** The Fund may invest in foreign securities, including direct investments in securities of foreign issuers that are traded on a U.S. securities exchange or over the counter and investments in depository receipts (such as American Depositary Receipts ("ADRs")), ETFs and other closed-end investment companies that represent indirect interests in securities of foreign issuers. The Fund is not limited in the amount of assets it may invest in such foreign securities. These investments involve certain risks not generally associated with investments in the securities of U.S. issuers, including the risk of fluctuations in foreign currency exchange rates, unreliable and untimely information about the issuers and political and economic instability. These risks could result in the Fund's investment adviser misjudging the value of certain securities or in a significant loss in the value of those securities.

The value of foreign securities is affected by changes in currency rates, foreign tax laws (including withholding and confiscatory taxes), government policies (in this country or abroad), relations between nations and trading, settlement, custodial and other operational risks. In addition, the costs of investing abroad are generally higher than in the United States, and foreign securities markets may be less liquid, more volatile and less subject to governmental supervision than markets in the U.S. As an alternative to holding foreign traded securities, the Fund may invest in dollar-denominated securities of foreign companies that trade

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

on U.S. exchanges or in the U.S. over-the-counter market (including depository receipts as described below, which evidence ownership in underlying foreign securities, and ETFs as described above).

Because foreign companies are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies, there may be less publicly available information about a foreign company than about a domestic company. Volume and liquidity in most foreign debt markets is less than in the United States and securities of some foreign companies are less liquid and more volatile than securities of comparable U.S. companies. There is generally less government supervision and regulation of securities exchanges, broker dealers and listed companies than in the United States. Mail service between the United States and foreign countries may be slower or less reliable than within the United States, thus increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities. Payment for securities before delivery may be required. In addition, with respect to certain foreign countries, including those with emerging markets, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments which could affect investments in those countries. For example, prior governmental approval for foreign investments may be required in some emerging market countries, and the extent of foreign investment may be subject to limitation in other emerging countries. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Foreign securities markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies.

The Fund may purchase ADRs, international depository receipts (“IDRs”) and global depository receipts (“GDRs”) which are certificates evidencing ownership of shares of foreign issuers and are alternatives to purchasing directly the underlying foreign securities in their national markets and currencies. However, such depository receipts continue to be subject to many of the risks associated with investing directly in foreign securities. These risks include foreign exchange risk as well as the political and economic risks associated with the underlying issuer’s country. ADRs, EDRs and GDRs may be sponsored or unsponsored. Unsponsored receipts are established without the participation of the issuer. Unsponsored receipts may involve higher expenses, they may not pass-through voting or other stockholder rights, and they may be less liquid. Less information is normally available on unsponsored receipts.



# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

Dividends paid on foreign securities may not qualify for the reduced federal income tax rates applicable to qualified dividends under the Code. As a result, there can be no assurance as to what portion of the Fund's distributions attributable to foreign securities will be designated as qualified dividend income.

**Emerging Market Securities:** The Fund may invest up to 5% of its net assets in emerging market securities, although through its investments in ETFs, other investment companies or depository receipts that invest in emerging market securities, up to 20% of the Fund's assets may be invested indirectly in issuers located in emerging markets. The risks of foreign investments described above apply to an even greater extent to investments in emerging markets. The securities markets of emerging countries are generally smaller, less developed, less liquid, and more volatile than the securities markets of the United States and developed foreign markets. Disclosure and regulatory standards in many respects are less stringent than in the United States and developed foreign markets. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations has been extremely limited. Many emerging countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets of certain emerging countries. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values, and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of these countries also have been and may continue to be adversely affected by economic conditions in the countries in which they trade. The economies of countries with emerging markets may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other costs relating to investment in foreign markets may be more expensive in emerging markets than in many developed foreign markets, which could reduce the Fund's income from such securities. In many cases, governments of emerging countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may affect the Fund's investments in those countries. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments, or other similar developments that could affect investments in those countries. There can be no assurance that adverse political changes will not cause the Fund to suffer a loss of any or all of its investments. Dividends paid by issuers in emerging market countries will generally not qualify for the reduced federal income tax rates applicable to qualified dividends under the Code.

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

**Preferred Stocks:** The Fund may invest in preferred stocks. Preferred stock, like common stock, represents an equity ownership in an issuer. Generally, preferred stock has a priority of claim over common stock in dividend payments and upon liquidation of the issuer. Unlike common stock, preferred stock does not usually have voting rights. Preferred stock in some instances is convertible into common stock. Although they are equity securities, preferred stocks have characteristics of both debt and common stock. Like debt, their promised income is contractually fixed. Like common stock, they do not have rights to precipitate bankruptcy proceedings or collection activities in the event of missed payments. Other equity characteristics are their subordinated position in an issuer's capital structure and that 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.

Investment in preferred stocks carries risks, including credit risk, deferral risk, redemption risk, limited voting rights, risk of subordination and lack of liquidity. Fully taxable or hybrid preferred securities typically contain provisions that allow an issuer, at its discretion, to defer distributions for up to 20 consecutive quarters. Distributions on preferred stock must be declared by the board of directors and may be subject to deferral, and thus they may not be automatically payable. Income payments on preferred stocks may be cumulative, causing dividends and distributions to accrue even if not declared by the company's board or otherwise made payable, or they may be non-cumulative, so that skipped dividends and distributions do not continue to accrue. There is no assurance that dividends on preferred stocks in which the Fund invests will be declared or otherwise made payable. The Fund may invest in non-cumulative preferred stock, although the Fund's investment adviser would consider, among other factors, their non-cumulative nature in making any decision to purchase or sell such securities.

Shares of preferred stock have a liquidation value that generally equals the original purchase price at the date of issuance. The market values of preferred stock may be affected by favorable and unfavorable changes impacting the issuers' industries or sectors, including companies in the utilities and financial services sectors, which are prominent issuers of preferred stock. They may also be affected by actual and anticipated changes or ambiguities in the tax status of the security and by actual and anticipated changes or ambiguities in tax laws, such as changes in corporate and individual income tax rates, and in the dividends received deduction for corporate taxpayers or the lower rates applicable to certain dividends.

Because the claim on an issuer's earnings represented by preferred stock may become onerous when interest rates fall below the rate payable on the stock or for other reasons, the issuer may redeem preferred stock, generally after an initial period of call protection in which the stock is not redeemable. Thus, in declining interest rate environments in particular, the Fund's holdings of higher dividend

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

paying preferred stocks may be reduced and the Fund may be unable to acquire securities paying comparable rates with the redemption proceeds. In the event of a redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return.

**Convertible Securities.** The Fund may invest in convertible securities. Convertible securities include fixed income securities that may be exchanged or converted into a predetermined number of shares of the issuer's underlying common stock at the option of the holder during a specified period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, units consisting of "usable" bonds and warrants or a combination of the features of several of these securities. The investment characteristics of each convertible security vary widely, which allows convertible securities to be employed for a variety of investment strategies. The Fund will exchange or convert convertible securities into shares of underlying common stock when, in the opinion of the Fund's investment adviser, the investment characteristics of the underlying common shares will assist the Fund in achieving its investment objective. The Fund may also elect to hold or trade convertible securities. In selecting convertible securities, the Fund's investment adviser evaluates the investment characteristics of the convertible security as a fixed income instrument, and the investment potential of the underlying equity security for capital appreciation. In evaluating these matters with respect to a particular convertible security, the Fund's investment adviser considers numerous factors, including the economic and political outlook, the value of the security relative to other investment alternatives, trends in the determinants of the issuer's profits, and the issuer's management capability and practices.

The value of a convertible security, including, for example, a warrant, is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. Generally, the conversion value decreases as the convertible security approaches maturity. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

the right to acquire the underlying common stock while holding a fixed income security. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Fund's ability to achieve its investment objective.

**Real Estate Investment Trusts.** The Fund may invest in real estate investment trusts ("REITs"). REITs are financial vehicles that pool investors' capital to purchase or finance real estate. Investments in REITs will subject the Fund to various risks. REIT share prices may decline because of adverse developments affecting the real estate industry and real property values. In general, real estate values can be affected by a variety of factors, including supply and demand for properties, the economic health of the country or of different regions, and the strength of specific industries that rent properties. REITs often invest in highly leveraged properties. Returns from REITs, which typically are small or medium capitalization stocks, may trail returns from the overall stock market. In addition, changes in interest rates may hurt real estate values or make REIT shares less attractive than other income-producing investments. REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation.

Qualification as a REIT under the Code in any particular year is a complex analysis that depends on a number of factors. There can be no assurance that the entities in which the Fund invests with the expectation that they will be taxed as a REIT will qualify as a REIT. An entity that fails to qualify as a REIT would be subject to a corporate level tax, would not be entitled to a deduction for dividends paid to its stockholders and would not pass through to its stockholders the character of income earned by the entity. If the Fund were to invest in an entity that failed to qualify as a REIT, such failure could significantly reduce the Fund's yield on that investment.

REITs can be classified as equity REITs, mortgage REITs and hybrid REITs. Equity REITs invest primarily in real property and earn rental income from leasing those properties. They may also realize gains or losses from the sale of properties. Equity REITs will be affected by conditions in the real estate rental market and by changes in the value of the properties they own. Mortgage REITs invest primarily in mortgages and similar real estate interests and receive interest payments from the owners of the mortgaged properties. Mortgage REITs will be affected by changes in creditworthiness of borrowers and changes in interest rates. Hybrid REITs invest both in real property and in mortgages. Equity and mortgage REITs are dependent upon management skills, may not be diversified and are subject to the risks of financing projects.

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

Dividends paid by REITs will not generally qualify for the reduced U.S. federal income tax rates applicable to qualified dividends under the Code.

The Fund's investments in REITs may include an additional risk to stockholders. Some or all of a REIT's annual distributions to its investors may constitute a non-taxable return of capital. Any such return of capital will generally reduce the Fund's basis in the REIT investment, but not below zero. To the extent the distributions from a particular REIT exceed the Fund's basis in such REIT, the Fund will generally recognize gain. In part because REIT distributions often include a nontaxable return of capital, trust distributions to stockholders may also include a nontaxable return of capital. Stockholders that receive such a distribution will also reduce their tax basis in their common shares of the Fund, but not below zero. To the extent the distribution exceeds a stockholder's basis in the Fund's common shares such stockholder will generally recognize a capital gain.

The Fund does not have any investment restrictions with respect to investments in REITs other than its concentration policy which limits its investments in REITs to no more than 25% of its assets.

**Issuer Risk:** The value of an issuer's securities that are held in the Fund's portfolio may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

**Foreign Currency Risk:** Although the Fund will report its NAV and pay expenses and distributions in U.S. dollars, the Fund may invest in foreign securities denominated or quoted in currencies other than the U.S. dollar. Therefore, changes in foreign currency exchange rates will affect the U.S. dollar value of the Fund's investment securities and NAV. For example, even if the securities prices are unchanged on their primary foreign stock exchange, the Fund's NAV may change because of a change in the rate of exchange between the U.S. dollar and the trading currency of that primary foreign stock exchange. Certain currencies are more volatile than those of other countries and Fund investments related to those countries may be more affected. Generally, if a foreign currency depreciates against the dollar (i.e., if the dollar strengthens), the value of the existing investment in the securities denominated in that currency will decline. When a given currency appreciates against the dollar (i.e., if the dollar weakens), the value of the existing investment in the securities denominated in that currency will rise. Certain foreign countries may impose restrictions on the ability of foreign securities issuers to make payments of principal and interest to investors located outside of the country, due to a blockage of foreign currency exchanges or otherwise.

**Defensive Positions:** During periods of adverse market or economic conditions, the Fund may temporarily invest all or a substantial portion of its net assets in cash or cash equivalents. The Fund would not be pursuing its investment objective in these circumstances and could miss favorable market developments.

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

**Risk Characteristics of Options and Futures:** Options and futures transactions can be highly volatile investments. Successful hedging strategies require the anticipation of future movements in securities prices, interest rates and other economic factors. When a fund uses futures contracts and options as hedging devices, the prices of the securities subject to the futures contracts and options may not correlate with the prices of the securities in a portfolio. This may cause the futures and options to react to market changes differently than the portfolio securities. Even if expectations about the market and economic factors are correct, a hedge could be unsuccessful if changes in the value of the portfolio securities do not correspond to changes in the value of the futures contracts. The ability to establish and close out futures contracts and options on futures contracts positions depends on the availability of a secondary market. If these positions cannot be closed out due to disruptions in the market or lack of liquidity, losses may be sustained on the futures contract or option. In addition, the Fund's use of options and futures may have the effect of reducing gains made by virtue of increases in value of the Fund's common stock holdings.

**Securities Lending Risk:** Securities lending is subject to the risk that loaned securities may not be available to the Fund on a timely basis and the Fund may, therefore, lose the opportunity to sell the securities at a desirable price. Any loss in the market price of securities loaned by the Fund that occurs during the term of the loan would be borne by the Fund and would adversely affect the Fund's performance. Also, there may be delays in recovery, or no recovery, of securities loaned or even a loss of rights in the collateral should the borrower of the securities fail financially while the loan is outstanding. The Fund would not have the right to vote any securities having voting rights during the existence of the loan.

**Discount Risk:** Historically, the shares of the Fund, as well as those of other closed-end investment companies, have frequently traded at a discount to their NAV. Any premium or discount to NAV often fluctuates over time. See "Price Range of Common Stock."

**Other Risks:** In addition to the risks detailed above, the Fund also has investments in auction rate preferred securities, business development companies, special purpose acquisition vehicles, liquidation claims, warrants and rights. All of these other investments can subject the Fund to various risks. Any of these investments could have an adverse effect on the Fund's ability to achieve its investment objective.

**Investment transactions and investment income**—Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated using the identified cost method. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

# Special Opportunities Fund, Inc.

## Investment objectives and policies, principal risk factors

Discounts are accreted and premiums are amortized using the effective yield method as adjustments to interest income and the identified cost of investments.

**Dividends and distributions**—On March 4, 2019, the Fund received authorization from the U.S. Securities and Exchange Commission (the “SEC”) that permits the Fund to distribute long-term capital gains to stockholders more than once per year. Accordingly, the Board approved the implementation of a Managed Distribution Plan (“MDP”) to make monthly cash distributions to stockholders. Under the MDP, distributions will be made from current income, supplemented by realized capital gains and, to the extent necessary, paid in capital. In the year ended December 31, 2021, the Fund made monthly distributions to common stockholders at an annual rate of 7% for the period January 1, 2021 – June 30, 2021 and 8% for the period July 1, 2021 – December 31, 2021, based on the NAV of the Fund’s common shares as of the close of business on the last business day of the previous year. Dividends and distributions to common shareholders are recorded on the ex-dividend date. The amount of dividends from net investment income and distributions from net realized capital gains was determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These “book/tax” differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification.

The Fund has made certain investments in Real Estate Investment Trusts (“REITs”) which pay distributions to their shareholders based upon available funds from operations. Each REIT reports annually the tax character of its distributions. It is quite common for these distributions to exceed the REIT’s taxable earnings and profits resulting in the excess portion of such distributions being designated as a return of capital or long-term capital gain. The Fund intends to include the gross distributions from such REITs in its distributions to its shareholders; accordingly, a portion of the distributions paid to the Fund and subsequently distributed to shareholders may be re-characterized. The final determination of the amount of the Fund’s return of capital distribution for the period will be made after the end of each calendar year.

Holders of Convertible Preferred Stock receive calendar quarterly dividends at the rate of 3.50% of the Subscription Price per year. Dividends on the Convertible Preferred Stock are fully cumulative, and accumulate without interest from the date of original issuance of the Convertible Preferred Stock.

# Special Opportunities Fund, Inc.

## General information (unaudited)

### The Fund

Special Opportunities Fund, Inc. (the "Fund") is a diversified, closed-end management investment company whose common shares trade on the New York Stock Exchange ("NYSE"). The Fund's NYSE trading symbol is "SPE." On April 21, 2010 the Fund's symbol changed from "PIF" to "SPE." Comparative net asset value and market price information about the Fund is available weekly in various publications.

### Annual meeting of shareholders held on December 8, 2021

The Fund held an annual meeting of shareholders on December 8, 2021 to vote on the following matters:

(1) To elect six Directors to the Fund's Board of Directors, to be elected by the holders of the Fund's common stock, to serve until the Fund's Annual Meeting of Stockholders in 2022 and until their successors have been duly elected and qualified; and

### Proxy results – Common Stock

The presence, in person or by proxy, of shareholders entitled to cast a majority of the votes entitled to be cast at the Meeting (i.e., the presence of a majority of the shares outstanding on the record date of October 13, 2021) was necessary to constitute a quorum for the transaction of business. At the Meeting, the holders of approximately 83.04% of the common stock outstanding as of the record date were represented in person or by proxy (10,557,231 votes), thus constituting a quorum for the matters to be voted upon by all shareholders at the Meeting.

The actual voting results for the agenda items were as follows:

#### Proposal to elect Andrew Dakos as a director:

FOR	% of Quorum	% of O/S	WITHHELD
9,842,353	93.23%	77.42%	714,878

#### Proposal to elect Phillip Goldstein as a director:

FOR	% of Quorum	% of O/S	WITHHELD
9,814,449	92.96%	77.20%	742,782

#### Proposal to elect Ben Harris as a director:

FOR	% of Quorum	% of O/S	WITHHELD
10,403,021	98.54%	81.83%	154,210

#### Proposal to elect Gerald Hellerman as a director:

FOR	% of Quorum	% of O/S	WITHHELD
9,824,354	93.06%	77.28%	732,877



# Special Opportunities Fund, Inc.

## General information (unaudited)

### Proposal to elect Marc Lunder as a director:

FOR	% of Quorum	% of O/S	WITHHELD
10,410,328	98.61%	81.89%	146,903

### Proposal to elect Charles C. Walden as a director:

FOR	% of Quorum	% of O/S	WITHHELD
10,383,050	98.35%	81.67%	174,181

O/S – outstanding shares

(2) To provide a non-binding advisory vote on whether the amendment to the Fund's proxy voting policy is in the best interests of the Fund and its stockholders.

FOR	AGAINST	ABSTAIN	BROKER NON-VOTE	% of Quorum	% of O/S
6,106,948	158,720	820,517	3,471,046	57.85%	48.04%

### Tax information

The Fund designated 14.07% of its ordinary income distribution for the year ended December 31, 2021, as qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

For the year ended December 31, 2021, 10.48% of dividends paid from net ordinary income qualified for the dividends received deduction available to corporate shareholders.

The Fund designated 75.41% of taxable ordinary income distributions designated as short-term capital gain distributions under Internal Revenue Section 871 (k)(2)(C).

### Quarterly Form N-PORT portfolio schedule

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-PORT. The Fund's Forms N-PORT are available on the SEC's Web site at <http://www.sec.gov>. Additionally, you may obtain copies of Forms N-PORT from the Fund upon request by calling 1-877-607-0414.

### Proxy voting policies, procedures and record

You may obtain a description of the Fund's (1) proxy voting policies, (2) proxy voting procedures and (3) information regarding how the Fund voted any proxies related to portfolio securities during the most recent 12-month period ended June 30 for which an SEC filing has been made, without charge, upon request by contacting the Fund directly at 1-877-607-0414, or on the EDGAR Database on the SEC's Web site (<http://www.sec.gov>).

# Special Opportunities Fund, Inc.

## Supplemental information (unaudited)

The following table sets forth the directors and officers of the Fund, his name, address, age, position with the Fund, term of office and length of service with the Fund, principal occupation or employment during the past five years and other directorships held at December 31, 2021.

Additional information about the Directors and Officers of the Fund is included in the Fund's most recent Form N-2.

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director During the Past Five Years
<b>INTERESTED DIRECTORS</b>					
Andrew Dakos*** (55)	President as of October 2009.	1 year; Since 2009	Partner of the Adviser since 2009; Principal of the former general partner of several private investment partnerships in the Bulldog Investors group of private funds.	1	Director, Brookfield DTLA Fund Office Trust Investor, Inc.; Trustee, Crossroads Liquidating Trust (until 2020); Trustee, High Income Securities Fund; Chairman, Swiss Helvetia Fund, Inc.; Director, Emergent Capital, Inc. (until 2017).
Phillip Goldstein*** (77)	Chairman and Secretary as of October 2009.	1 year; Since 2009	Partner of the Adviser since 2009; Principal of the former general partner of several private investment partnerships in the Bulldog Investors group of private funds.	1	Chairman, Mexico Equity and Income Fund, Inc.; Director, MVC Capital, Inc. (until 2020); Director, Brookfield DTLA Fund Office Trust Investor, Inc.; Trustee, Crossroads Liquidating Trust (until 2020); Chairman, High Income Securities Fund; Director, Swiss Helvetia Fund, Inc.; Chairman, Emergent Capital, Inc. (until 2017).

# Special Opportunities Fund, Inc.

## Supplemental information (unaudited)

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director During the Past Five Years
<b>INDEPENDENT DIRECTORS</b>					
Gerald Hellerman (84)	—	1 year; Since 2009	Managing Director of Hellerman Associates (a financial and corporate consulting firm) since 1993 (which terminated activities as of December, 31, 2013).	1	Director, Mexico Equity and Income Fund, Inc.; Director, MVC Capital, Inc. (until 2020); Trustee, Crossroads Liquidating Trust (until 2020); Trustee, Fiera Capital Series Trust; Trustee, High Income Securities Fund; Director, Swiss Helvetia Fund, Inc.; Director, Emergent Capital, Inc. (until 2017); Director, Ironsides Partners Opportunity Offshore Fund Ltd. (until 2016).
Marc Lunder (58)	—	1 year; Effective January 1, 2015	Managing Member of Lunder Capital LLC.	1	None
Ben Harris (53)	—	1 year; Since 2009	Chief Executive Officer of Hormel Harris Investments, LLC; Principal of NBC Bancshares, LLC; Chief Executive Officer of Crossroads Capital, Inc.; Administrator of Crossroads Liquidating Trust.	1	Trustee, High Income Securities Fund.

# Special Opportunities Fund, Inc.

## Supplemental information (unaudited)

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director During the Past Five Years
Charles C. Walden (77)	—	1 year; Since 2009	President and Owner of Sound Capital Associates, LLC (consulting firm).	1	Independent Chairman, Third Avenue Funds (fund complex consisting of three funds and one variable series trust) (until 2019).

### OFFICERS

Andrew Dakos*** (55)	President as of October 2009.	1 year; Since 2009	Partner of the Adviser since 2009; Principal of the former general partner of several private investment partnerships in the Bulldog Investors group of private funds.	n/a	n/a
Rajeev Das*** (53)	Vice-President as of October 2009.	1 year; Since 2009	Principal of the Adviser.	n/a	n/a
Phillip Goldstein*** (77)	Chairman and Secretary as of October 2009.	1 year; Since 2009	Partner of the Adviser since 2009; Principal of the former general partner of several private investment partnerships in the Bulldog Investors group of funds.	n/a	n/a
Stephanie Darling*** (51)	Chief Compliance Officer as of April 2020.	1 year; Since 2020	General Counsel and Chief Compliance Officer of Bulldog Investors, LLP; Chief Compliance Officer – High Income Securities Fund, Swiss Helvetia Fund, and Mexico Equity and Income Fund; Principal, the Law Office of Stephanie Darling; Editor-In-Chief, the Investment Lawyer.	n/a	n/a

# Special Opportunities Fund, Inc.

## Supplemental information (unaudited)

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director During the Past Five Years
Thomas Antonucci*** (53)	Chief Financial Officer and Treasurer as of January 2014.	1 year; Since 2014	Director of Operations of the Adviser.	n/a	n/a

\* The address for all directors and officers is c/o Special Opportunities Fund, Inc., 615 East Michigan Street, Milwaukee, WI 53202.

\*\* The Fund Complex is comprised of only the Fund.

\*\*\* Messrs. Dakos, Goldstein, Das, Antonucci and Ms. Darling are each considered an "interested person" of the Fund within the meaning of the 1940 Act because of their affiliation with Bulldog Investors, LLP, the Adviser, and their positions as officers of the Fund.

# Special Opportunities Fund, Inc.

## Board approval of investment advisory agreement (unaudited)

At its telephonic meeting held in accordance with SEC Release No. 33897, on September 14, 2021, the Board of Directors (the "Board") of Special Opportunities Fund, Inc. (the "Fund") met to consider the renewal of the Investment Advisory Agreement (the "Advisory Agreement") between the Fund and Bulldog Investors, LLP (the "Adviser"). The Independent Directors (as defined below) held a telephonic executive session on September 10, 2021 (the "September 10, 2021 Meeting") to review materials related to the renewal of the Advisory Agreement. The Board received and discussed a memorandum from the Fund's independent legal counsel regarding the duties and responsibilities of the Board and the Independent Directors under the Investment Company Act of 1940, as amended (the "1940 Act"), in reviewing advisory contracts. Based on their evaluation of the information provided, the Directors, by a unanimous vote (including a separate vote of the Directors who are not "interested persons," as that term is defined in the 1940 Act, as amended (the "Independent Directors")), approved the continuation of the Advisory Agreement for an additional one-year term.

In considering the renewal of the Advisory Agreement and reaching their conclusions, the Independent Directors reviewed and analyzed various factors that they determined were relevant, including (a) the nature, extent, and quality of the services to be provided by the Adviser; (b) the investment performance of the Fund assets managed by the Adviser; (c) the cost of the services to be provided and the profits to be realized by the Adviser from its relationship with the Fund; (d) the extent to which economies of scale (if any) would be realized as the Fund grows; and (e) fee comparisons of the advisory services and fees similar to those of the Investment Adviser. The Independent Directors evaluated each of these factors based on their own direct experience with the Adviser and in consultation with their independent counsel. No one factor was determinative in the Board's decision to approve the continuance of the Advisory Agreement. Greater detail regarding the Independent Directors' consideration of the factors that led to their decision to approve the continuance of the Advisory Agreement is set forth below.

The materials which had been prepared by the Adviser in response to a questionnaire (known as a "15(c) questionnaire") provided Fund counsel with respect to certain matters that counsel believed relevant to the annual continuation of the Advisory Agreement under Section 15 of the 1940 Act, distributed to the Directors and reviewed by the Independent Directors together with counsel at the September 10, 2021 Meeting included, among other things, information regarding: (a) the Adviser's financial soundness; (b) information on the cost to the Adviser of advising the Fund and the Adviser's profitability in connection with such advisory services; (c) the experience and responsibilities of key personnel at the Adviser; (d) the risk management policies and procedures

# Special Opportunities Fund, Inc.

## Board approval of investment advisory agreement (unaudited)

adopted by the Adviser; (e) the investment performance of the Fund as compared to peer and/or comparable funds; (f) the Adviser's policy with respect to selection of broker-dealers and allocation of portfolio transactions; (g) fees of the Fund as compared to peer and/or comparable funds; (h) the profitability to the Adviser derived from its relationship to the Fund; (i) the Adviser's compliance program and chief compliance officer; (j) the Adviser's policy with respect to proxy voting; (k) affiliates and possible conflicts; and (l) other material factors affecting the Adviser.

The Independent Directors and Messrs. Dakos and Goldstein reviewed the Adviser's financial information and discussed the profitability of the Adviser as it relates to advising the Fund. The Independent Directors considered both the direct and indirect benefits to the Adviser from advising the Fund. These considerations were based on material requested by the Directors specifically for the meeting, as well as the in-person presentations made by the Adviser over the course of the year. After further discussion, the Independent Directors concluded that the Adviser's profit from advising the Fund currently was not excessive and that the Adviser had adequate financial strength to support the services to the Fund.

The Independent Directors then assessed the overall quality of services provided to the Fund. The Independent Directors considered the Adviser's specific responsibilities in all aspects of day-to-day management of the Fund, as well as the qualifications, experience and responsibilities of the portfolio managers and other key personnel at the Adviser involved in the day-to-day activities of the Fund. The Independent Directors noted the unique investment strategy of the Fund and the knowledge and expertise required by the Adviser's personnel. The Independent Directors also considered the operational strength of the Adviser. The Independent Directors considered the favorable history, reputation, qualification and background of the Adviser, as well as the qualifications of its personnel and financial condition. The Independent Directors then reviewed the Bulldog Investors, LLP organizational chart as well as the affiliated entity organizational chart. The Independent Directors concluded that the Adviser had sufficient quality and depth of personnel, resources, investment methods and compliance policies and procedure necessary to performing its duties under the Investment Advisory Agreement and that the nature, overall quality, and extent of the management services were satisfactory and reliable.

The Independent Directors reviewed the personnel responsible for providing services to the Fund and concluded, based on their experience and interaction with the Adviser, that the Adviser (a) was able to retain quality personnel, (b) exhibited a high level of diligence and attention to detail in carrying out its responsibilities under the Investment Advisory Agreement, (c) was very responsive

# Special Opportunities Fund, Inc.

## Board approval of investment advisory agreement (unaudited)

to the requests of the Independent Directors and the Fund's CCO, (d) had consistently kept the Board apprised of developments related to the Fund and the industry in general and (e) continued to demonstrate the ability to grow the Fund over time via investment returns.

The Independent Directors discussed the performance of the Fund for the year-to-date, one-year, three-year, five-year, and ten-year periods ended June 30, 2021. In assessing the quality of the portfolio management services delivered by the Adviser, the Independent Directors also compared the short-term and long-term performance of the Fund on both an absolute basis and in comparison to a peer fund group with data provided by Morningstar, Inc. (the "Morningstar Peer Group") and assembled by Fund Services independently from the Adviser. The Independent Directors noted that the Fund's performance was below the peer group average for the one-year, three-year, five-year and ten-year periods. It was also noted by the Independent Directors that the Adviser had provided select data on the Fund's Peers that the Adviser believed were most comparable to the investment style of SPE. The Independent directors also noted that they review the investment performance of the Fund at each quarterly meeting. After considering all of the information, the Independent Directors concluded that the Adviser has obtained reasonable returns for the Fund while minimizing risk. Although past performance is not a guarantee or indication of future results, the Independent Directors determined that the Fund and its shareholders were likely to benefit from the Adviser's continued management.

The Independent Directors then turned to a more focused review of the cost of services and the structure of the Adviser's fees. The Independent Directors reviewed information prepared by the Adviser, as well as by Fund Services comparing the Fund's contractual advisory fee with a peer group of funds and comparing the Fund's overall expense ratio to the expense ratios of the Peer Group. The Independent Directors noted that the contractual investment advisory fee for the Fund of 1.00% was below the 1.02% Peer Group average. The Independent Directors further noted that the then current expense ratio of 1.71% included the advisory fee on the preferred assets. It was noted that the Fund is unique in its industry due to its activist investment strategy and true comparisons are difficult. Discussion ensued regarding the selection of the comparable funds by the Adviser and their use of leverage. Following a thorough discussion, the Independent Directors concluded that the Fund's expenses and the management fee paid to the Adviser were fair and not unreasonable in light of the experience and commitment of the Adviser, as well as the comparative performance, expense and management fee information provided.



# Special Opportunities Fund, Inc.

## Board approval of investment advisory agreement (unaudited)

After due consideration of the written and oral presentations, the Independent Directors concluded that the nature and scope of the advisory services provided was reasonable and appropriate in relation to the advisory fee and in relation to peer comparisons, that the level of services to be provided by the Adviser were expected to be maintained and that the quality of service was expected to remain high.

Based on the factors discussed above, the Board approved the continuance of the Advisory Agreement between the Fund and Adviser on September 14, 2021.

# Special Opportunities Fund, Inc.

## New York Stock Exchange certifications (unaudited)

On January 4, 2022, the Fund submitted an annual certification to the New York Stock Exchange (“NYSE”) in which the Fund’s president certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE’s Corporate Governance listing standards.

# Special Opportunities Fund, Inc.

## Privacy policy notice

The following is a description of the Fund's policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

**CATEGORIES OF INFORMATION THE FUND COLLECTS.** The Fund collects the following nonpublic personal information about you:

1. Information from the Consumer: this category includes information the Fund receives from you on or in applications or other forms, correspondence, or conversations (such as your name, address, phone number, social security number, assets, income and date of birth); and
2. Information about the Consumer's transactions: this category includes information about your transactions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).

**CATEGORIES OF INFORMATION THE FUND DISCLOSES.** The Fund does not disclose any nonpublic personal information about their current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you.

**CONFIDENTIALITY AND SECURITY.** The Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

**This privacy policy notice is not a part of the shareholder report.**

**Investment Adviser**

Bulldog Investors, LLP  
Park 80 West  
250 Pehle Avenue, Suite 708  
Saddle Brook, NJ 07663

**Administrator and Fund Accountant**

U.S. Bank Global Fund Services  
615 East Michigan Street  
Milwaukee, WI 53202

**Custodian**

U.S. Bank, N.A.  
Custody Operations  
1555 North RiverCenter Drive, Suite 302  
Milwaukee, WI 53212

**Transfer Agent and Registrar**

American Stock Transfer & Trust Company, LLC  
59 Maiden Lane  
New York, NY 10038

**Fund Counsel**

Blank Rome LLP  
1271 Avenue of the Americas  
New York, NY 10020

**Independent Registered Public Accounting Firm**

Tait, Weller & Baker LLP  
Two Liberty Place  
50 South 16th Street, Suite 2900  
Philadelphia, PA 19102

**Board of Directors**

Andrew Dakos  
Phillip Goldstein  
Ben Harris  
Gerald Hellerman  
Marc Lunder  
Charles Walden

**Special Opportunities Fund, Inc.**

**1-877-607-0414**

**[www.specialopportunitiesfundinc.com](http://www.specialopportunitiesfundinc.com)**