45,500,000 Shares

DWS Dreman Value Income Edge Fund, Inc.

COMMON STOCK

DWS Dreman Value Income Edge Fund, Inc. (the "Fund") is offering 45,500,000 shares of common stock. This is the initial public offering of the Fund's shares of common stock, and no public market exists for its common stock. The Fund is a newly organized, non-diversified, closed-end management investment company.

Investment Objective. The Fund seeks to achieve a high level of total return. The Fund pursues its investment objective through a combination of an income strategy designed to generate regular income with the potential for capital appreciation while reducing volatility (the "Income Strategy"), and a quantitative long/short strategy designed to seek returns that are uncorrelated with the market (the "Hedge Strategy"). There is no assurance that the Fund will achieve its objective.

No Prior History. Because the Fund is newly organized, its common stock has no history of public trading. Common stock of closed-end funds frequently trades at prices lower than the funds' net asset value. The risk of loss due to this discount may be greater for initial investors expecting to sell their common stock in a relatively short period after the completion of this public offering. The Fund's common stock has been approved for listing on the New York Stock Exchange, subject to notice of issuance, under the symbol "DHG."

(continued on following page)

Investing in common stock involves certain risks. See "Risks" on page 26 of this prospectus.

PRICE $20.00 A SHARE

	Price to Public	Sales Load	Estimated Offering Expenses	Proceeds After Expenses to the Fund
Per Share	$20.00	$0.90	$0.04	$19.06
Total	$910,000,000	$40,950,000	$1,820,000	$867,230,000

The underwriters may also purchase up to an additional 6,825,000 common shares at the public offering price, less the sales load, within 45 days of the date of this prospectus to cover overallotments. If such option is exercised in full, the total price to public, sales load, estimated offering expenses and proceeds, after expenses, to the Fund will be $1,046,500,000, $47,092,500, $2,093,000 and $997,314,500, respectively. See "Underwriters."

Deutsche Investment Management Americas Inc., the Fund's investment adviser, will pay a marketing and structuring fee of $10,987,276.50 to Morgan Stanley & Co. Incorporated. Deutsche Investment Management Americas Inc. will also pay a marketing and structuring fee to A.G. Edwards & Sons, Inc., which will not exceed 0.50% of the aggregate price to public of the common shares sold by A.G. Edwards & Sons, Inc. in this offering. These fees are not reflected under estimated offering expenses in the table above. See "Underwriters — Additional Compensation to Be Paid by the Investment Adviser."

The Fund will pay offering expenses (other than the sales load) up to an aggregate of $0.04 per share of the Fund's common stock sold in this offering. Deutsche Investment Management Americas Inc. has agreed to bear (i) all organizational expenses of the Fund and (ii) such offering expenses of the Fund (other than the sales load) that exceed $0.04 per share of the Fund's common stock. The aggregate offering expenses (other than the sales load), as of the date of this prospectus, are estimated to be $1,820,000, all of which would be borne by the Fund. The actual aggregate offering expenses and the respective dollar amounts borne by the Fund and Deutsche Investment Management Americas Inc. may be different. Proceeds to the Fund are calculated after expenses paid by the Fund.

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

The underwriters expect to deliver the shares of common stock to purchasers on or about November 28, 2006.

MORGAN STANLEY

A.G. EDWARDS **DEUTSCHE BANK SECURITIES**

H&R BLOCK FINANCIAL ADVISORS, INC. **FERRIS, BAKER WATTS, INCORPORATED** **J.J.B. HILLIARD, W.L. LYONS, INC.**
JANNEY MONTGOMERY SCOTT LLC **OPPENHEIMER & CO.** **RBC CAPITAL MARKETS**
STIFEL NICOLAUS **WELLS FARGO SECURITIES**

November 21, 2006.

(continued from previous page)

Principal Strategies. The Fund allocates its assets between the Income Strategy and the Hedge Strategy depending on the assessment of the Fund's subadviser, Dreman Value Management, LLC ("Dreman" or the "Subadviser"), of current market conditions and the attractiveness of available investment opportunities. Under normal circumstances, the Fund will allocate at least 10%, but not more than 40%, of its Managed Assets to the Hedge Strategy. "Managed Assets" means the average daily total assets of the Fund, including the assets attributable to leverage, minus liabilities (other than debt representing financial leverage). The Income Strategy emphasizes both dividend-paying common stocks and other income-producing securities, including high-yield bonds, preferred stock, and securities of real estate investment trusts, energy trusts and other investment companies. The Hedge Strategy focuses on long and short positions of common stocks of U.S. companies that are similar in size to the companies in the S&P 500 Index. Both strategies are implemented using a value-oriented investment process.

Leverage. The Fund may borrow and/or issue preferred stock or debt securities to the extent permitted by the Investment Company Act of 1940, as amended. These practices are known as leveraging. Depending on the Subadviser's assessment of market conditions, the Fund currently anticipates using leverage in an amount up to approximately 33 1/3% of the Fund's total assets (including the leverage proceeds) and anticipates initially leveraging principally through borrowing. Leverage creates a greater risk of loss, as well as a potential for greater income and capital appreciation, for the shares of common stock than if leverage is not used. The Fund's leveraging strategy may not be successful. See "Use of Leverage," on page 24 of the prospectus.

Investment Adviser and Subadviser. The Fund's investment adviser is Deutsche Investment Management Americas Inc. ("DeIM" or the "Investment Adviser"). DeIM is part of the U.S. asset management activities of Deutsche Bank AG. Dreman Value Management, LLC serves as the Fund's subadviser and is responsible for the day-to-day management of the Fund's portfolio of securities.

You should read this prospectus, which contains important information about the Fund, before deciding whether to invest in the common stock, and retain it for future reference. A statement of additional information, dated November 21, 2006, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the statement of additional information, the table of contents of which is on page 60 of this prospectus, annual and semi-annual reports to stockholders when available, and other information about the Fund, by calling (800) 349-4281 or by writing to the Fund or by visiting the Fund's website at www.cef.dws-scudder.com (information included on the website does not form a part of this prospectus) or obtain a copy (and other information regarding the Fund) from the U.S. Securities and Exchange Commission's web site (http://www.sec.gov).

The Fund's common stock does not represent a deposit or obligation of, and is not guaranteed or endorsed by, any bank or other insured depository institution, and is not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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You should rely only on the information contained or incorporated by reference in this prospectus. Neither the Fund nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the Fund nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information provided by this prospectus is accurate as of any date other than the date on the front of this prospectus. The Fund's business, financial condition and results of operations may have changed since that date.

Until December 16, 2006 (25 days after the date of this prospectus), all dealers that buy, sell or trade the shares of common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This is only a summary of information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in the Fund's shares of common stock offered by this prospectus ("Common Shares"). You should review the more detailed information contained in this prospectus and the statement of additional information, especially the information set forth under the headings "Investment Objective, Strategies and Policies" and "Risks."

The Fund DWS Dreman Value Income Edge Fund, Inc. (the "Fund") is a newly organized, non-diversified, closed-end management investment company.

The Offering The Fund is offering shares of common stock, $0.01 par value per share, at $20.00 per share through a group of underwriters led by Morgan Stanley & Co. Incorporated. The minimum purchase in this offering is 100 Common Shares ($2,000). The Fund has given the underwriters an option to purchase up to 6,825,000 additional Common Shares to cover overallotments. See "Underwriters." The Fund will pay offering expenses (other than the sales load) up to an aggregate of $0.04 per share of the Fund's Common Shares sold in this offering. Deutsche Investment Management Americas Inc. ("DeIM" or the "Investment Adviser"), the investment adviser to the Fund, has agreed to bear (i) all organizational expenses of the Fund and (ii) such offering expenses of the Fund (other than the sales load) that exceed $0.04 per share of the Fund's Common Shares. The aggregate offering expenses (other than the sales load) to be incurred by the Fund currently are estimated to be $1,820,000. Proceeds to the Fund are calculated after expenses paid by the Fund.

Who May Want to Invest You should consider your own investment goals, time horizon and risk tolerance before investing in Common Shares of the Fund. An investment in the Fund's Common Shares may not be appropriate for all investors and is not intended to be a complete investment program. The Fund's Common Shares may be an appropriate investment for you if you are seeking:

- The opportunity for a high level of total return;
- Access to an experienced portfolio management team; and
- A value-oriented investment strategy that seeks to identify undervalued securities in the market.

However, keep in mind you will need to assume the risks associated with an investment in the Fund. See "Risks."

Investment Objective The Fund seeks to achieve a high level of total return. The Fund pursues its investment objective through a combination of an income strategy designed to generate regular income with the potential for capital appreciation while reducing volatility (the "Income Strategy"), and a quantitative long/short strategy designed to seek returns that are uncorrelated with the market (the "Hedge Strategy"). There is no assurance that the Fund will achieve its objective. See "Investment Objective, Strategies and Policies."

Principal Investment Strategies	The Fund allocates its assets between the Income Strategy and the Hedge Strategy depending on the assessment of Dreman Value Management LLC, the Fund's subadviser ("Dreman" or the "Subadviser"), of current market conditions and the attractiveness of available investment opportunities. Under normal circumstances, the Fund will allocate at least 10%, but not more than 40%, of its Managed Assets to the Hedge Strategy. "Managed Assets" means the average daily total assets, including the assets attributable to leverage, minus liabilities (other than debt representing financial leverage). The percentage allocation of assets between the Income Strategy and Hedging Strategy may vary. Both strategies are implemented using a value-oriented investment process. **Income Strategy.** The Income Strategy will consist of investments in dividend-paying common stocks and other income-producing securities, including, but not limited to, high yield bonds, preferred stocks, and securities of real estate investment trusts ("REITs"), energy trusts and other investment companies. Equity securities are selected for the Income Strategy using a value-oriented investment approach, with an emphasis on securities that the Subadviser believes offer the potential for regular income and capital appreciation. The emphasis on income is also intended to reduce volatility. When implementing the Income Strategy, the Subadviser develops a universe of potential investments using quantitative (i.e., statistical) factors including price-to-earnings ("P/E") ratios, price-to-book ratios and cash flow ratios. The Subadviser then applies a bottom-up fundamental (or qualitative) analysis to select the investments from the universe that the Subadviser believes are most attractive. The Subadviser seeks to invest in securities that it believes are trading below their true market value and generally invests in securities that have P/E ratios below the average for the Standard & Poor's 500 Composite Stock Index ("S&P 500 Index"). High yield bonds and non-equity securities are selected using relative value and fundamental analysis. The Subadviser seeks to identify stable to improving credit situations that may provide yield compensation for the risk of investing in below investment grade securities. Although the Fund will not invest more than 25% of its assets in any single industry, the Fund's emphasis on income-producing securities may result in significant exposure to the energy and real estate sectors. Both of these sectors tend to be cyclical in nature, and a prolonged downturn in either sector could have an adverse effect on the Fund's net asset value. **Hedge Strategy.** The Hedge Strategy seeks to provide returns that are not correlated with the market, as measured by the performance of the S&P 500 Index. The Hedge Strategy focuses on long and short positions of common stocks of U.S. companies that are similar in size to the companies in the S&P 500 Index. The Subadviser generally seeks to buy, or take long positions in, common stocks with low P/E ratios and seeks to sell, or hold short positions in, common stocks with high P/E ratios. The Subadviser

uses the proprietary process described above, which emphasizes quantitative factors to select the potential universe of investments. As part of the Hedge Strategy, the Subadviser may also seek to enhance returns through futures on stock indices, options on futures, securities of exchange-traded funds and other instruments that provide broad market exposure.

Other Techniques. The Fund may invest up to 30% of its Managed Assets in securities of foreign issuers. The Fund is permitted, but not required, to use various types of derivative products (contracts whose value depends on, for example, indexes, currencies or securities). Derivatives may be used for hedging or risk management or for non-hedging purposes to seek to enhance potential returns. The Fund also may use derivatives when the Subadviser believes they offer an economical means of gaining exposure to a particular asset class or to maintain exposure to a market.

Use of Leverage .... The Fund may borrow and/or issue preferred stock or debt securities to the extent permitted by the Investment Company Act of 1940, as amended (the "1940 Act"). These practices are known as leveraging. Depending on the Subadviser's assessment of market conditions, the Fund currently anticipates using leverage in an amount up to approximately 33$\frac{1}{3}$% of the Fund's total assets (including the leverage proceeds) and anticipates initially leveraging principally through borrowings. If the net rate of return on the Fund's investments purchased with the leverage proceeds exceeds the interest or dividend rate payable on the leverage, such excess earnings will be available to pay higher dividends to holders of the Fund's Common Shares (the "Common Shareholders").

The use of leverage creates an opportunity for increased income and capital appreciation for Common Shareholders, but also involves special risks, including the likelihood of greater volatility in the net asset value and market price of the Common Shares. During periods in which the Fund is using leverage, the fees received by the Fund's Investment Adviser and Subadviser will be higher than if the Fund did not use leverage because the fees paid will be calculated based on the Fund's Managed Assets, which include assets attributable to leverage. There is no assurance that the Fund will use leverage or, if leverage is used, that it will be successful in achieving the Fund's investment objective. See "Use of Leverage" and "Risks — Leverage Risks."

Investment Adviser and Subadviser ... The Fund's investment adviser is Deutsche Investment Management Americas Inc. DeIM provides a full range of investment advisory services to retail and institutional clients, and as of June 30, 2006 had total assets of approximately $164 billion under management. DeIM is an indirect wholly-owned subsidiary of Deutsche Bank AG, an international commercial and investment banking institution that is engaged in a wide range of financial services, including investment management, mutual fund, retail, private and commercial banking, investment banking and insurance. As of June 30, 2006, Deutsche Asset Management, the global asset management division of Deutsche Bank AG, had more than US$650 billion in assets under management. DeIM is part of

Deutsche Asset Management. DeIM also acts as the Fund's administrator.

Dreman Value Management LLC serves as the Fund's subadviser pursuant to a sub-advisory agreement between DeIM and Dreman. Dreman was founded by David N. Dreman in 1997, and its predecessor firms date back to 1977. As of June 30, 2006, Dreman had approximately $17.8 billion in assets under management.

The Fund has agreed to pay DeIM a management fee payable on a monthly basis at the annual rate of 1.00% of the Fund's average daily Managed Assets for the services and facilities it provides. For more information on fees and expenses, see "Summary of Fund Expenses" and "Management of the Fund."

Dividends and Distributions .... The Fund intends to distribute to Common Shareholders all or a portion of its net investment income monthly and net realized capital gains, if any, at least annually. The Fund expects to declare its initial monthly dividend within 60 days and pay its initial monthly dividend within 80 days after the completion of this offering, depending on market conditions. See "Dividends and Distributions."

Pursuant to the Fund's Dividend Reinvestment and Cash Purchase Plan, Common Shareholders may elect to have all dividends and distributions (including all capital gain distributions) automatically reinvested in shares of common stock of the Fund. If Common Shareholders of the Fund do not elect to participate, such Common Shareholders will receive all dividends and distributions in cash. Common Shareholders whose stock is held in the name of a broker or nominee should contact the broker or nominee to confirm that the dividend reinvestment service is available. See "Dividend Reinvestment and Cash Purchase Plan."

Listing of the Common Shares .... The Common Shares have been approved for listing on the New York Stock Exchange (the "NYSE"), subject to notice of issuance, under the symbol "DHG."

Risk Considerations .... Risk is inherent in all investing. Therefore, before investing in the Common Shares you should consider the following risks as well as the other information in this prospectus.

No Operating History. The Fund is a newly organized, non-diversified, closed-end management investment company with no operating history.

Not a Complete Investment Program. The Fund is intended for investors seeking a high level of total return over the long term, and is not intended to be a short-term trading vehicle. An investment in the Common Shares of the Fund should not be considered a complete investment program. Each investor should take into account the Fund's investment objective as well as the investor's other investments when considering an investment in the Common Shares.

Investment and Market Risk. An investment in the Common Shares is subject to investment risk and market risk, including the possible loss of the entire principal amount of your investment. An investment in the Common Shares represents an indirect investment in the securities owned by the Fund. At any point in time, Common Shares may be worth less than your original investment, even after taking into account the reinvestment of dividends and distributions.

Market Discount Risk. Shares of closed-end investment companies like the Fund frequently trade at a price below their net asset value, commonly referred to as a "discount." This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of the Fund's investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Because the market price of the Common Shares will be affected by such factors as the relative demand for and supply of the Common Shares, general market and economic conditions and other factors beyond the control of the Fund, the Fund cannot predict whether the Common Shares will trade at, below or above net asset value or at, below or above the public offering price. The Fund's net asset value immediately following this offering will be reduced by the deduction of the sales load and the amount of organizational and offering expenses paid by the Fund. See "Use of Proceeds."

Common Stock Risk. The Fund may invest in common stocks. Investments in common stocks involve common stock risk, which is the risk that common stocks and similar equity securities held by the Fund will fall in value due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, and the particular circumstances and performance of individual companies whose securities the Fund holds. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. While broad market measures of commons stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

Value Style Risk. The Fund focuses its investments on dividend-paying common stocks or other income-producing securities that the Subadviser believes are undervalued or inexpensive relative to other investments. These types of securities may present risks in addition to the general risks associated with investing in common and preferred stocks, including the risk that securities that are perceived as "value" stocks may not perform as well as securities that are perceived as "growth" stocks during periods when the market favors growth stocks generally over value stocks.

Preferred Stock Risk. The Fund may invest in preferred stocks. Special risks associated with investing in preferred stock include deferral of distributions or dividend payments (including, in some cases the right of an issuer never to pay missed dividends), subordination, illiquidity, limited voting rights and redemption by the issuer.

Energy Trust Risk. The Fund may invest in equity securities of Canadian royalty income trusts that own and/or operate energy related assets ("Energy Trusts"). The value of Energy Trusts may fluctuate in response to changes in the financial condition of the issuer, the conditions of equity markets generally, commodity prices (that will vary and are determined by supply and demand factors including weather and general economic and political conditions), the hedging policies of issuers, issues relating to the regulation of the energy industry and operational risks related to the energy industry. Distributions on securities of Energy Trusts will depend on various factors including the operating performance and financial condition of the Energy Trusts, tax treatment of such distributions, and general economic conditions.

REIT Risk. The Fund may invest in common stocks, preferred stocks, convertible securities and rights and warrants, each issued by REITs. As a result, an investment in the Fund may be linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and poor management.

Convertible Securities Risk. The Fund may invest in convertible securities. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, the convertible security's market value tends to reflect the market price of the common stock of the issuing company when that stock price is greater than the convertible security's "conversion price." The conversion price is defined as the predetermined price at which the convertible security could be exchanged for the associated stock. As the market price of the underlying common stock declines, the price of the convertible security tends to be influenced more by the yield of the convertible security. However, convertible securities rank below debt obligations of the same issuer in order of preference or priority in the event of a liquidation and are typically unrated or rated lower than such debt obligations.

Below Investment Grade Securities Risk. The Fund may invest in below investment grade securities. Investment in securities of below investment grade quality, commonly referred to as "junk bonds," may involve a substantial risk of loss as they are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due. The market values for debt securities of below investment grade quality also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher quality securities. In addition, lower rated securities and comparable unrated securities generally present a higher degree of credit risk. The risk of loss due to default by these issuers is significantly greater because such lower rated securities and unrated securities of comparable quality generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness.

Investment Company Risk. The Fund may invest in securities of other investment companies. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, including the investment company's investment advisory and administrative fees. At the same time, the Fund would continue to pay its own investment management fees with respect to the assets so invested. Common Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, the securities of other investment companies may be leveraged and will therefore be subject to similar leverage risks as those described in this prospectus. Securities of business development companies, a type of closed-end investment company, also may include risks commonly associated with private equity and venture capital investments, and may be subject to a higher degree of risk.

Key Personnel Dependence Risk. Although the Subadviser has a long operating history, the firm is relatively small and is dependent on the services of a limited number of key investment personnel including the firm's founder, David N. Dreman. In the event of a loss of key members of the investment team, including in particular Mr. Dreman, the Subadviser may have to hire additional personnel and to the extent that it is unable to hire qualified individuals its operations may be affected.

Foreign Investment Risk. Foreign investments involve certain special risks, including:

- *Political Risk.* Some foreign governments have limited the outflow of profits to investors abroad, imposed restrictions on the exchange or export of foreign currency, extended diplomatic disputes to include trade and financial relations, seized foreign investment and imposed high taxes.

- *Information Risk.* Companies based in foreign markets are usually not subject to accounting, auditing and financial reporting standards and practices as stringent as those in the U.S. Therefore, their financial reports may present an incomplete, untimely or misleading picture of a foreign company, as compared to the financial reports of U.S. companies.

- *Liquidity Risk.* Investments that trade less can be more difficult or more costly to buy, or to sell, than more liquid or active investments. This liquidity risk is a factor of the trading volume of a particular investment, as well as the size and liquidity of the entire local market. On the whole, foreign exchanges are smaller and less liquid than the U.S. market. This can make buying and selling certain investments more difficult and costly. Relatively small transactions in some instances can have a disproportionately large effect on the price and supply of securities. In certain situations it may become virtually impossible to sell an investment in an orderly fashion at a price that approaches the managers' estimate of its value. For the same reason, it may at times be difficult to value the Fund's foreign investments.

- *Regulatory Risk.* There is generally less government regulation of foreign markets, companies and securities dealers than in the U.S.

- *Currency Risk.* The Fund may invest in securities denominated in foreign currencies. This creates the possibility that changes in exchange rates between foreign currencies and the U.S. dollar will affect the US dollar value of foreign securities or the income or gain received on these securities.

- *Limited Legal Recourse Risk.* Legal remedies for investors may be more limited than the remedies available in the U.S.

- *Trading Practice Risk.* Brokerage commissions and other fees may be higher for foreign investments than for U.S. investments. The procedures and rules governing foreign transactions and custody may also involve delays in payment, delivery or recovery of money or investments.

- *Taxes.* Foreign withholding and certain other taxes may reduce the amount of income available to distribute to shareholders of the Fund. In addition, special U.S. tax considerations may apply to the Fund's foreign investments.

Emerging Market Risk. All of the risks of investing in foreign securities, as discussed above, are increased in connection with investments in emerging markets securities. In addition, profound social changes and business practices that depart from norms in developed countries' economies have hindered the orderly growth of emerging economies and their markets in the past and have caused instability. High levels of debt tend to make emerging economies heavily reliant on foreign capital and vulnerable to capital flight. These countries are also more likely to experience high levels of inflation, deflation or currency devaluation, which could also hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative.

Sector Risk. While the Fund does not concentrate in any industry, to the extent that the Fund has exposure to a given industry or sector, any factors affecting that industry or sector could affect the value of portfolio securities. If the security selection process results in more attractive stocks within a market sector or industry, then the Subadviser would tend to overweight that sector or industry. Overweighting investments in certain market sectors or industries, such as the real estate or energy sectors, may cause the Fund to suffer a loss related to advances or declines in the prices of stocks in those sectors or industries. Both of these sectors tend to be cyclical in nature, and a prolonged downturn in either sector could have an adverse effect on the Fund's net asset value.

Dividend and Distribution Risk. Dividends and distributions paid by the Fund to its Common Shareholders are derived in part from realized capital gains, dividends and interest income from the Fund's investments in equity and debt securities and total returns generated from the Fund's other investment techniques. The total return generated by the Fund's investments can vary widely over the short-term and long-term. If prevailing market interest rates drop, distribution rates of the Fund's portfolio holdings of preferred securities and debt securities may decline, which then may adversely affect the Fund's distributions on Common Shares as well. The Fund's income also would likely be affected adversely when prevailing short-term interest rates increase and the Fund is using leverage. Common stocks are structurally subordinated to preferred stocks, bonds and other debt instruments in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers.

Leverage Risk. Leverage is a speculative technique that may magnify losses of the Fund and adversely affect Common Shareholders. The Fund will pay (and the Common Shareholders will bear) any costs and expenses relating to any leverage. If the income and gains earned on securities purchased with leverage proceeds are greater than the costs of leverage, the return on Common Shares will be greater than if leverage had not been used. Conversely, if the income or gain from the securities purchased with such proceeds does not cover the costs of leverage, the return on Common Shares will be less than if leverage had not been used. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for Common Shareholders, including:

- the likelihood of greater volatility of net asset value and market price of the Common Shares than a comparable portfolio without leverage because changes in the value of the Fund's portfolio investments, including investments purchased with the proceeds of leverage, are borne entirely by the Common Shareholders;
- the risk that fluctuations in interest rates on borrowings and short-term debt or in the dividend rates on any leverage that the Fund must pay will reduce the return to the holders of Common Shares and will reduce income available for distribution; and
- the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of the Common Shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the Common Shares.

It is also possible that the Fund will be required to sell assets at a time when it would otherwise not do so, possibly at a loss, in order to redeem senior securities or meet payment obligations on any leverage. Such a sale would reduce the Fund's net asset value and also make it difficult for the net asset value to recover. The Fund's use of leverage may also impair the ability of the Fund to maintain its qualification for federal income tax purposes as a regulated investment company.

During periods in which the Fund is using leverage, the fees received by the Fund's Investment Adviser and Subadviser will be higher than if leverage had not been used, because the fees paid will be calculated based on the Fund's Managed Assets, which include assets attributable to leverage.

Short Sale Risk. The Fund may sell securities short. Short sales involve the risk that the Fund will incur a loss by subsequently being required to buy a security at a higher price than the price at which the Fund previously sold the security short. Any loss will be increased by the amount of compensation, interest or dividends, and transaction costs the Fund must pay to a lender of the security. In addition, because the Fund's loss on a short sale stems from increases in the value of the security sold short, the extent of such loss, like the price of the security sold short, is theoretically unlimited. By contrast, the Fund's loss on a long position arises from decreases in the value of the security held by the Fund and therefore is limited by the fact that a security's value cannot drop below zero.

The use of short sales is in effect a form of leveraging the Fund's portfolio that could increase the Fund's exposure to the market, magnify losses and increase the volatility of returns.

The Fund's net asset value may increase if the securities in its long portfolio increase in value more than the securities underlying its short positions. On the other hand, the Fund's net asset value may decrease if the securities underlying its short positions increase in value more than the securities in its long portfolio. If the Fund's long and short positions do not perform as anticipated, the Fund's potential losses could exceed those of other funds that hold only long stock portfolios.

The Fund may not always be able to close out a short position at a particular time or at a favorable price. A lender may request that borrowed securities be returned to it on short notice, and the Fund may have to buy the borrowed securities at an unfavorable price. If this occurs at a time that other short sellers of the same security also want to close out their positions, it is more likely that the Fund will have to cover its short sale at an unfavorable price and potentially reduce or eliminate any gain, or cause a loss, as a result of the short sale.

Interest Rate Risk. Interest rate risk is the risk that fixed income securities in the Fund's portfolio will decline in value because of increases in market interest rates. When market interest rates rise, the market value of such securities generally will fall. The Fund's investment in such securities means that the net asset value and market price of the Common Shares will tend to decline if market interest rates rise.

Prepayment and Extension Risk. Preferred stocks and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. An issuer may redeem such a security if the issuer can refinance it at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration, and reduce the value of the security. This is known as extension risk.

Derivatives Risk. The Fund may use derivatives to enhance return and for hedging purposes. Risks associated with derivatives include: the risk that the derivative is not well correlated with the security, index or currency to which it relates; the risk that derivatives used for risk management may not have the intended effects and may result in losses or missed opportunities; the risk that the Fund will be unable to sell the derivative because of an illiquid secondary market; the risk that a counterparty is unwilling or unable to meet its obligation; the risk of interest rate movements; and the risk that the derivatives transaction could expose the Fund to the effects of leverage, which could increase the Fund's exposure to the market and magnify potential losses. There is no guarantee that derivatives activities will be employed or that they will work, and their use could cause lower returns or even losses to the Fund.

Illiquid Securities Risk. The Fund may invest in securities for which there is no readily available trading market or that are otherwise illiquid. It may be difficult to sell such securities at a price representing their fair value and, where registration of such securities is required, a considerable period may elapse between a decision to sell the securities and the time when the Fund would be permitted to sell.

Call Option Risk. As the seller of a call option, the Fund forgoes, during the option's term, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the option premium received and the exercise price of the call option, but retains the risk of loss, minus the option premium received, should the price of the underlying security decline. The extent of the Fund's exposure to call option risk will vary depending on the degree to which call options are written on the portfolio. In addition, the value of any call options written by the Fund, which will be priced daily, will be affected by, among other things, changes in the value of the securities or indices underlying the options and the remaining time to the options' expiration. The value of the call options also may be adversely affected if the market for the options becomes less liquid or smaller.

As the purchaser of a call option, depending on the price of the underlying instrument, the Fund may choose not to exercise its call option prior to its expiration, in which case the Fund would lose the premium it paid for the call option. Upon exercise of the call option, if the counterparty fails to make delivery of the instrument, the Fund will lose any premium it paid as well as any anticipated benefit of the transaction. The Fund's ability to close out its position as a purchaser of a call option is dependent, in part, upon the liquidity of the option market, which in turn depends on a number of factors.

Warrant and Rights Risk. Warrants and rights are subject to the same market risks as common stocks, but are more volatile in price. Warrants and rights do not carry the right to dividends or voting rights with respect to their underlying securities, and they do not represent any rights in the assets of the issuer. An investment in warrants or rights may be considered speculative. In addition, the value of a warrant or right does not necessarily change with the value of the underlying security and a warrant or right ceases to have value if it is not exercised prior to its expiration date. The purchase of warrants or rights involves the risk that the Fund could lose the purchase value of a warrant or right if the right to subscribe for additional shares is not exercised prior to the warrants' or rights' expiration. Also, the purchase of warrants and rights involves the risk that the effective price paid for the warrant or right added to the subscription price of the related security may exceed the value of the subscribed security's market price such as when there is no movement in the price of the underlying security.

Repurchase Agreement Risk. With respect to repurchase agreements, if the party agreeing to repurchase specific securities should default, the Fund may seek to sell the securities that it holds. This could involve transaction costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. Repurchase agreements maturing in more than seven days are considered to be illiquid securities.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of certain portfolio securities and distributions thereon can decline.

Deflation Risk. Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Non-Diversified Status. As a "non-diversified" investment company under the 1940 Act, the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in securities of a single issuer and, accordingly, may invest a greater portion of its assets in the secondary market securities of a similar number of issuers than a diversified Fund. An investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company because changes in the financial condition or market assessment of a single issuer may cause greater fluctuations in the value of the Fund's Common Shares. The Fund intends to comply with the diversification requirements of the Internal Revenue Code of 1986, as amended (the "Code"), for qualification as a regulated investment company.

Market Disruption Risk. The U.S. securities markets are subject to disruption as a result of terrorist activities such as the terrorist attacks on the World Trade Center on September 11, 2001; the war in Iraq and its aftermath; other hostilities; and other geopolitical events. Such events have led, or may in the future lead, to short-term market volatility and may have long-term effects on the U.S. economy and markets.

Anti-Takeover Provisions in the Fund's Charter and By-Laws . . . . Certain provisions of the Fund's charter ("Charter") and by-laws ("By-Laws"), including the use of a classified board, could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to modify its structure. These provisions may have the effect of depriving Common Shareholders of an opportunity to sell their shares at a premium over prevailing market prices and may have the effect of inhibiting conversion of the Fund to an open-end status. See "Certain Provisions of the Fund's Charter and By-Laws."

Custodian, Transfer Agent and Dividend-Disbursing Agent . . . . . . State Street Bank and Trust Company will act as the Fund's custodian. DWS Scudder Investments Service Company will act as the Fund's transfer agent and dividend-disbursing agent. See "Custodian, Transfer Agent and Dividend-Disbursing Agent."

SUMMARY OF FUND EXPENSES

The following table assumes leverage in an amount equal to 33⅓% of the Fund's total assets (including assets attributable to leverage), and shows Fund expenses as a percentage of net assets attributable to Common Shares. Footnote 4 to the table also shows Fund expenses as a percentage of net assets attributable to Common Shares, but assumes that no leverage is used by the Fund. The Investment Adviser (and not the Fund) will pay marketing and structuring fees to certain underwriters in connection with this offering. For information regarding the marketing and structuring fees payable by the Investment Adviser (and not the Fund) to certain underwriters in connection with this offering, see "Underwriters — Additional Compensation to be Paid by the Investment Adviser."

	Percentage of Offering Price
Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)	4.50%
Leverage Costs (estimated as a percentage of estimated proceeds from the Fund's Common Share offering, after deducting offering costs) (1)	0.11%
Expenses Borne by the Fund (2)	0.20%
Dividend Reinvestment Plan Fees (3)	None

	Percentage of Net Assets Attributable to Common Shares (Assumes Leverage) (2) (4)
Annual Expenses	
Management Fee (5)	1.65%
Leverage Expenses (6)	2.89%
Other Expenses (7)	0.26%
Total Annual Expenses	4.80%

(1) If the Fund engages in leverage through borrowings, the costs of establishing a borrowing facility will be borne by holders of Common Shares and, assuming the Fund immediately expenses the entire amount of leverage costs, will result in an immediate reduction of the net asset value of the Common Shares. Assuming leverage in an amount equal to 33⅓% of the Fund's Managed Assets (including the aggregate amount obtained from leverage), those costs are estimated to be approximately $0.02 per Common Share (0.11% of the estimated proceeds from the Fund's Common Share offering, after deducting offering costs). These costs do not include interest expense on borrowings. See footnote (6).

(2) The Fund will pay offering expenses (other than the sales load) up to an aggregate of $0.04 per share of the Fund's Common Shares sold in this offering. DeIM has agreed to bear (i) all organizational expenses of the Fund and (ii) such offering expenses of the Fund (other than the sales load) that exceed $0.04 per share of the Fund's Common Shares. The aggregate offering expenses (other than the sales load) are estimated to be $1,820,000. Proceeds to the Fund are calculated after expenses paid by the Fund.

(3) You will pay service and brokerage charges if you direct the Plan Agent (as defined below) to sell your Common Shares held in a dividend reinvestment account. See "Dividend Reinvestment and Cash Purchase Plan."

(4) Stated as a percentage of net assets attributable to Common Shares assuming leverage. The table presented below in this footnote estimates what the Fund's annual expenses would be stated as

percentages of the Fund's net assets attributable to Common Shares assuming no leverage. In accordance with these assumptions, the Fund's expenses would be estimated to be as follows:

	Percentage of Net Assets Attributable to Common Shares (Assumes No Leverage)
Annual Expenses	
Management Fee(5)	1.10%
Other Expenses(7)	0.26%
Interest Payments on Borrowed Funds	None
Total Annual Expenses	1.36%

(5) Includes an administrative fee payable to DeIM of 0.10% of the Fund's average daily Managed Assets. The Management Fee is also charged as a percentage of the Fund's average daily Managed Assets.

(6) Includes estimated annual leverage expense, based on an annual interest /dividend rate of 5.75% and that portion of the estimated costs of establishing a borrowing facility that is amortizable in a one-year period.

(7) "Other Expenses" include an estimate of 0.15% of net assets for dividend expenses on short sales, which are dividends paid to the lenders of borrowed securities. Dividend expenses will vary depending on whether the securities the Fund sells short pay dividends and the amount of those dividends.

The purpose of the table above and the example below is to help you understand all fees and expenses that you, as a holder of Common Shares, would bear directly or indirectly. The expenses shown in the table under "Other Expenses" and "Total Annual Expenses" are based on estimated amounts for the Fund's first year of operations and assume that the Fund issues 20,000,000 Common Shares. If the Fund issues fewer Common Shares, estimated expenses could be higher as a percentage of net assets attributable to Common Shares, which could adversely affect the investment performance of the Fund.

Example

The following example illustrates the expenses that you would pay on a $1,000 investment in Common Shares (including the sales load of $45 and estimated expenses of this offering payable by the Fund of $2), assuming (1) "Total Annual Expenses" of 4.80% of net assets attributable to Common Shares and (2) a 5% annual return.*

	1 Year	3 Years	5 Years	10 Years
Cumulative Expenses Paid for the Period of:	$93	$185	$277	$509

The example should not be considered a representation of future expenses. Actual expenses may be greater or less than those assumed.

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* The example assumes that the estimated "Other Expenses" set forth in the Annual Expenses table are accurate and that all dividends and distributions are reinvested at the Common Share net asset value. The Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

THE FUND

The Fund is a newly organized, non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was incorporated as a Maryland corporation on September 13, 2006. As a newly organized entity, the Fund has no operating history. The Fund's principal office is located at 345 Park Avenue, New York, New York 10154, and its telephone number is (800) 728-3337.

USE OF PROCEEDS

The net proceeds of this offering are estimated at approximately $867,230,000 ($997,314,500 if the underwriters exercise the overallotment option in full), after deduction of the sales load and payment of estimated offering expenses payable by the Fund. The Fund will pay all of its offering costs up to $0.04 per Common Share, and the Investment Adviser has agreed to bear (i) all of the Fund's organizational costs and (ii) all of the Fund's offering costs (other than sales load) that exceed $0.04 per Common Share. The Subadviser anticipates that the investment of the net proceeds will be made in accordance with the Fund's investment objective and policies, as appropriate investment opportunities are identified, within approximately three months after completion of this offering. Pending such investment, those proceeds may be invested in U.S. government securities or high-quality, short-term money market instruments, cash or cash equivalents. See "Investment Objective, Strategies and Policies."

INVESTMENT OBJECTIVE, STRATEGIES AND POLICIES

Investment Objective

The Fund seeks to achieve a high level of total return. The Fund pursues its investment objective by investing: (i) in a diversified portfolio of income-producing securities designed to generate regular income with the potential for capital appreciation while reducing volatility (the "Income Strategy"); and (ii) in a long/short portfolio designed to seek returns that are not correlated with the market (the "Hedge Strategy"). The Fund's investment objective is not fundamental and may be changed by the Board of Directors without a shareholder vote.

Principal Investment Strategies

The Fund allocates its assets between the Income Strategy and the Hedge Strategy depending on the Subadviser's assessment of current market conditions and the attractiveness of available investment opportunities. Under normal circumstances, the Fund will allocate at least 10%, but not more than 40%, of its Managed Assets to the Hedge Strategy. "Managed Assets" means the average daily total assets, including the assets attributable to leverage, minus liabilities (other than debt representing financial leverage). Both strategies are implemented using a value-oriented investment process, with an emphasis on stocks with low price-to-earnings ("P/E") ratios, price-to-book ratios and cash flow ratios.

Income Strategy

The Income Strategy will consist of dividend-paying common stocks and other income-producing securities, including, but not limited to, high yield bonds, preferred stocks, and securities of REITs, energy trusts and other investment companies. The Subadviser follows a value-oriented investment approach in selecting equity securities, emphasizing securities that it believes offer the potential for high investment income and capital appreciation. The emphasis on income is also intended to reduce volatility. When implementing the Income Strategy, the Subadviser develops a universe of potential investments using quantitative (i.e., statistical) factors including P/E ratios, price-to-book ratios and cash flow ratios. The Subadviser then applies a bottom-up fundamental (or qualitative) analysis to select the investments from the universe that the Subadviser believes are most attractive. The Subadviser seeks to invest in securities that it believes are trading below their true market value and generally invests in securities that have P/E ratios below the average for the S&P 500 Index.

High yield bonds and non-equity securities are selected using relative value and fundamental analysis. The Subadviser seeks to identify stable to improving credit situations that may provide yield compensation for the risk of investing in below investment grade securities.

Although the Fund will not invest more than 25% of its assets in any single industry, the Fund's emphasis on income-producing securities may result in significant exposure to the energy and real estate sectors. Both of these sectors tend to be cyclical in nature, and a prolonged downturn in either sector could have an adverse effect on the Fund's net asset value.

Hedge Strategy

The Hedge Strategy seeks to provide returns that are not correlated with the market, as measured by the performance of the S&P 500 Index. The Hedge Strategy focuses on long and short positions of common stocks of U.S. companies that are similar in size to the companies in the S&P 500 Index. The Subadviser generally seeks to buy, or take long positions, in common stocks with low P/E ratios and seeks to sell, or hold short positions in, common stocks with high P/E ratios. The Subadviser uses the proprietary process described above, which emphasizes quantitative factors to select the potential universe of investments. As part of the Hedge Strategy, the Fund may also seek to enhance returns through futures on stock indices, options on futures, securities of exchange-traded funds and other instruments that provide broad market exposure.

Types of Securities and Investment Techniques

Common Stock

Common stock represents the residual ownership interest in the issuer and holders of common stock are entitled to the income and the increase in value of the assets and business of the issuer after all of its debt obligations and obligations to preferred stockholders are satisfied. Common stocks generally have voting rights. Common stocks fluctuate in price in response to many factors, including historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

Preferred Stock

Preferred stock has a preference over common stock in liquidation (and generally as to dividends as well), but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similarly stated yield characteristics. The market value of preferred stock will also generally reflect whether (and if so when) the issuer may force holders to sell their preferred shares back to the issuer and whether (and if so when) the holders may force the issuer to buy back their preferred shares.

Energy Trusts

Units of Canadian royalty income trusts represent an equity ownership interest in a trust created under the laws of one of the Canadian provinces. Trust units generally entitle the holder to receive monthly or quarterly distributions from the royalty income trust as well as the potential to share in capital appreciation of trust units. In the event of liquidation of the royalty income trust that issued units, holders generally would be entitled to a pro rata share of any liquidation proceeds remaining after payment of all outstanding debt and other liabilities. Securities of royalty income trusts generally trade on one or more Canadian stock exchanges, and may also trade on one of the United States stock exchanges. Holders of trust units generally have the right to vote on the election of directors or managers of the trust.

REITs

The Fund may invest in common stocks, preferred stocks, convertible securities and rights and warrants, each issued by REITs. REITs are companies that own and manage real estate, including apartment buildings, offices, shopping centers, industrial buildings and hotels. By investing in REITs, the Fund may gain exposure to the real estate market with greater liquidity and diversification than through direct ownership of property, which can be costly and require ongoing management and maintenance, and which can be difficult to convert into cash when needed.

Convertible Securities

A convertible security is a preferred stock, warrant or other security that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or into cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities generally have characteristics similar to both fixed income and equity securities. The value of convertible securities tends to decline as interest rates rise and, because of the conversion feature, tends to vary with fluctuations in the market value of the underlying securities. Convertible securities ordinarily provide a stream of income with generally higher yields than those of common stock of the same or similar issuers. Convertible securities generally rank senior to common stock in a corporation's capital structure, but are usually subordinated to comparable non-convertible securities. Convertible securities generally do not participate directly in any dividend increases or decreases of the underlying securities although the market prices of convertible securities may be affected by any dividend changes or other changes in the underlying securities.

Investment Grade Debt Securities

The Fund may invest in investment grade bonds of varying maturities issued by corporations and other business entities. Bonds are fixed or variable rate debt obligations, including bills, notes, debentures, money market instruments and similar instruments and securities. Bonds generally are used by corporations as well as governments 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. The Fund may invest in debt securities of any maturity. Certain bonds are "perpetual" in that they have no maturity date.

Below Investment Grade Securities

The Fund may invest in fixed-income securities of below investment grade quality. These securities, which may be preferred stock or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Securities that are rated lower than "Baa" by Moody's or "BBB" by S&P, or unrated securities that are of comparable quality, are commonly referred to as "junk bonds."

Investment Companies

The Fund may invest in securities of other open- or closed-end investment companies to the extent permitted by the 1940 Act. The Fund expects that these investments will include securities of exchange-traded funds ("ETFs") and business development companies. ETFs generally are passively managed and seek to track or replicate a desired index. Business development companies generally are specialty finance companies that provide debt and/or equity capital to companies at various stages of development from emerging growth companies to expansion-stage companies to established companies.

Foreign Securities

The Fund may invest up to 30% of its Managed Assets in securities of foreign issuers. While the Fund expects that its investments in foreign securities will consist primarily of sponsored American Depository Receipts ("ADRs") denominated in U.S. dollars, the Fund may invest in other foreign securities. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. Although ADRs are alternatives to directly purchasing the underlying foreign securities in their national markets and currencies, they continue to be subject to many of the risks associated with investing directly in foreign securities.

Short Sales

A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a capital gain. Any gain will be decreased, and any loss will be increased, by the transaction costs incurred by the Fund, including the costs associated with providing collateral to the broker-dealer (usually cash and liquid securities) and the maintenance of collateral with its custodian. The Fund may also make short sales "against the box" without being subject to such limitations. In this type of short sale, at the time of the sale, the Fund owns, or has the immediate and unconditional right to acquire at no additional cost, the identical security.

Strategic Transactions and Derivatives

The Fund may use certain strategies for purposes such as enhancing return, seeking to hedge various market risks inherent in the Fund's portfolio, to manage the effective maturity or duration of income-producing securities in the Fund's portfolio or in connection with the Fund's use of leverage or otherwise. These strategies may be executed through the use of derivative contracts. In the course of pursuing these investment strategies, the Fund may purchase and sell exchange-listed and over-the-counter put and call options on securities, equity and fixed-income indices and other instruments, purchase and sell futures contracts and options on futures, enter into various transactions such as swaps, caps, floors or collars (collectively, all the above are called "Strategic Transactions"). In addition, Strategic Transactions may also include new techniques, instruments or strategies that are permitted as regulatory changes occur. Certain of these Strategic Transactions, such as options and futures contracts, are described briefly below. For a more complete discussion of the Fund's investment practices involving Strategic Transactions in derivatives and certain other investment techniques, see "Investment Policies and Techniques — Strategic Transactions and Derivatives" in the Fund's statement of additional information.

Options. The Fund may purchase or sell, i.e., write, options on securities and securities indices which are listed on a national securities exchange or in the over-the-counter ("OTC") market, as a means of achieving additional return or of hedging the value of the Fund's portfolio. A call option is a contract that, in return for a premium, gives the holder of the option the right to buy from the writer of the call option the security underlying the option at a specified exercise price at any time during the term of the option. The writer of the call option has the obligation, upon exercise of the option, to deliver the underlying security upon payment of the exercise price during the option period. A put option is the reverse of a call option, giving the holder the right, in return for a premium, to sell the underlying security to the writer, at a specified price, and obligating the writer to purchase the underlying security from the holder at that price.

Futures Contracts and Options on Futures. The Fund may purchase and sell financial futures contracts and options on futures that are traded on a commodities exchange or board of trade to enhance return or for certain hedging, yield enhancement and risk management purposes. A financial futures contract is an agreement to purchase or sell an agreed amount of securities at a set price for delivery in the future. These futures contracts and related options may be on debt securities, financial indices, securities indices and U.S. government securities.

Repurchase Agreements

Repurchase agreements may be seen as loans by the Fund collateralized by underlying debt securities. Under the terms of a typical repurchase agreement, the Fund would acquire an underlying debt obligation for a relatively short period (usually not more than one week) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed price and time. This arrangement results in a fixed rate of return to the Fund that is not subject to market fluctuations during the holding period. The Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations, and the Fund is delayed in or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period in which it seeks to assert these rights. The Subadviser, acting under the oversight of the Board of Directors of the Fund, reviews the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate these risks and monitors on an ongoing basis the value of the securities subject to repurchase agreements to ensure that the value is maintained at the required level.

Restricted and Illiquid Securities

The Fund may invest in securities for which there is no readily available trading market or that are otherwise illiquid. Illiquid securities include securities legally restricted as to resale, such as commercial paper issued pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and securities eligible for resale pursuant to Rule 144A thereunder. It may be difficult to sell such securities at a price representing their fair value until such time as such securities may be sold publicly. Where registration is required, a considerable period may elapse between a decision to sell the securities and the time when it would be permitted to sell. Thus, the Fund may not be able to obtain as favorable a price as that prevailing at the time of the decision to sell. The Fund may also acquire securities through private placements under which it may agree to contractual restrictions on the resale of such securities. Such restrictions might prevent their sale at a time when such sale would otherwise be desirable.

Loans of Portfolio Securities

To increase income, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions if (i) the loan is collateralized in accordance with applicable regulatory requirements and (ii) no loan will cause the value of all loaned securities to exceed 33⅓% of the value of the Fund's total assets.

If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates and the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over the value of the collateral. As with any extension of credit, there are risks of delay in recovery and, in some cases, even loss of rights in collateral should the borrower of the securities fail financially. There can be no assurance that borrowers will not fail financially. On termination of the loan, the borrower is required to return the securities to the Fund, and any gain or loss in the market price during the loan would inure to the Fund. If the other party to the loan petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme circumstances, there may be a restriction on the Fund's ability to sell the collateral, and the Fund would suffer a loss. Income received by the Fund from borrowers of dividend-paying securities loaned by the Fund from its portfolio will be treated as fully taxable ordinary income (i.e., income other than qualified dividend income). See "Investment Policies and Techniques — Lending of Portfolio Securities" in the Fund's statement of additional information.

Temporary Investments

Pending investment of offering or leverage proceeds or when attractive investment opportunities are not available, the Fund may invest without limit in securities issued by the U.S. government or its agencies or instrumentalities, and in short-term debt securities, including commercial paper, repurchase agreements, certificates of deposits, and other money market instruments, including securities of money market funds, or in cash or cash equivalents, all of which are expected to produce lower returns than the securities normally held in the portfolio. The Fund also may invest in high quality short-term securities or cash on a temporary basis to meet working capital needs, including, but not limited to, for collateral in connection with certain investment techniques, to hold a reserve pending payment of dividends and distributions, and to facilitate the payment of expenses and settlement of trades. To the extent the Fund invests in these securities, such investments are inconsistent with, any may result in the Fund not achieving, its investment objective.

Portfolio Turnover

The Fund will buy and sell securities to seek to accomplish its investment objective. Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. The portfolio turnover rate is computed by dividing the lesser of the amount of the securities purchased or securities sold by the average monthly value of securities owned during the year (excluding securities whose maturities at acquisition were one year or less). Higher portfolio turnover may decrease the after-tax return to individual investors in the Fund to the extent it results in a decrease of the long-term capital gains portion of distributions to shareholders. Under normal market conditions, the Fund anticipates that its annual portfolio turnover rate will not exceed 100%.

INVESTMENT PHILOSOPHY

The Investment Adviser will be responsible for the overall management of the Fund. The Investment Adviser has delegated to the Subadviser responsibility for the overall day-to-day management of the Fund's investments, including the allocation of assets between the Income Strategy and Hedge Strategy. The Subadviser will use a disciplined value strategy which has been developed over a period of nearly 30 years of active investment management.

Income Strategy

In making stock selections for the Income Strategy, the Subadviser seeks to invest in securities that generate regular income and offer the potential for capital appreciation. In evaluating stocks, the Subadviser compares companies' stock prices to their book values, cash flows and dividend yields and analyzes individual companies to seek to identify those that are financially sound and that appear to have strong potential for long-term growth and income. The Subadviser seeks to select the most attractive stocks, drawing on analysis of economic outlooks for various sectors and industries. The Subadviser may favor securities from different sectors at different times. The Subadviser normally will sell a stock when it reaches a target price, its fundamental factors have changed or when it believes other investments offer better opportunities.

The Subadviser identifies potential investment opportunities by emphasizing stocks that it believes offer unique investment values. The criteria used to identify such stocks include below average price-to-earnings ratios, price-to-book ratios, price-to-cash flow ratios and above average dividend yields. The Subadviser begins the investment process by starting with a quantitative screening process that identifies potentially undervalued stocks. The Subadviser's objective is not merely to identify "cheap" stocks, because the Subadviser believes that such an approach seldom achieves results that are consistently superior without unnecessary risks. The quantitative screening utilized by the Subadviser reflects its process for identifying a universe of stocks from which to identify potential buying opportunities.

The Subadviser's primary quantitative (i.e. statistical) factor will be low P/E ratios, because of the Subadviser's belief in the potentially superior performance characteristics of such stocks. The Subadviser also considers the price-to-book ratios and price-to-cash flow ratios of stocks. The Subadviser intends to focus the Fund's investments in companies whose market prices are low in relation to P/E, book value and cash flow in order to seek to buy solid assets and value, rather than paying a high price for a concept or fad. Another characteristic that the Subadviser will seek to identify in the securities in which the Fund may invest is a relatively low or sharply declining institutional ownership. The Subadviser believes that this factor indicates that such stocks are falling out of favor with the investment community and may indicate that such stocks are becoming cheap.

The Subadviser generally will stress companies that possess strong financial positions. Investment criteria will involve close analysis of debt-to-capital ratios to see if there is a manageable amount of debt on a company's balance sheet, with a goal of identifying companies with no more than 50% to 60% of their total capital composed of debt. In addition, an analysis of cash and current ratios will also be conducted, with a goal of determining whether the potential investment opportunities have strong staying power, and can self-finance themselves should the need arise. The Subadviser's objective is to identify strong companies and not to speculate on weak stocks or potential bankruptcies, unless there are special circumstances that warrant examination.

The Subadviser will seek to invest in stocks that have an above-average dividend yield. The Subadviser believes that high yield is a crucial indicator of investment success. Furthermore, the Subadviser believes that the dividend growth rate of low P/E ratio stocks tends to be significantly greater than average. Generally the Subadviser adopts a buy-and-hold portfolio, and the importance of dividends becomes a critical factor in total return in down-market periods. The Subadviser believes that an above-average dividend yield gives a portfolio a potentially strong defensive characteristic. Furthermore, the Subadviser believes that dividends not only provide most of any return during such periods, but the above-average dividend yield also provides strong protection in down markets. In a volatile market environment, the Subadviser believes that dividend yield can lower a portfolio's volatility.

The Subadviser will apply a rigorous bottom-up fundamental analysis to the universe of stocks identified as investment opportunities in order to select a manageable group of promising stocks. The Subadviser will seek to avoid problematical low P/E ratio stocks and concentrate on those stocks that have shown above-average earnings growth on both a five and ten year basis. The Subadviser will apply careful and sophisticated analytical techniques to each stock in the low P/E ratio universe to identify those it believes have fundamental strength. In conducting its fundamental analysis, stocks with financial problems, structural deficiencies, management issues, lack of financial transparency or other identifiable problems generally will be pared from the list of potential buying opportunities.

Because the Subadviser intends to select securities that may be out of favor with investors, the Subadviser believes in the importance of patience in waiting for the market's realization of underlying value to come into line with the Subadviser's opinion of a security's value. As a consequence, the turnover rate of the Fund's portfolio may be significantly lower than industry averages.

High yield bonds and non-equity securities are selected using relative value and fundamental analysis. The Subadviser seeks to identify stable to improving credit situations that may provide yield compensation for the risk of investing in below investment grade securities.

Although the Fund will not invest more than 25% of its assets in any single industry, the Fund's emphasis on income-producing securities may result in significant exposure to the energy and real estate sectors. Both of these sectors tend to be cyclical in nature, and a prolonged downturn in either sector could have an adverse effect on the Fund's net asset value.

Hedge Strategy

Under normal circumstances, the Fund will allocate at least 10%, but not more than 40%, of its Managed Assets to the Hedge Strategy. The Hedge Strategy seeks to provide returns that are not correlated with the market, as measured by the performance of the S&P 500 Index. The Hedge Strategy focuses on long and short positions of common stocks of large U.S. companies that are similar in size to the companies in the S&P 500 Index. The Subadviser generally seeks to buy, or take long positions in, common stocks with low P/E ratios and seeks to sell, or hold short positions in, common stocks with high P/E ratios. The Subadviser uses the proprietary process described above, which emphasizes quantitative factors to select the potential universe of investments. As a part of the Hedge Strategy, the Subadviser may also seek to enhance returns through futures on stock indices, options on futures, securities of exchange-traded funds and other instruments that provide broad market exposure.

Other Techniques

The Fund may invest up to 30% of its Managed Assets in securities of foreign issuers. The Fund is permitted, but not required, to use various types of derivative products. Derivatives may be used to enhance returns or for hedging or risk management purposes. The Fund also may use derivatives when the Subadviser believes they offer an economical means of gaining exposure to a market.

USE OF LEVERAGE

The Fund may borrow and/or issue preferred stock or debt securities to the extent permitted by the Investment Company Act of 1940, as amended. These practices are known as leveraging. Depending on the Subadviser's assessment of market conditions, the Fund currently anticipates using leverage in an amount up to approximately 33$^{1}/_{3}$% of the Fund's total assets (including the leverage proceeds) and anticipates initially leveraging primarily through borrowing. The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions, which otherwise might require untimely dispositions of the Fund's portfolio securities.

Leverage creates risks for Common Shareholders, including the likelihood of greater volatility of net asset value and market price. There is a risk that fluctuations in the dividend rates on any preferred stock or in the interest rates on any borrowings may adversely affect the return to the holders of common stock. If the return on the securities purchased with such funds is not sufficient to cover the costs of leverage, the return on Common Shares will be less than if leverage had not been used, and therefore the amount available for distribution to holders of common stock as dividends and other distributions will be reduced. The Fund in its best judgment nevertheless may determine to maintain the Fund's leveraged position if it deems such action to be appropriate in the circumstances.

Changes in the value of the Fund's portfolio (including investments bought with the leverage proceeds) will be borne entirely by the common stockholders. If there is a net decrease (or increase) in the value of the Fund's investment portfolio, the leverage will decrease (or increase) the net asset value per share to a greater extent than if the Fund were not leveraged. During periods in which the Fund is using leverage, the fees received by the Investment Adviser and the Subadviser for investment advisory services will be higher than if the Fund did not use leverage because the fees paid will be calculated on the basis of the Fund's Managed Assets, including proceeds from the use of leverage.

The Fund may be subject to certain restrictions on investments imposed by lenders or by one or more rating agencies that may issue ratings for any senior securities issued by the Fund. Borrowing covenants or rating agency guidelines may impose asset coverage or Fund composition requirements that are more stringent than those imposed on the Fund by the 1940 Act. It is not anticipated that these covenants or guidelines will impede the Subadviser from managing the Fund's portfolio in accordance with the Fund's investment objective and policies.

Under the 1940 Act, the Fund is not permitted to incur indebtedness unless immediately after such borrowing the Fund has an asset coverage of at least 300% of the aggregate outstanding principal balance of indebtedness (i.e., such indebtedness may not exceed 33$^{1}/_{3}$% of the value of the Fund's total assets including the amount borrowed). Additionally, under the 1940 Act, the Fund may not declare any dividend or other distribution upon any class of its shares, or purchase any such shares, unless the aggregate indebtedness of the Fund has, at the time of the declaration of any such dividend or distribution or at the time of any such purchase, asset coverage of at least 300% after deducting the amount of such divided, distribution, or purchase price, at the case may be. Under the 1940 Act, the Fund is not permitted to issue preferred stock unless immediately after such issuance the total asset value of the Fund's portfolio is at least 200% of the liquidation value of the outstanding preferred stock (i.e., such liquidation value may not exceed 50% of the Fund's Managed Assets). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless, at the time of such declaration, the net asset value of the Fund's portfolio (determined after deducting the amount of such dividend or other distribution) is at least 200% of such liquidation value of the preferred stock. If preferred stock is issued, the Fund intends, to the extent possible, to purchase or redeem shares, from time to time, to maintain coverage of any preferred stock of at least 200%. Normally, holders of common stock will elect the directors of the Fund except, that the holders of any preferred stock will elect two directors. In the event the Fund failed to pay dividends on its preferred stock for two years, holders of preferred stock would be entitled to elect a majority of the directors until the dividends are paid.

Assuming the use of leverage in the amount of 33$^{1}/_{3}$% of the Fund's total assets (including the proceeds of the leverage) and an annual interest/dividend rate on leverage of 5.75% payable on such leverage based on estimated market interest/dividend rates as of the date of this prospectus, the additional income that the Fund must earn (net of estimated expenses related to leverage) in order to cover such interest/dividend payments is 3.43%. The Fund's actual cost of leverage will be based on market interest/dividend rates at the time the Fund undertakes a leveraging strategy, and such actual cost of leverage may be higher or lower than that assumed in the previous example.

The following table is furnished pursuant to requirements of the Securities and Exchange Commission. It is designed to illustrate the effect of leverage on total return on shares of common stock, assuming investment portfolio total returns (comprised of income, net expenses and changes in the value of investments held in the Fund's portfolio) of -10%, -5%, 0%, 5% and 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of what the Fund's investment portfolio returns will be. The table further reflects the use of leverage representing approximately 33$^1/_3$% of the Fund's total assets after such issuance and the Fund's currently projected annual interest/dividend rate of 5.75%. See "Risks" and "Use of Leverage." The table does not reflect any offering costs of Common Shares or leverage.

Assumed Portfolio Return	(10.00)%	(5.00)%	0.00%	5.00%	10.00%
Common Share Total Return	(17.88)%	(10.38)%	(2.88)%	4.63%	12.13%

Total return is composed of two elements — the common stock dividends paid by the Fund (the amount of which is largely determined by the Fund's net investment income after paying the cost of leverage) and realized and unrealized gains or losses on the value of the securities the Fund owns. As the table shows, leverage generally increases the return to Common Shareholders when portfolio return is positive or greater than the costs of leverage and decreases return when the portfolio return is negative or less than the costs of leverage.

During the time in which the Fund is using leverage, the amount of the fees paid to the Investment Adviser and the Subadviser for investment management services will be higher than if the Fund did not use leverage because the fees paid will be calculated based on the Fund's Managed Assets. Because the leverage costs will be borne by the Fund at a specified rate, only the Fund's Common Shareholders will bear the cost of the Fund's management fees and other expenses.

Unless and until the Fund uses leverage, the Common Shares will not be leveraged and this section will not apply. Any determination to use leverage by the Fund, including the aggregate amount of leverage, if any, from time to time and the type and terms of such leverage, will be made by the Investment Adviser after consultation with the Subadviser, subject to approval of the Fund's Board of Directors.

RISKS

Investors should consider the following risk factors and special considerations associated with investing in the Fund's Common Shares.

No Operating History

The Fund is a newly organized, non-diversified, closed-end management investment company with no operating history.

Not a Complete Investment Program

The Fund is intended for investors seeking a high level of total return over the long term, and is not intended to be a short-term trading vehicle. An investment in the Common Shares of the Fund should not be considered a complete investment program. Each investor should take into account the Fund's investment objective as well as the investor's other investments when considering an investment in the Common Shares.

Investment and Market Risks

An investment in the Common Shares is subject to investment risk and market risk, including the possible loss of the entire principal amount of your investment. An investment in the Common Shares represents an indirect investment in the securities owned by the Fund. At any point in time, Common Shares may be worth less than your original investment, even after taking into account the reinvestment of dividends and distributions.

Market Discount Risk

Shares of closed-end investment companies like the Fund frequently trade at a price below their net asset value, commonly referred to as a "discount." This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of the Fund's investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Because the market price of the Common Shares will be affected by such factors as the relative demand for and supply of the Common Shares, general market and economic conditions and other factors beyond the control of the Fund, the Fund cannot predict whether the Common Shares will trade at, below or above net asset value or at, below or above the public offering price. The Fund's net asset value immediately following this offering will be reduced by the deduction of the sales load and the amount of offering expenses paid by the Fund. See "Use of Proceeds."

Common Stock Risk

The Fund may invest in common stocks. Investments in common stocks involve common stock risk, which is the risk that common stocks and similar equity securities held by the Fund will fall due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, and the particular circumstances and performance of individual companies whose securities the Fund holds. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. While broad market measures of commons stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

Value Style Risk

The Fund focuses its investments on dividend-paying common stocks or other income-producing securities that the Subadviser believes are undervalued or inexpensive relative to other investments. These types of securities may present risks in addition to the general risks associated with investing in common and preferred stocks, including the risk that securities that are perceived as "value" stocks may not perform as well as securities that are perceived as "growth" stocks during periods when the market favors growth stocks generally over value stocks.

Preferred Stock Risk

The Fund may invest in preferred stocks. Special risks associated with investing in preferred stocks include deferral of distributions or dividend payments (including, in some cases the right of an issuer never to pay missed dividends), subordination, illiquidity, limited voting rights and redemption by the issuer.

Energy Trust Risk

The Fund may invest in equity securities of Canadian royalty income trusts that own and/or operate energy related assets ("Energy Trusts"). The value of Energy Trusts may fluctuate in response to changes in the financial condition of the issuer, the conditions of equity markets generally, commodity prices (that will vary and are determined by supply and demand factors including weather and general economic and political conditions), the hedging policies of issuers, issues relating to the regulation of the energy industry and operational risks related to the energy industry. Distributions on securities of Energy Trusts will depend on various factors including the operating performance and financial condition of the Energy Trusts, tax treatment of such distributions, and general economic conditions.

REIT Risk

The Fund may invest in common stocks, preferred stocks, convertible securities and rights and warrants, each issued by REITs. As a result, an investment in the Fund may be linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and poor management.

Convertible Securities Risk

The Fund may invest in convertible securities. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, the convertible security's market value tends to reflect the market price of the common stock of the issuing company when that stock price is greater than the convertible security's "conversion price." The conversion price is defined as the predetermined price at which the convertible security could be exchanged for the associated stock. As the market price of the underlying common stock declines, the price of the convertible security tends to be influenced more by the yield of the convertible security. However, convertible securities rank below debt obligations of the same issuer in order of preference or priority in the event of a liquidation and are typically unrated or rated lower than such debt obligations.

Below Investment Grade Securities Risk

The Fund may invest in below investment grade securities. Investment in securities of below investment grade quality, commonly referred to as "junk bonds," may involve a substantial risk of loss as they are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due. The market values for debt securities of below investment grade quality also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher quality securities. In addition, lower rated securities and comparable unrated securities generally present a higher degree of credit risk. The risk of loss due to default by these issuers is significantly greater because such lower rated securities and unrated securities of comparable quality generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness.

Investment Company Risk

The Fund may invest in securities of other investment companies. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, including the investment company's investment advisory and administrative fees. At the same time, the Fund would continue to pay its own investment management fees with respect to the assets so invested. Common Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, the securities of other investment companies may be leveraged and will therefore be subject to similar leverage risks as those described in this prospectus. Securities of business development companies, a type of closed-end investment company, also may include risks commonly associated with private equity and venture capital investments, and may be subject to a higher degree of risk.

Key Personnel Dependence Risk

Although the Subadviser has a long operating history, the firm is relatively small and is dependent on the services of a limited number of key investment personnel including the firm's founder, David N. Dreman. In the event of a loss of key members of the investment team, including in particular Mr. Dreman, the Subadviser may have to hire additional personnel and to the extent that it is unable to hire qualified individuals its operations may be affected.

Foreign Investment Risk

Foreign investments involve certain special risks, including:

Political Risk. Some foreign governments have limited the outflow of profits to investors abroad, imposed restrictions on the exchange or export of foreign currency, extended diplomatic disputes to include trade and financial relations, seized foreign investment and imposed high taxes.

Information Risk. Companies based in foreign markets are usually not subject to accounting, auditing and financial reporting standards and practices as stringent as those in the U.S. Therefore, their financial reports may present an incomplete, untimely or misleading picture of a foreign company, as compared to the financial reports of U.S. companies.

Liquidity Risk. Investments that trade less can be more difficult or more costly to buy, or to sell, than more liquid or active investments. This liquidity risk is a factor of the trading volume of a particular investment, as well as the size and liquidity of the entire local market. On the whole, foreign exchanges are smaller and less liquid than the U.S. market. This can make buying and selling certain investments more difficult and costly. Relatively small transactions in some instances can have a disproportionately large effect on the price and supply of securities. In certain situations it may become virtually impossible to sell an investment in an orderly fashion at a price that approaches the managers' estimate of its value. For the same reason, it may at times be difficult to value the Fund's foreign investments.

Regulatory Risk. There is generally less government regulation of foreign markets, companies and securities dealers than in the U.S.

Currency Risk. The Fund may invest in securities denominated in foreign currencies. This creates the possibility that changes in exchange rates between foreign currencies and the U.S. dollar will affect the US dollar value of foreign securities or the income or gain received on these securities.

Limited Legal Recourse Risk. Legal remedies for investors may be more limited than the remedies available in the U.S.

Trading Practice Risk. Brokerage commissions and other fees may be higher for foreign investments than for U.S. investments. The procedures and rules governing foreign transactions and custody may also involve delays in payment, delivery or recovery of money or investments.

Taxes. Foreign withholding and certain other taxes may reduce the amount of income available to distribute to shareholders of the Fund. In addition, special U.S. tax considerations may apply to the Fund's foreign investments.

Emerging Market Risk

All of the risks of investing in foreign securities, as discussed above, are increased in connection with investments in emerging markets securities. In addition, profound social changes and business practices that depart from norms in developed countries' economies have hindered the orderly growth of emerging economies and their markets in the past and have caused instability. High levels of debt tend to make emerging economies heavily reliant on foreign capital and vulnerable to capital flight. These countries are also more likely to experience high levels of inflation, deflation or currency devaluation, which could also hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative.

Sector Risk

While the Fund does not concentrate in any industry, to the extent that the Fund has exposure to a given industry or sector, any factors affecting that industry or sector could affect the value of portfolio securities. If the security selection process results in more attractive stocks within a market sector or industry, then the Subadviser would tend to overweight that sector or industry. Overweighting investments in certain market sectors or industries, such as the real estate or energy sectors, may cause the Fund to suffer a loss related to advances or declines in the prices of stocks in those sectors or industries. Both of these sectors tend to be cyclical in nature, and a prolonged downturn in either sector could have an adverse effect on the Fund's net asset value.

Dividend and Distribution Risk

Dividends and distributions paid by the Fund to its Common Shareholders are derived in part from realized capital gains, dividends and interest income from the Fund's investments in equity and debt securities and total returns generated from the Fund's other investment techniques. The total return generated by the Fund's investments can vary widely over the short-term and long-term. If prevailing market interest rates drop, distribution rates of the Fund's portfolio holdings of preferred securities and debt securities may decline, which then may adversely affect the Fund's distributions on Common Shares as well. The Fund's income also would likely be affected adversely when prevailing short-term interest rates increase and the Fund is using leverage. Common stocks are structurally subordinated to preferred stocks, bonds and other debt instruments, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers.

Leverage Risk

Leverage is a speculative technique that may magnify losses of the Fund and adversely affect Common Shareholders. The Fund will pay (and the Common Shareholders will bear) any costs and expenses relating to any leverage. If the income and gains earned on securities purchased with leverage proceeds are greater than the costs of leverage, the return on Common Shares will be greater than if leverage had not been used. Conversely, if the income or gain from the securities purchased with such proceeds does not cover the costs of leverage, the return to the Fund will be less than if leverage had not been used. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for Common Shareholders, including:

- the likelihood of greater volatility of net asset value and market price of the Common Shares than a comparable portfolio without leverage because changes in the value of the Fund's portfolio investments, including investments purchased with the proceeds of leverage, are borne entirely by the Common Shareholders;

- the risk that fluctuations in interest rates on borrowings and short-term debt or in the dividend rates on any leverage that the Fund must pay will reduce the return to the holders of Common Shares and will reduce income available for distribution; and
- the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of the Common Shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the Common Shares.

It is also possible that the Fund will be required to sell assets at a time when it would otherwise not do so, possibly at a loss, in order to redeem senior securities or meet payment obligations on any leverage. Such a sale would reduce the Fund's net asset value and also make it difficult for the net asset value to recover. The Fund's use of leverage may also impair the ability of the Fund to maintain its qualification for federal income tax purposes as a regulated investment company.

During periods in which the Fund is using leverage, the fees received by the Fund's Investment Adviser and Subadviser will be higher than if leverage had not been used, because the fees paid will be calculated based on the Fund's Managed Assets, which include assets attributable to leverage.

Short Sale Risk

The Fund may sell securities short. Short sales involve the risk that the Fund will incur a loss by subsequently being required to buy a security at a higher price than the price at which the Fund previously sold the security short. Any loss will be increased by the amount of compensation, interest or dividends, and transaction costs the Fund must pay to a lender of the security. In addition, because the Fund's loss on a short sale stems from increases in the value of the security sold short, the extent of such loss, like the price of the security sold short, is theoretically unlimited. By contrast, the Fund's loss on a long position arises from decreases in the value of the security held by the Fund and therefore is limited by the fact that a security's value cannot drop below zero.

The use of short sales is in effect a form of leveraging the Fund's portfolio that could increase the Fund's exposure to the market, magnify losses and increase the volatility of returns.

The Fund's net asset value may increase if the securities in its long portfolio increase in value more than the securities underlying its short positions. On the other hand, the Fund's net asset value may decrease if the securities underlying its short positions increase in value more than the securities in its long portfolio. If the Fund's long and short positions do not perform as anticipated, the Fund's potential losses could exceed those of other funds that hold only long stock portfolios.

The Fund may not always be able to close out a short position at a particular time or at a favorable price. A lender may request that borrowed securities be returned to it on short notice, and the Fund may have to buy the borrowed securities at an unfavorable price. If this occurs at a time that other short sellers of the same security also want to close out their positions, it is more likely that the Fund will have to cover its short sale at an unfavorable price and potentially reduce or eliminate any gain, or cause a loss, as a result of the short sale.

Interest Rate Risk

Interest rate risk is the risk that fixed income securities in the Fund's portfolio will decline in value because of increases in market interest rates. When market interest rates rise, the market value of such securities generally will fall. The Fund's investment in such securities means that the net asset value and market price of the Common Shares will tend to decline if market interest rates rise.

Prepayment and Extension Risk

Preferred stock and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. An issuer may redeem such a security if the issuer can refinance it at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration, and reduce the value of the security. This is known as extension risk.

Derivatives Risk

The Fund may use derivatives to enhance returns and for hedging purposes. Risks associated with derivatives include: the risk that the derivative is not well correlated with the security, index or currency to which it relates; the risk that derivatives used for risk management may not have the intended effects and may result in losses or missed opportunities; the risk that the Fund will be unable to sell the derivative because of an illiquid secondary market; the risk that a counterparty is unwilling or unable to meet its obligation; the risk of interest rate movements; and the risk that the derivatives transaction could expose the Fund to the effects of leverage, which could increase the Fund's exposure to the market and magnify potential losses. There is no guarantee that derivatives activities will be employed or that they will work, and their use could cause lower returns or even losses to the Fund.

Illiquid Securities Risk

The Fund may invest in securities for which there is no readily available trading market or that are otherwise illiquid. It may be difficult to sell such securities at a price representing their fair value and, where registration of such securities is required, a considerable period may elapse between a decision to sell the securities and the time when the Fund would be permitted to sell.

Call Option Risk

As the seller of a call option, the Fund forgoes, during the option's term, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the option premium received and the exercise price of the call option, but retains the risk of loss, minus the option premium received, should the price of the underlying security decline. The extent of the Fund's exposure to call option risk will vary depending on the degree to which call options are written on the portfolio. In addition, the value of any call options written by the Fund, which will be priced daily, will be affected by, among other things, changes in the value of the securities or indices underlying the options and the remaining time to the options' expiration. The value of the call options also may be adversely affected if the market for the options becomes less liquid or smaller.

As the purchaser of a call option, upon payment of a premium, depending on the price of the underlying instrument, the Fund may choose not to exercise its call option prior to its expiration, in which case the Fund would lose the premium it paid for the call option. Upon exercise of the call option, if the counterparty fails to make delivery of the instrument, the Fund will lose any premium it paid as well as any anticipated benefit of the transaction. The Fund's ability to close out its position as a purchaser of a call option is dependent, in part, upon the liquidity of the option market, which in turn depends on a number of factors.

Warrant and Rights Risk

Warrants and rights are subject to the same market risks as common stocks, but are more volatile in price. Warrants and rights do not carry the right to dividends or voting rights with respect to their underlying securities, and they do not represent any rights in the assets of the issuer. An investment in warrants or rights may be considered speculative. In addition, the value of a warrant or right does not necessarily change with the value of the underlying security and a warrant or right ceases to have value if it is not exercised prior to its expiration date. The purchase of warrants or rights involves the risk that the Fund could lose the purchase value of a warrant or right if the right to subscribe for additional shares is not exercised prior to the warrants' or rights' expiration. Also, the purchase of warrants and rights involves the risk that the effective price paid for the warrant or right added to the subscription price of the related security may exceed the value of the subscribed security's market price such as when there is no movement in the price of the underlying security.

Repurchase Agreement Risk

With respect to repurchase agreements, if the party agreeing to repurchase specific securities should default, the Fund may seek to sell the securities that it holds. This could involve transaction costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. Repurchase agreements maturing in more than seven days are considered to be illiquid securities.

Inflation Risk

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of certain portfolio securities and distributions thereon can decline.

Deflation Risk

Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Non-Diversified Status

As a "non-diversified" investment company under the 1940 Act, the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in securities of a single issuer and, accordingly, may invest a greater portion of its assets in the secondary market securities of a similar number of issuers than a diversified Fund. An investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company because changes in the financial condition or market assessment of a single issuer may cause greater fluctuations in the value of the Fund's Common Shares. The Fund intends to comply with the diversification requirements of the Internal Revenue Code of 1986, as amended (the "Code"), for qualification as a regulated investment company.

Market Disruption Risk

The U.S. securities markets are subject to disruption as a result of terrorist activities such as the terrorist attacks on the World Trade Center on September 11, 2001; the war in Iraq and its aftermath; other hostilities; and other geopolitical events. Such events have led, or may in the future lead, to short-term market volatility and may have long-term effects on the U.S. economy and markets.

MANAGEMENT OF THE FUND

Board of Directors

The Fund's Board of Directors has overall responsibility for the management of the Fund. The Board of Directors decides upon matters of general policy and reviews the actions of the Investment Adviser, the Subadviser and other service providers of the Fund. The names and business addresses of the Board of Directors and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under "Management of the Fund" in the statement of additional information.

The Investment Adviser and Administrator

Deutsche Investment Management Americas Inc., with headquarters at 345 Park Avenue, New York, New York 10154, is the Fund's investment adviser pursuant to an investment management agreement with the Fund (the "Investment Management Agreement"). Pursuant to the Investment Management Agreement, and subject to oversight by the Fund's Board, the Investment Adviser provides continuing investment management of the assets of the Fund in accordance with the Fund's investment objective, policies and restrictions. The Investment Adviser's services include, but are not limited to, the supervision and oversight of the activities of the Fund's Subadviser and monitoring the Fund's performance and compliance with its investment guidelines. DeIM provides a full range of investment advisory services to retail and institutional clients, and as of June 30, 2006 had total assets of approximately $164 billion under management. DeIM is an indirect wholly-owned subsidiary of Deutsche Bank AG, an international commercial and investment banking institution that is engaged in a wide range of financial services, including investment management, mutual fund, retail, private and commercial banking, investment banking and insurance. As of June 30, 2006, Deutsche Asset Management, the global asset management division of Deutsche Bank AG, had more than US$650 billion in assets under management. DeIM, along with DWS Scudder, is part of Deutsche Asset Management. Funds managed by DeAM are referred to as "DWS funds."

DeIM serves as the Fund's administrator pursuant to an administrative services agreement with the Fund ("Administrative Services Agreement"), and receives an annual fee of 0.10% of the Fund's average daily Managed Assets for its services. Pursuant to the Administrative Services Agreement, DeIM provides administrative services to the Fund, including, among others, providing the Fund with personnel, preparing and making required filings on behalf of the Fund, maintaining books and records for the Fund, fund accounting services for the Fund, and monitoring the valuation of Fund securities.

The Subadviser

Dreman Value Management LLC acts as the Fund's subadviser pursuant to a sub-advisory agreement with the Investment Adviser (the "Sub-Advisory Agreement"), and is responsible for the day-to-day management of the Fund's portfolio. Dreman is a Delaware limited liability company with principal offices located at 520 East Cooper Avenue 230-4, Aspen, Colorado 81611. Dreman was organized in April 1997. Its predecessor firms date back to 1977 and it is controlled by David N. Dreman through family trusts. Dreman acts as investment adviser for individuals, pension trusts, and endowments, and investment companies with aggregate assets under management exceeding $17.8 billion as of June 30, 2006.

David N. Dreman serves as the Fund's Lead Portfolio Manager and has the primary responsibility for selecting the Fund's investments. Mr. Dreman began his investment career in 1957, founded the predecessor to Dreman Value Management, LLC, and has served as Chairman and Chief Investment Officer of Dreman since its inception.

F. James Hutchinson serves as a Fund Portfolio Manager. Mr. Hutchinson is an Executive Vice President and Managing Director at Dreman. Mr. Hutchinson has had over 30 years experience in Finance and Trust/Investment Management with The Bank of New York prior to joining Dreman in August of 2000. In addition to several senior corporate banking assignments, Mr. Hutchinson was elected president of The Bank of New York (Delaware) in 1987 and president of The Bank of New York-NJ in 1995.

Peter C. Andersen, CFA, serves as a Fund Portfolio Manager. Mr. Andersen is the high-yield portfolio manager at Dreman and oversees all income-related investments at Dreman. Mr. Andersen began his investment career in 1992 and before joining Dreman was a senior portfolio manager at Congress Asset Management Company. Prior to Congress, he was head of the high yield group at Delaware Investments and senior portfolio manager for approximately $4 billion of high yield assets for institutional and retail clients. Prior to joining Delaware, Mr. Andersen was senior portfolio manager and an analyst at Conseco Capital Management from 1996 to 2000.

Additional information about the portfolio managers' compensation, other accounts managed by them, the ownership of securities in the Fund by each of them and other information are provided in the statement of additional information. The statement of additional information is available free of charge by calling (800) 349-4281 or by visiting the Fund's website at www.cef.dws-scudder.com. Information included on the website does not form a part of this prospectus.

The Subadviser serves as subadviser to several DWS funds, but is not otherwise affiliated with Deutsche Bank AG.

Advisory Agreements

Pursuant to the Investment Management Agreement, DeIM is responsible for managing the Fund's portfolio, subject at all times to the general oversight of the Fund's Board of Directors. The Fund has agreed to pay DeIM a management fee payable on a monthly basis at the annual rate of 1.00% of the Fund's average daily Managed Assets for the services it provides.

In addition to the fees of the Investment Adviser, the Fund pays all other costs and expenses of its operations, including, but not limited to, compensation of its directors (other than those affiliated with the Investment Adviser), custodial expenses, transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses of any leverage, expenses of preparing, printing and distributing prospectuses, stockholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

Because the fees received by the Investment Adviser are based on the Managed Assets of the Fund, the Investment Adviser has a financial incentive for the Fund to use leverage, which may create a conflict of interest between the Investment Adviser and the holders of common stock. Because leverage costs will be borne by the Fund at a specified rate of return, the Fund's investment management fees and other expenses, including expenses incurred as a result of any leverage, are paid only by the Common Shareholders and not by holders of preferred stock or borrowings. See "Use of Leverage."

Pursuant to the Sub-Advisory Agreement, Dreman, under the oversight of the Fund's Board of Directors and the Investment Adviser, provides a continuous investment program for the Fund's portfolio, provides investment research and makes and executes recommendations for the purchase and sale of securities. Under the Sub-Advisory Agreement, the Investment Adviser pays Dreman an annual fee of 0.425% of the Fund's average daily Managed Assets for the first three years of the Fund's operations, 0.575% of the Fund's average daily Managed Assets for the next three years and 0.500% of the Fund's average daily Managed Assets thereafter.

The Agreement further provides that, notwithstanding the foregoing schedule, the Investment Adviser has agreed to pay Dreman a minimum fee in the amount of $2.5 million per year for a period of six (6) years following the commencement of operations. The minimum fee shall be reduced by the applicable fee rate above, multiplied by the difference between (i) the Fund's net assets immediately following the closing of the initial public offering of common stock, and (ii) and the Fund's average daily Managed Assets for the applicable twelve-month period.

The Sub-Advisory Agreement further provides that, consistent with its fiduciary duties to the Fund and to the extent the Investment Adviser believes it to be in the best interest of the Fund, the Investment Adviser shall not for a period of ten (10) years recommend termination of the Sub-Advisory Agreement and shall not cause itself not to act as investment adviser to the Fund if such event would result in the termination of the Sub-Advisory Agreement. If the Investment Adviser breaches this provision, the Subadviser is entitled to certain minimum payments under the Agreement subject to certain limited exceptions as described in the Agreement. These provisions create a potential conflict of interest for the Investment Adviser because a recommendation to terminate the Subadviser could have adverse financial consequences to the Investment Adviser. See the "statement of additional information" for more information.

A discussion of the basis for the Board of Director's approval of the Fund's Investment Management Agreement and Sub-Advisory Agreement will be provided in the Fund's initial shareholder report. The basis for subsequent continuations of these agreements will be provided in annual or semi-annual reports to shareholders for the periods during which such continuations occur.

Deutsche Bank AG or one of its affiliates (or in the case of the Subadviser, one of its affiliates) may act as a broker for the Fund and receive brokerage commissions or other transaction-related compensation from the Fund in the purchase and sale of securities, options or futures contracts when, in the judgment of the Subadviser, and in accordance with procedures approved by the Fund's Board, the affiliated broker will be able to obtain a price and execution at least as favorable as those obtained from other qualified brokers and if, in the transaction, the affiliated broker charges the Fund a rate consistent with that charged to comparable unaffiliated customers in similar transactions.

Market Timing-Related Regulatory and Litigation Matters

Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisers have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industrywide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisers and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment adviser has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the Fund or the Investment Adviser.

With respect to the lawsuits, based on currently available information, the DWS funds' investment advisers believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the DWS funds as follows:

> DeAM expects to reach final agreements with regulators in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds (which would not include the Fund) in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The DWS funds' investment advisers do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.
>
> Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisers, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the

conduct of its business in the future, including maintaining existing management fee reductions for certain funds (which would not include the Fund) for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999-2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Other Regulatory Matters

Regulatory Settlements. On September 28, 2006, the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers ("NASD") announced final agreements in which Deutsche Investment Management Americas Inc. ("DeIM"), Deutsche Asset Management, Inc. ("DeAM, Inc.") and Scudder Distributors, Inc. ("SDI") (now known as DWS Scudder Distributors, Inc.) settled administrative proceedings regarding disclosure of brokerage allocation practices in connection with sales of the Scudder Funds' (now known as the DWS Scudder Funds) shares during 2001-2003. The agreements with the SEC and NASD are reflected in orders which state, among other things, that DeIM and DeAM, Inc. failed to disclose potential conflicts of interest to the fund Boards and to shareholders relating to SDI's use of certain funds' brokerage commissions to reduce revenue sharing costs to broker-dealer firms with whom it had arrangements to market and distribute Scudder Fund shares. These directed brokerage practices were discontinued in October 2003.

Under the terms of the settlements, in which DeIM, DeAM, Inc. and SDI neither admitted nor denied any of the regulators' findings, DeIM, DeAM, Inc. and SDI agreed to pay disgorgement, prejudgment interest and civil penalties in the total amount of $19.3 million. The portion of the settlements distributed to the DWS funds (which does not include the Fund) was approximately $17.8 million, payable to the DWS funds as prescribed by the settlement orders based upon the amount of brokerage commissions from each fund used to satisfy revenue sharing agreements with broker-dealers who sold fund shares.

As part of the settlements, DeIM, DeAM, Inc. and SDI also agreed to implement certain measures and undertakings relating to revenue sharing payments including making additional disclosures in the fund prospectuses or statements of additional information, adopting or modifying relevant policies and procedures and providing regular reporting to the DWS fund Boards.

SDI has also offered to settle with the NASD regarding SDI's provision of non-cash compensation to associated persons of NASD member firms and related policies. In the offer, SDI consents to the imposition of a censure by the NASD and a fine of $425,000. The NASD has not yet accepted SDI's offer.

Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements (information included on the website does not form a part of this prospectus) which will also disclose the terms of any final settlement agreements once they are announced.

NET ASSET VALUE

Net asset value per share is determined daily as of the close of regular session trading on the NYSE (usually 4:00 p.m., Eastern time) ("Value Time"). Net asset value is calculated by dividing the value of all of the securities and other assets of the Fund, less its liabilities (including accrued expenses and indebtedness) and the aggregate liquidation value of any outstanding preferred shares, by the total number of common shares outstanding.

An equity security is valued at its most recent sale price on the security's primary exchange or OTC market as of the Value Time. Lacking any sales, the security is valued at the calculated mean between the most recent bid quotation and the most recent asked quotation (the "Calculated Mean") on such exchange or OTC market as of the Value Time. If it is not possible to determine the Calculated Mean, the security is valued at the most recent bid quotation on such exchange or OTC market as of the Value Time. In the case of certain foreign exchanges or OTC markets, the closing price reported by the exchange or OTC market (which may sometimes be referred to as the "official close" or the "official closing price" or other similar term) will be considered the most recent sale price.

Debt securities are valued as follows. Money market instruments purchased with an original or remaining maturity of 60 days or less, maturing at par, are valued at amortized cost. Other money market instruments are valued based on information obtained from an independent pricing service or, if such information is not readily available, by using matrix pricing techniques (formula driven calculations based primarily on current market yields). Privately placed debt securities, other than Rule 144A debt securities, initially are valued at cost and thereafter based on all relevant factors including type of security, size of holding and restrictions on disposition. Other debt securities not addressed above are valued at prices supplied by an independent pricing service, if available, and otherwise at the most recent bid quotation or evaluated price, as applicable, obtained from one or more broker-dealers. If it is not possible to value a particular debt security pursuant to the above methods, the security is valued on the basis of factors including (but not limited to) maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded.

An exchange-traded option contract on securities, currencies and other financial instruments is valued at its most recent sale price on the relevant exchange. Lacking any sales, the option contract is valued at the Calculated Mean. If it is not possible to determine the Calculated Mean, the option contract is valued at the most recent bid quotation in the case of a purchased option contract or the most recent asked quotation in the case of a written option contract, in each case as of the Value Time. An option contract on securities, currencies and other financial instruments traded in the OTC market is valued on the Value Date at the evaluated price provided by the broker-dealer with which it was traded. Futures contracts (and options thereon) are valued at the most recent settlement price, if available, on the exchange on which they are traded most extensively. With the exception of stock index futures contracts which trade on the Chicago Mercantile Exchange, closing settlement times are prior to the close of trading on the NYSE. For stock index futures contracts which trade on the Chicago Mercantile Exchange, closing settlement prices are normally available at approximately 4:20 Eastern time. If no settlement price is available, the last traded price on such exchange will be used.

If market quotations for a portfolio asset are not readily available or the value of a portfolio asset as determined in accordance with Board approved procedures does not represent the fair market value of the portfolio asset, the value of the portfolio asset is taken to be an amount which, in the opinion of the Fund's Pricing Committee (or, in some cases, the Board's Valuation Committee), represents fair market value. The value of other portfolio holdings owned by the Fund is determined in a manner which is intended to fairly reflect the fair market value of the asset on the valuation date, based on valuation procedures adopted by the Fund's Board and overseen primarily by the Fund's Pricing Committee.

DIVIDENDS AND DISTRIBUTIONS

Commencing with the first dividend, the Fund intends to distribute all or a portion of its net investment income monthly to holders of common stock. The Fund expects to declare its initial monthly dividend within 60 days and pay its initial monthly dividend within 80 days after the completion of this offering, depending on market conditions. Dividends and distributions may be payable in cash or common stock, with the option to receive additional shares of common stock in lieu of cash. The Fund may at times, in its discretion, pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income in addition to net investment income earned in other periods in order to permit the Fund to maintain a more stable level of distributions. As a result, the dividend paid by the Fund to holders of common stock for any particular period may be more or less than the amount of net investment income earned by the Fund during such period. The Fund is not required to maintain a stable level of distributions to shareholders. The amount of monthly distributions may vary depending on a number of factors, including the costs of any leverage. As portfolio and market conditions change, the amount of dividends on the Fund's Common Shares could change. For federal income tax purposes, the Fund is required to distribute substantially all of its net investment income each year to both reduce its federal income tax liability and to avoid a potential excise tax. The Fund intends to distribute all realized net capital gains, if any, at least annually.

Under the 1940 Act, the Fund is not permitted to incur indebtedness unless immediately after such incurrence the Fund has an asset coverage of at least 300% of the aggregate outstanding principal balance of indebtedness. Additionally, under the 1940 Act, the Fund may not declare any dividend or other distribution upon any class of its capital shares, or purchase any such capital shares, unless the aggregate indebtedness of the Fund has, at the time of the declaration of any such dividend or distribution or at the time of any such purchase, an asset coverage of at least 300% after deducting the amount of such dividend, distribution, or purchase price, as the case may be.

While any preferred stock is outstanding, the Fund may not declare any cash dividend or other distribution on its common stock, unless at the time of such declaration, (i) all accumulated preferred dividends have been paid and (ii) the net asset value of the Fund's portfolio (determined after deducting the amount of such dividend or other distribution) is at least 200% of the liquidation value of the outstanding preferred shares (expected to be equal to the original purchase price per share plus any accumulated and unpaid dividends thereon).

In addition to the limitations imposed by the 1940 Act described above, certain lenders may impose additional restrictions on the payment of dividends or distributions on the common stock in the event of a default on the Fund's borrowings. If the Fund's ability to make distributions on its common stock is limited, such limitations could, under certain circumstances, impair the ability of the Fund to maintain its qualification for taxation as a regulated investment company, which would have adverse tax consequences for shareholders. See "Use of Leverage" and "U.S. Federal Income Tax Matters."

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

Pursuant to the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), a Common Shareholder may elect to have all dividends and distributions (including all capital gain dividends) automatically reinvested in shares of common stock of the Fund (each a "Participant"). Common Shareholders should contact DWS Scudder Investments Service Company at (800) 294-4366 to elect to participate in the Plan. Shareholders whose shares are held in the name of a broker or nominee should contact such broker or nominee about participating in the Plan. If a Common Shareholder of the Fund does not elect to participate, such Common Shareholder will receive all distributions in cash paid by check mailed directly to them by DWS Scudder Investments Service Company, as dividend paying agent.

UMB Bank, N.A. (the "Plan Agent"), including any successor Plan Agent, has been appointed by the Board of Directors of the Fund to act as agent for each Participant under the Plan. The Fund's transfer agent and dividend-disbursing agent (the "Transfer Agent") will open an account for each Participant under the Plan in the same name in which such Participant's present shares are registered, and put into effect for such Participant, the dividend reinvestment option of the Plan as of the first record date for a dividend or capital gains distribution, and the cash purchase option of the Plan as of the next appropriate date as provided below.

Whenever the Fund declares an income dividend or a capital gains distribution payable in common shares or cash at the option of the shareholders, each Participant is deemed to have elected to take such dividend or distribution entirely in additional shares of common stock of the Fund, and the Fund's Transfer Agent shall record such shares, including fractions, for the Participant's account. If the market price per share of the Fund's common stock on the valuation date equals or exceeds the net asset value per share on the valuation date, the number of additional shares to be issued by the Fund and credited to the Participant's account shall be determined by dividing the dollar amount of the dividend or capital gains distribution payable on the Participant's shares by the greater of the following amounts per share of the Fund's common stock on the valuation date: (a) the net asset value, or (b) 95% of the market price. If the market price per share of the Common Shares on the valuation date is less than the net asset value per share on the valuation date, the Plan Agent shall apply the dollar amount of the dividend or capital gains distribution on such Participant's shares (less such Participant's pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of such dividend and distribution) to the purchase on the open market of shares of the common stock for the Participant's account. Such purchases will be made on or shortly after the payment date for such dividend or distribution, and in no event more than 45 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities law. The valuation date will be the payment date for the dividend or capital gains distribution or, if such date is not a NYSE trading date, then the next preceding NYSE trading date.

Should the Fund declare an income dividend or capital gains distribution payable only in cash, the Plan Agent shall apply the amount of such dividend or distribution on each Participant's shares (less such Participant's pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of such dividend or distribution) to the purchase on the open market of shares of common stock for the Participant's account. Such purchases will be made on or shortly after the payment date for such dividend or distribution, and in no event more than 45 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities law.

For all purposes of the Plan: (a) the market price of the common stock on a particular date shall be the mean between the highest and lowest sales prices on the NYSE on that date, or, if there is no sale on such Exchange on that date, then the mean between the closing bid and asked quotations for such stock on such Exchange on such date provided, however, that if the valuation date precedes the "ex-dividend" date on such Exchange for a particular dividend and/or distribution, then the market price on such valuation date shall be as determined above, less the per share amount of the dividend and/or distribution; (b) net asset value per share of the common shares on a particular date shall be as determined by or on behalf of the Fund; and

(c) all dividends, distributions and other payments (whether made in cash or in shares) shall be made net of any applicable withholding tax.

Each Participant, semi-annually, has the option of sending additional funds, in any amount from $100 to $3,000 for the purchase on the open market of shares of common stock for such Participant's account. Voluntary payments will be invested by the Plan Agent on or shortly after the 15th of February and August, and in no event more than 45 days after such dates, except where temporary curtailment or suspension of purchases is necessary to comply with applicable provisions of federal securities law. Optional cash payments received from a Participant on or prior to the fifth day preceding the 15th of February or August will be applied by the Plan Agent to the purchase of additional shares of common stock as of that investment date. Funds received after the fifth day preceding the 15th of February or August and prior to the 30th day preceding the next investment date will be returned to the Participant. No interest will be paid on optional cash payments held until investment. Consequently, Participants are strongly urged to make their optional cash payments shortly before the 15th of February or August. However, Participants should allow sufficient time to ensure that their payments are received by the Fund's Transfer Agent on or prior to the fifth day preceding the 15th of February or August. Optional cash payments should be in U.S. funds and be sent by first-class mail, postage prepaid, only to the following address: DWS Dreman Value Income Edge Fund, Inc., Dividend Reinvestment and Cash Purchase Plan, 210 W. 10th Street, Kansas City, MO 64105 (800-294-4366).

Deliveries to any other address do not constitute valid delivery. Participants may withdraw their entire voluntary cash payment by written notice received by the Plan Agent not less than 48 hours before such payment is to be invested.

Investments of voluntary cash payments and other open-market purchases provided for above may be made on any securities exchange where the Common Shares are traded, in the OTC market or in negotiated transactions and may be on such terms as to price, delivery and otherwise as the Plan Agent shall determine. Participants' funds held by the Plan Agent or the Fund's Transfer Agent uninvested will not bear interest, and it is understood that, in any event, the Plan Agent shall have no liability in connection with any inability to purchase shares within 45 days after the initial date of such purchase as herein provided, or with the timing of any purchases effected. The Plan Agent shall have no responsibility as to the value of the common stock acquired for a Participant's account. For the purposes of cash investments, the Plan Agent or the Fund's Transfer Agent may commingle Participants' funds, and the average price (including brokerage commissions) of all shares purchased by the Plan Agent as agent shall be the price per share allocable to each Participant in connection therewith.

The Fund's Transfer Agent will record shares acquired pursuant to the Plan in noncertificated form on the books of the Fund in the Participant's name. The Fund's Transfer Agent will forward to each Participant any proxy solicitation material. Upon a Participant's written request, the Fund's Transfer Agent will deliver to such Participant, without charge, a certificate or certificates for the full shares. The Fund's Transfer Agent will confirm to each Participant each acquisition made for such Participant's account as soon as practicable but no later than 60 days after the date thereof. The Fund's Transfer Agent will send to each Participant a statement of account confirming the transaction and itemizing any previous reinvestment activity for the calendar year. A statement reflecting the amount of cash received by the Fund's Transfer Agent will be issued on receipt of each cash deposit. The statements are the record of the costs of shares and should be retained for tax purposes. Certificates representing shares will not be issued to a Participant under the Plan unless such Participant so requests in writing or unless his account is terminated. Although Participants may from time to time have an undivided fractional interest (computed to four decimal places) in a share of the Fund, no certificates for a fractional share will be issued. However, dividends and distributions on fractional shares will be credited to a Participant's account. In the event of termination of a Participant's account under the Plan, the Fund's Transfer Agent will adjust for any such undivided fractional interest in cash at the market value of the Fund's shares at the time of termination less the pro rata expense of any sale required to make such an adjustment.

Any stock dividends or split shares distributed by the Fund on shares held for a Participant under the Plan will be credited to such Participant's account. In the event that the Fund makes available to its shareholders rights to purchase additional shares or other securities, the shares held for a Participant under the Plan will be added to other shares held by such Participant in calculating the number of rights to be issued to such Participant.

The Plan Agent's and/or Fund's Transfer Agent's service fee for handling capital gains distributions or income dividends will be paid by the Fund. Participants will be charged a $1.00 service fee for each voluntary cash investment and a pro rata share of brokerage commissions on all open market purchases.

Participants may terminate their accounts under the Plan by notifying the Fund's Transfer Agent in writing. Such termination will be effective immediately if such Participant's notice is received by the Fund's Transfer Agent not less than ten days prior to any dividend or distribution record date; otherwise such termination will be effective as soon as practicable upon completion of the reinvestment of capital gains distributions or income dividends. The Plan may be terminated by the Fund upon notice in writing mailed to Participants at least 30 days prior to any record date for the payment of any dividend or distribution by the Fund. Upon any termination the Fund's Transfer Agent will cause a certificate or certificates for the full number of shares held for each Participant under the Plan and cash adjustment for any fraction of a share to be delivered to such Participant without charge.

If a Participant elects by notice to the Plan Agent in writing in advance of such termination to have the Plan Agent sell part or all of such Participant's shares and remit the proceeds to such Participant, the Plan Agent is authorized to deduct a fee of 5% of the gross proceeds, to a maximum of $3.50, plus brokerage commissions for this transaction and any transfer taxes. In such case, certificates for withdrawn shares will not be issued to such Participant, and the Plan Agent will, within ten (10) business days after receipt of such written notice, cause such shares to be sold at market prices for such Participant's account. It should be noted, however, that the Fund's share price may fluctuate during the period between a request for sale, its receipt by the Plan Agent, and the ultimate sale in the open market within 10 business days. This risk should be evaluated by such Participant when considering whether to request that the Plan Agent sell his or her shares. The risk of a price decline is borne solely by such Participant. A check for the proceeds will not be mailed prior to receipt by the Fund's Transfer Agent of proceeds of the sale; settlement currently occurs three (3) business days after the sale of shares. Information regarding the sale of shares will be provided to the Internal Revenue Service (the "IRS").

The reinvestment of dividends and capital gains distributions does not relieve the Participant of any tax that may be payable on such dividends and distributions. The Fund's Transfer Agent will report to each Participant the taxable amount of dividends and distributions credited to his or her account. Participants will be treated as receiving the amount of the distributions made by the Fund, which amount generally will be either equal to the amount of the cash distribution the shareholder would have received if the shareholder had elected to receive cash or, for shares issued by the Fund, the fair market value of the shares issued to the shareholder. U.S. shareholders who elect to have their dividends and distributions reinvested will have their dividends and distributions reinvested net of the back-up withholding tax imposed under Section 3406 of the Code, if such shareholder is subject to the back-up withholding tax, including, without limitation, by reason of (i) such shareholder failing to furnish to the Fund his or her taxpayer identification number (the "TIN"), which for an individual is his or her social security number; (ii) the IRS notifying the Fund that the TIN furnished by the shareholder is incorrect; (iii) the IRS notifying the Fund that the shareholder is subject to back-up withholding; or (iv) the shareholder failing to certify, under penalties of perjury, that he or she is not subject to back-up withholding. Shareholders should timely submit all information and certifications required in order to exempt them from backup withholding if such exemption is available to them. It is a shareholder's responsibility to supply such information and certifications to the Fund or their brokers, as necessary.

The terms and conditions of the Plan may be amended or supplemented by the Fund at any time or times, but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission, any securities exchange on which shares of the Fund are listed, or any other regulatory authority, only by mailing to Participants appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by a Participant unless, prior to the effective date thereof, the Fund's Transfer Agent receives written notice of the termination of such Participant's account under the Plan. Any such amendment may include an appointment by the Fund of a successor Plan Agent or Transfer Agent under the Plan's terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Agent or the Fund's Transfer Agent under the Plan's terms and conditions. Notwithstanding the above, if for any reason operation of the Plan in accordance with its terms should become impracticable or unreasonable under the circumstances then prevailing, or in the judgment of the Fund's Board of Directors such operation would not be in the interests of the Fund's shareholders generally, then the Fund's Board of Directors shall have the authority to amend, effective immediately, the terms of the Plan to the extent that such amendment does not adversely affect the interests of Participants in any material respect. Appropriate written notice of such amendment shall be given within 30 days of its effective date.

Each of the Plan Agent and Fund's Transfer Agent shall at all times act in good faith and agree to use its best efforts within reasonable limits to insure the accuracy of all services performed under the Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors, unless such error is caused by its negligence, bad faith, or willful misconduct or that of its employees. The terms and conditions of the Plan are governed by the laws of the State of New York.

All correspondence and inquiries concerning the plan should be directed to DWS Scudder Investments Service Company at P.O. Box 219066, Kansas City, Missouri 64105 or (800) 294-4366.

DESCRIPTION OF THE SHARES

The following summary of the terms of the stock of the Fund does not purport to be complete and is subject to and qualified in its entirety by reference to the Maryland General Corporation Law, and to the Fund's Charter and the Fund's By-Laws, copies of which are exhibits to the Registration Statement.

The Fund's authorized capital stock consists of 100,000,000 shares of capital stock, $0.01 par value, all of which is initially classified as common stock. As of the date of this prospectus, DeIM owned of record and beneficially 5,235 of the Fund's Common Shares, constituting 100% of the outstanding shares of the Fund, and thus, until the public offering of the shares is completed, will control the Fund.

In general, shareholders or subscribers for the Fund's stock have no personal liability for the debts and obligations of the Fund because of their status as shareholders or subscribers, except to the extent that the subscription price or other agreed consideration for the stock has not been paid.

Under the Fund's Charter, the Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock and authorize the issuance of shares of stock without obtaining shareholder approval. Also, the Fund's Board of Directors, with the approval of a majority of the entire board, but without any action by the shareholders of the Fund, may amend the Fund's Charter from time to time to increase or decrease the aggregate number of shares of stock of the Fund or the number of shares of stock of any class or series that the Fund has authority to issue.

Common Stock

The outstanding common stock currently is, and the Common Shares to be issued in the offering will be, upon payment as described in this prospectus, fully paid and non-assessable. The common stock has no preemptive, conversion, exchange, appraisal or redemption rights, and each share has equal voting, dividend, distribution and liquidation rights.

Holders of common stock are entitled to receive dividends if and when the Board of Directors declares dividends from funds legally available. Whenever Fund preferred stock or borrowings are outstanding, holders of common stock will not be entitled to receive any distributions from the Fund unless all accrued dividends on the Fund preferred stock and interest and principal payments on borrowings have been paid, and unless the applicable asset coverage requirements under the 1940 Act would be satisfied after giving effect to the distribution.

In the event of the Fund's liquidation, dissolution or winding up, each share of common stock would be entitled to share ratably in all of the Fund's assets that are legally available for distribution after the Fund pays all debts and other liabilities and subject to any preferential rights of holders of Fund preferred stock, if any preferred stock is outstanding at such time.

Common Shareholders are entitled to one vote per share. All voting rights for the election of Directors are noncumulative, which means that, assuming there is no Fund preferred stock outstanding, the holders of more than 50% of the common stock will elect 100% of the Directors then nominated for election if they choose to do so and, in such event, the holders of the remaining common stock will not be able to elect any Directors.

The Fund's Charter authorizes the Board of Directors to classify and reclassify any unissued shares of common stock into other classes or series of stock. Prior to issuance of shares of each class or series, the Board is required by Maryland law and by the Charter to set the terms, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board could authorize the issuance of shares of common stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of the Fund's Common Shares or otherwise be in their best interest. As of the date of this prospectus, the Fund has no plans to classify or reclassify any unissued shares of common stock.

The Fund's common stock has been accepted for listing on the NYSE, upon notice of issuance, under the symbol "DHG." Under the rules of the NYSE applicable to listed companies, the Fund will be required to hold an annual meeting of shareholders in each year.

Preferred Stock

The Fund's Charter authorizes the Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock, without the approval of the holders of the common stock. Prior to issuance of any shares of preferred stock, the Board is required by Maryland law and by the Charter to set the terms, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for such shares. Thus, the Board could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of the Fund's Common Shares or otherwise be in their best interest. No shares of preferred stock are presently outstanding, and the Fund has no present plans to issue any preferred stock.

Any issuance of shares of preferred stock must comply with the requirements of the 1940 Act. Specifically, the Fund is not permitted under the 1940 Act to issue preferred stock unless immediately after such issuance the total asset value of the Fund's portfolio is at least 200% of the liquidation value of the outstanding preferred stock. Among other requirements, including other voting rights, the 1940 Act requires that the holders of any preferred stock, voting separately as a single class, have the right to elect at least two Directors at all times. The remaining Directors will be elected by holders of the Fund's common stock and preferred stock, voting together as a single class. In addition, subject to the prior rights, if any, of the holders of any other class of senior securities outstanding, the holders of any preferred stock would have the right to elect a majority of the Fund's Directors at any time two years' dividends on any preferred stock are unpaid.

CERTAIN PROVISIONS OF THE FUND'S CHARTER AND BY-LAWS

The following summary of certain provisions of the Maryland General Corporation Law and of the Charter and By-Laws of the Fund does not purport to be complete and is subject to and qualified in its entirety by reference to the Maryland General Corporation Law, and to the Fund's Charter and the Fund's By-Laws, copies of which are exhibits to the Registration Statement.

General

The Maryland General Corporation Law and the Fund's Charter and By-Laws contain provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure.

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

The Board of Directors has concluded that the potential benefits of these provisions outweigh their possible disadvantages.

Classified Board of Directors

The Fund's Board of Directors is divided into three classes of directors serving staggered three-year terms. The initial terms of the first, second and third classes will expire at the first, second and third annual meetings of stockholders, respectively, and, in each case, until their successors are duly elected and qualify. Upon expiration of their terms, directors of each class will be elected to serve for three-year terms and until their successors are duly elected and qualify and at each annual meeting one class of directors will be elected by the stockholders. A classified board of directors promotes continuity and stability of management but makes it more difficult for shareholders to change a majority of the directors because it generally takes at least two annual elections of directors for this to occur. The Fund believes that classification of the Board of Directors will help to assure the continuity and stability of the Fund's strategies and policies as determined by the Board of Directors.

Election of Directors

The Fund's Charter provides that, except as otherwise provided in the By-Laws, directors shall be elected by the affirmative vote of the holders of a majority of the shares of stock outstanding and entitled to vote thereon. The Fund's By-Laws provide that a plurality of all the votes cast at a meeting of stockholders shall be sufficient to elect a director.

If the Board of Directors were to amend the By-Laws to alter the vote required to elect directors to the affirmative vote of the holders of a majority of the shares of stock outstanding, as permitted by the Charter, it is possible that no nominee would receive the required vote. In the case of a failure to elect one or more directors because the nominees receive votes constituting less than the required vote, the incumbent directors would hold over and continue to serve until the next election of directors and until their successors are duly elected and qualify.

Number of Directors; Vacancies

The Fund's Charter provides that the number of directors will be set only by the Board of Directors in accordance with the By-Laws. The By-Laws provide that a majority of the Fund's entire Board of Directors may at any time increase or decrease the number of directors.

The Fund's Charter provides that the Fund elects, at such time as the Fund becomes eligible to make such an election (i.e., when the Fund has at least three independent directors and the common stock is registered under the Securities Act of 1934), to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors. Accordingly, at such time, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Removal of Directors

The Fund's Charter provides that, subject to the rights of the holders of one or more class or series of the Fund's preferred stock to elect or remove directors, a director may be removed from office only for cause (as defined in the Charter) and then only by the affirmative vote of the holders of at least 80% of the votes entitled to be cast generally in the election of directors.

Absence of Cumulative Voting

There is no cumulative voting in the election of the Fund's directors. Cumulative voting means that holders of stock of a corporation are entitled, in the election of directors, to cast a number of votes equal to the number of shares that they own multiplied by the number of directors to be elected. Because a shareholder entitled to cumulative voting may cast all of his or her votes for one nominee or disperse his or her votes among nominees as he or she chooses, cumulative voting is generally considered to increase the ability of minority shareholders to elect nominees to a corporation's board of directors. In general, the absence of cumulative voting means that the holders of a majority of the Fund's shares can elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors.

Approval of Extraordinary Corporate Actions

The affirmative vote of at least 80% of the entire Board of Directors is required to approve the conversion of the Fund from a closed-end to an open-end investment company. Such conversion also requires the affirmative vote of the holders of at least 80% of the votes of the Fund's common stock and, if any, preferred stock entitled to be cast thereon, each voting as a separate class, unless it is approved by a vote of at least 80% of the Continuing Directors (as defined below), in which event such conversion requires the approval of the holders of a majority of the votes entitled to be cast thereon by the shareholders of the Fund.

Generally, a "Continuing Director" is any member of the Board of Directors of the Fund who (A) (i) is not a person who enters or proposes to enter into a Business Combination (as defined below) with the Fund or which individually or together with any other persons beneficially owns or is deemed to own, directly or indirectly, more than 5% of any class of the Fund's securities (an "Interested Party") or an affiliate or associate of an Interested Party and (ii) who has been a member of the Board of Directors of the Fund for a period of at least 12 months, or has been a member of the Board of Directors since the Fund's initial public offering of Common Shares, or (B) (i) is a successor of a Continuing Director who is not an Interested Party or an affiliate or associate of an Interested Party and is recommended to succeed a Continuing Director by a majority of the Continuing Directors then on the Board of Directors of the Fund, or (ii) is elected to the Board of Directors to be a Continuing Director by a majority of the Continuing Directors then on the Board of Directors and who is not an Interested Party or an affiliate or associate of an Interested Party.

Except as described below, the affirmative votes of at least 80% of the entire Board of Directors and the holders of at least (i) 80% of the votes of the Fund's common stock and, if any, preferred stock entitled to be cast thereon, each voting as a separate class, and (ii) in the case of a Business Combination (as defined below), $66\frac{2}{3}\%$ of the votes entitled to be cast thereon by the shareholders of the Fund other than votes entitled to be cast by an Interested Party who is (or whose affiliate or associate is) a party to a Business Combination or an affiliate or associate of the Interested Party, are required to authorize any of the following transactions:

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

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

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

(iv) any voluntary liquidation or dissolution of the Fund or an amendment to the Fund's Charter to terminate the Fund's existence unless it is approved by a vote of at least 80% of the Continuing Directors, in which event such action will require the approval of the holders of a majority of the votes entitled to be cast thereon by the shareholders of the Fund; or

(v) any shareholder proposal as to specific investment decisions made or to be made with respect to the Fund's assets.

However, the voting requirements described above will not be required with respect to a Business Combination if the Business Combination is approved by a vote of at least 80% of the Continuing Directors, or certain pricing and other conditions specified in the Charter are met. In such cases, (a) with respect to a Business Combination described in (i) or (iii) above (or, with respect to (ii) above, if the issuance or transfer is one with respect to which a shareholder vote is required under Maryland law), the affirmative vote of the holders of a majority of the votes entitled to be cast will be sufficient to authorize the transaction, and (b) with respect to any other Business Combination, no shareholder vote is required.

Amendment to Charter and By-Laws

The affirmative vote of at least 80% of the votes of the Fund's common stock and preferred stock entitled to be cast thereon, each voting as a separate class, will be required to amend certain provisions of the Fund's Charter, including the provisions described in the paragraphs above titled "Classified Board of Directors," "Election of Directors," "Number of Directors; Vacancies," "Removal of Directors" and "Approval of Extraordinary Corporate Actions," unless such amendment previously has been approved by the affirmative vote of 80% of the Continuing Directors, in which case such amendment shall be approved by the affirmative vote of the holders of at least a majority of the Fund's common stock and, if any, preferred stock, each acting as a separate class.

The Fund's Charter and By-Laws provide that the Board of Directors will have the exclusive power to adopt, alter or repeal any provision of the Fund's By-Laws and to make new By-Laws.

Action by Shareholders

Under the Maryland General Corporation Law, shareholder action can be taken only at an annual or special meeting of shareholders or, unless the charter provides for shareholder action by less than unanimous written consent (which is not the case for the Fund's Charter), by unanimous written consent in lieu of a meeting. These provisions, combined with the requirements of the Fund's By-Laws regarding the calling of a shareholder-requested special meeting, as discussed below, may have the effect of delaying consideration of a shareholder proposal until the next annual meeting.

Procedures for Shareholder Nominations and Proposals

The Fund's By-Laws provide that any shareholder desiring to make a nomination for the election of directors or a proposal for new business at a meeting of shareholders must comply with the advance notice provisions of the By-Laws. Nominations and proposals that fail to follow the prescribed procedures will not be considered. The Board believes that it is in the Fund's best interests to provide sufficient time to enable management to disclose to shareholders information about a dissident slate of nominations for directors or proposals for new business. This advance notice requirement also may give management time to solicit its own proxies in an attempt to defeat any dissident slate of nominations should management determine that doing so is in the best interest of shareholders generally. Similarly, adequate advance notice of shareholder proposals will give management time to study such proposals and to determine whether to recommend to the shareholders that such proposals be adopted. For shareholder proposals to be included in the Fund's proxy materials, the shareholder must comply with all timing and information requirements of the Securities Exchange Act of 1934.

Calling of Special Meetings of Shareholders

The Fund's By-Laws provide that special meetings of shareholders may be called by the Board of Directors and certain of its officers. Additionally, the Fund's By-Laws provide that, subject to the satisfaction of certain procedural and informational requirements by the shareholders requesting the meeting, a special meeting of shareholders will be called by the Fund's Secretary upon the written request of shareholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

No Appraisal Rights

As permitted by the Maryland General Corporation Law, the Fund's Charter provides that shareholders will not be entitled to exercise appraisal rights.

Limitations on Liabilities

The Fund's Charter provides that the personal liability of the Fund's directors and officers for monetary damages is eliminated to the fullest extent permitted by Maryland law and the 1940 Act. Maryland law currently provides that directors and officers of corporations that have adopted such a provision will generally not be so liable, except to the extent that (i) it is proved that the person actually received an improper benefit or profit in money, property, or services for the amount of the benefit or profit in money, property, or services actually received; and (ii) a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

In addition, the Charter provides that this limitation of liability will not protect any director or officer against any liability to the Fund or its security holders to which he or she would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

The Fund's Charter authorizes the Fund, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to obligate the Fund to indemnify and advance expenses to the Fund's directors and officers. The Fund's By-Laws provide that the Fund will indemnify its officers and directors against liabilities and will advance expenses to such persons prior to a final disposition of an action to the fullest extent permitted by Maryland law and the 1940 Act. The rights of indemnification provided in the Charter and By-Laws are not exclusive of any other rights which may be available under any insurance or other agreement, by resolution of shareholders or directors or otherwise.

Each of the directors who is not an "interested person" (as defined under the 1940 Act) of the Investment Adviser has entered into an indemnification agreement with the Fund, which agreement provides that the Fund shall indemnify the non-interested director against certain liabilities which such director may incur while acting in the capacity as a director, officer or employee of the Fund to the fullest extent permitted by law, now or in the future, and requires indemnification and advancement of expenses unless prohibited by law. The indemnification agreement cannot be altered without the consent of the non-interested director and is not affected by amendment of the Charter.

CLOSED-END FUND STRUCTURE

Closed-end funds differ from open-end investment companies (commonly referred to as mutual funds) in that closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities redeemable at net asset value at the option of the shareholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund's investment objective and policies. In addition, in comparison to open-end funds, closed-end funds have greater flexibility in their ability to make certain types of investments, including investments in illiquid securities.

However, shares of closed-end investment companies listed for trading on a securities exchange frequently trade at a discount from net asset value, although in some cases they may trade at a premium. The market price may be affected by trading volume of the shares, general market and economic conditions and other factors beyond the control of the closed-end fund. The foregoing factors may result in the market price of the Common Shares being greater than, less than or equal to net asset value. The Board of Directors has reviewed the structure of the Fund in light of its investment objectives and policies and has determined that the closed-end structure is in the best interests of the shareholders. As described below, however, the Board of Directors will review periodically the trading range and activity of the Fund's shares with respect to its net asset value and the Board may take certain actions to seek to reduce or eliminate any such discount. Such actions may include open market repurchases or tender offers for the Common Shares at net asset value or the possible conversion of the Fund to an open-end investment company. There can be no assurance that the Board will decide to undertake any of these actions or that, if undertaken, such actions would result in the Common Shares trading at a price equal to or close to net asset value per Common Share.

REPURCHASE OF COMMON SHARES; CONVERSION TO OPEN-END FUND

Repurchase of Common Shares and Tender Offers

In recognition of the possibility that the Common Shares might trade at a discount to net asset value and that any such discount may not be in the interest of shareholders, the Board of Directors, in consultation with the Investment Adviser and the Subadviser, from time to time, will review possible actions to reduce any such discount. After any consideration of potential actions to seek to reduce any significant market discount, the Board may, subject to its fiduciary obligations and compliance with applicable state and federal laws, authorize the commencement of a share-repurchase program or tender offer. The size and timing of any such share repurchase program or tender offer will be determined by the Board of Directors in light of the market discount of the Common Shares, trading volume of the Common Shares, information presented to the Board of Directors regarding the potential impact of any such share repurchase program or tender offer, and general market and economic conditions. The Fund may, subject to its investment limitations with respect to borrowings, incur debt to finance any such share repurchase program or tender offer. Interest on any such borrowings would increase the Fund's expenses and reduce its net income.

There can be no assurance that repurchases of Common Shares or tender offers, if any, will cause the Common Shares to trade at a price equal to or in excess of their net asset value. Nevertheless, the possibility that a portion of the Fund's outstanding Common Shares may be the subject of repurchases or tender offers may reduce the spread between market price and net asset value that might otherwise exist. Sellers may be less inclined to accept a significant discount in the sale of their Common Shares if they have a reasonable expectation of being able to receive a price of net asset value for a portion of their Common Shares in conjunction with an announced repurchase program or tender offer for the Common Shares.

Although the Board of Directors believes that repurchases or tender offers generally would have a favorable effect on the market price of the Common Shares, the acquisition of Common Shares by the Fund will decrease the total assets of the Fund and therefore will have the effect of, among other things, increasing the Fund's expense ratio. Because of the nature of the Fund's investment objective, policies and portfolio, the Investment Adviser does not anticipate that repurchases of Common Shares or tender offers should interfere with the ability of the Fund to manage its investments in order to seek its investment objective, and does not anticipate any material difficulty in borrowing money or disposing of portfolio securities to consummate repurchases of or tender offers for Common Shares, although no assurance can be given that this will be the case.

Conversion to Open-End Fund

The Fund may be converted to an open-end investment company at any time if approved by the Board of Directors and the shareholders. See "Certain Provisions of the Fund's Charter and By-Laws" for a discussion of the voting requirements applicable to conversion of the Fund to an open-end investment company and any related Charter amendments. If the Fund converted to an open-end investment company, it would be required to redeem all preferred stock of the Fund then outstanding (requiring in turn that it liquidate a portion of its investment portfolio) and the Common Shares would no longer be listed on the NYSE. Conversion to open-end status could also require the Fund to modify certain investment restrictions and policies. Shareholders of an open-end investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or permitted under the 1940 Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of redemption. In order to avoid maintaining large cash positions or liquidating favorable investments to meet redemptions, open-end investment companies typically engage in a continuous offering of their shares. Open-end investment companies are thus subject to periodic asset in-flows and out-flows that can complicate portfolio management. The Board of Directors may at any time propose conversion of the Fund to open-end status, depending upon its judgment regarding the advisability of such action in light of circumstances then prevailing.

U.S. FEDERAL INCOME TAX MATTERS

The following is a description of certain U.S. federal income tax consequences to a shareholder that acquires, holds and/or disposes of Common Shares of the Fund. This discussion reflects applicable income tax laws of the United States as of the date of this prospectus, which tax laws may be changed or subject to new interpretations by the courts or the Internal Revenue Service ("IRS"), possibly with retroactive effect. No attempt is made to present a detailed explanation of U.S. federal income tax concerns affecting the Fund and its shareholders, and the discussion set forth herein does not constitute tax advice. In addition, no attempt is made to present state, local or foreign tax concerns or tax concerns applicable to an investor with a special tax status such as a financial institution, REIT, insurance company, regulated investment company, individual retirement account, other tax-exempt entity, dealer in securities or non-U.S. investor. Furthermore, this discussion does not reflect possible application of the alternative minimum tax. Unless otherwise noted, this discussion assumes the Common Shares are held by U.S. persons and that such shares are held as capital assets. **Investors are urged to consult their own tax advisors to determine the tax consequences to them before investing in the Fund.**

The Fund intends to elect to be treated, and to qualify each year, as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), so that it will not pay U.S. federal income tax on income and capital gains timely distributed (or treated as being distributed, as described below) to shareholders. If the Fund qualifies as a regulated investment company and distributes to its shareholders at least 90% of the sum of (i) its "investment company taxable income" as that term is defined in the Code (which includes, among other things, dividends, taxable interest, the excess of any net short-term capital gains over net long-term capital losses and certain net foreign exchange gains as reduced by certain deductible expenses) without regard to the deduction for dividends paid, and (ii) the excess of its gross tax-exempt interest, if any, over certain disallowed deductions, the Fund will be relieved of U.S. federal income tax on any income of the Fund, including long-term capital gains, distributed to shareholders. However, if the Fund retains any investment company taxable income or "net capital gain" (i.e., the excess of net long-term capital gain over net short-term capital loss), it will be subject to U.S. federal income tax at regular corporate federal income tax rates (currently at a maximum rate of 35%) on the amount retained. The Fund intends to distribute at least annually all or substantially all of its investment company taxable income, net tax-exempt interest, and net capital gain. Under the Code, the Fund will generally be subject to a nondeductible 4% federal excise tax on the portion of its undistributed ordinary income and capital gains if it fails to meet certain distribution requirements with respect to each calendar year. In order to avoid the 4% federal excise tax, the required minimum distribution is generally equal to the sum of 98% of the Fund's ordinary income (computed on a calendar year basis), plus 98% of the Fund's capital gain net income (generally computed for the one-year period ending on October 31). The Fund generally intends to make distributions in a timely manner in an amount at least equal to the required minimum distribution and therefore, under normal circumstances, does not expect to be subject to this excise tax.

If, for any taxable year, the Fund did not qualify as a regulated investment company for U.S. federal income tax purposes, it would be treated as a U.S. corporation subject to U.S. federal income tax, and possibly state and local income tax, and distributions to its shareholders would not be deducted by the Fund in computing its taxable income. In such event, the Fund's distributions, to the extent derived from the Fund's current or accumulated earnings and profits, would generally constitute ordinary dividends, which would generally be eligible for the dividends received deduction available to corporate shareholders, and non-corporate shareholders would generally be able to treat such distributions as "qualified dividend income" eligible for reduced rates of U.S. federal income taxation in taxable years beginning on or before December 31, 2010, provided in each case that certain holding period and other requirements are satisfied.

A Common Shareholder may elect to have all dividends and distributions automatically reinvested in shares of common stock of the Fund pursuant to the Plan. If a Common Shareholder does not elect to participate in the Plan, such Common Shareholder will receive distributions in cash. For taxpayers subject to U.S. federal income tax, all dividends will generally be taxable regardless of whether a shareholder takes them in cash or they are reinvested pursuant to the Plan in additional shares of the Fund. Distributions of the Fund's investment company taxable income will generally be taxable as ordinary income to the extent of the Fund's current and accumulated earnings and profits. However, a portion of such distributions derived from certain corporate dividends, if any, may qualify for either the dividends received deduction available to corporate shareholders under Section 243 of the Code or the reduced rates of U.S. federal income taxation for "qualified dividend income" available to noncorporate shareholders under Section 1(h)(11) of the Code for taxable years beginning on or prior to December 31, 2010, provided in each case certain holding period and other requirements are met. Distributions of net capital gain, if any, are generally taxable as long-term capital gain for U.S. federal income tax purposes without regard to the length of time a shareholder has held shares of the Fund. A distribution of an amount in excess of the Fund's current and accumulated earnings and profits, if any, will be treated by a shareholder as a tax-free return of capital, which is applied against and reduces the shareholder's basis in his, her or its shares. To the extent that the amount of any such distribution exceeds the shareholder's basis in his, her, or its shares, the excess will be treated by the shareholder as gain from the sale or exchange of shares. The U.S. federal income tax status of all dividends and distributions will be designated by the Fund and reported to the shareholders annually.

The Fund intends to distribute all realized capital gains, if any, at least annually. If, however, the Fund were to retain any net capital gain, the Fund may designate the retained amount as undistributed capital gains in a notice to shareholders who, if subject to U.S. federal income tax on long-term capital gains, (i) will be required to include in income as long-term capital gain, their proportionate share of such undistributed amount, and (ii) will be entitled to credit their proportionate share of the federal income tax paid by the Fund on the undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds such liabilities. If such an event occurs, the tax basis of shares owned by a shareholder of the Fund will, for U.S. federal income tax purposes, generally be increased by the difference between the amount of undistributed net capital gain included in the shareholder's gross income and the tax deemed paid by the shareholders.

Any dividend declared by the Fund in October, November or December with a record date in such a month and paid during the following January will be treated for U.S. federal income tax purposes as paid by the Fund and received by shareholders on December 31 of the calendar year in which it is declared.

If a shareholder's distributions are automatically reinvested pursuant to the Plan and the Plan Agent invests the distribution in shares acquired on behalf of the shareholder in open-market purchases, for U.S. federal income tax purposes, the shareholder will be treated as having received a taxable distribution in the amount of the cash dividend that the shareholder would have received if the shareholder had elected to receive cash. If a shareholder's distributions are automatically reinvested pursuant to the Plan and the Plan Agent invests the distribution in newly issued shares of the Fund, the shareholder will be treated as receiving a taxable distribution equal to the fair market value of the stock the shareholder receives.

Certain of the Fund's investment practices are subject to special and complex federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert tax-advantaged, long-term capital gains and qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the timing as to when a purchase or sale of stock or securities is deemed to occur, and (vi) adversely alter the characterization of certain complex financial transactions. The Fund will monitor its investments and transactions and may make certain federal income tax elections where applicable in order to mitigate the effect of these provisions, if possible.

The Fund may be subject to withholding and other taxes imposed by foreign countries, including taxes on interest, dividends and capital gains with respect to its investments in those countries, which would, if imposed, reduce the yield on or return from those investments. Tax treaties between certain countries and the U.S. may reduce or eliminate such taxes in some cases. The Fund does not expect to satisfy the requirements for passing through to its shareholders their pro rata share of qualified foreign taxes paid by the Fund, with the result that shareholders will not be able to include such taxes in their gross incomes and will not be entitled to a tax deduction or credit for such taxes on their own federal income tax returns.

Sales and other dispositions of the Fund's shares generally are taxable events for shareholders that are subject to U.S. federal income tax. Shareholders should consult their own tax advisors with reference to their individual circumstances to determine whether any particular transaction in the Fund's shares is properly treated as a sale or exchange for federal income tax purposes, as the following discussion assumes, and the tax treatment of any gains or losses recognized in such transactions. Gain or loss will generally be equal to the difference between the amount of cash and the fair market value of other property received and the shareholder's adjusted tax basis in the shares sold or exchanged. Such gain or loss will generally be characterized as capital gain or loss and will be long-term if the shareholder's holding period for the shares is more than one year and short-term if it is one year or less. However, any loss realized by a shareholder upon the sale or other disposition of shares with a tax holding period of six months or less will be treated as a long-term capital loss to the extent of any amounts treated as distributions of long-term capital gain with respect to such shares. For the purposes of calculating the six-month period, the holding period is suspended for any periods during which the shareholder's risk of loss is diminished as a result of holding one or more other positions in substantially similar or related property or through certain options or short sales. The ability to deduct capital losses may be limited. In addition, losses on sales or other dispositions of shares may be disallowed under the "wash sale" rules in the event that substantially identical shares are acquired (including those made pursuant to reinvestment of dividends) within a period of 61 days beginning 30 days before and ending 30 days after a sale or other disposition of shares. In such a case, the disallowed portion of any loss generally would be included in the U.S. federal tax basis of the shares acquired.

The Fund is required in certain circumstances to backup withhold at a current rate of 28% on reportable payments including dividends, capital gain distributions, and proceeds of sales or other dispositions of the Fund's shares paid to certain holders of the Fund's shares who do not furnish the Fund with their correct social security number or other taxpayer identification number and certain other certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to a shareholder may be refunded or credited against such shareholder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

This prospectus does not address the U.S. federal income tax consequences to a non-U.S. shareholder of an investment in Common Shares. Non-U.S. shareholders should consult their tax advisers concerning the tax consequences of ownership of shares of the Fund, including the possibility that distributions may be subject to a 30% U.S. withholding tax (or a reduced rate of withholding provided by an applicable treaty if the investor provides proper certification of such status).

The foregoing is a general and abbreviated summary of the provisions of the Code and the Treasury regulations thereunder currently in effect as they directly govern the taxation of the Fund and its shareholders. These provisions are subject to change by legislative or administrative action, and any such change may be retroactive. A more complete discussion of the federal income tax rules applicable to the Fund can be found in the statement of additional information, which is incorporated by reference into this prospectus. Shareholders are urged to consult their tax advisors regarding specific questions as to U.S. federal, foreign, state, and local income or other taxes before making an investment in the Fund.

UNDERWRITERS

Under the terms and subject to the conditions contained in the underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated is acting as representative, have severally agreed to purchase, and the Fund has agreed to sell to them, the number of Common Shares indicated below.

Name	Number of Common Shares
Morgan Stanley & Co. Incorporated	37,340,000
A.G. Edwards & Sons, Inc.	2,400,000
Deutsche Bank Securities Inc.	750,000
H&R Block Financial Advisers, Inc.	400,000
Ferris, Baker Watts, Incorporated	140,000
J.J.B Hilliard, W.L. Lyons, Inc.	200,000
Janney Montgomery Scott LLC	700,000
Oppenheimer & Co. Inc.	500,000
RBC Capital Markets Corporation	750,000
Stifel, Nicolaus & Company, Incorporated	250,000
Wells Fargo Securities, LLC	1,300,000
ML Stern & Co., LLC	140,000
Southwest Securities, Inc.	100,000
Axiom Capital Management Inc.	75,000
Robert W. Baird & Co. Incorporated	75,000
Doft & Co., Inc.	50,000
GunnAllen Financial, Inc.	50,000
Morgan Keegan & Company, Inc.	50,000
Ryan Beck & Co. Inc.	50,000
Crowell, Weedon & Co.	30,000
David A. Noyes & Company	30,000
E*TRADE Securities LLC	30,000
Mesirow Financial, Inc.	30,000
J.P. Turner & Company, LLC	30,000
Wedbush Morgan Securities Inc.	30,000
Total	45,500,000

The underwriters are offering the Common Shares subject to their acceptance of the Common Shares from the Fund and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Common Shares offered by this prospectus are subject to the approval of legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the Common Shares offered by this prospectus if any such Common Shares are taken. However, the underwriters are not required to take or pay for the Common Shares covered by the underwriters' overallotment option described below.

The underwriters initially propose to offer part of the Common Shares directly to the public at the initial offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $0.60 a share under the initial offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $0.10 a share to the other underwriters or to certain dealers. After the initial offering of the Common Shares, the offering price and other selling terms may from time to time be varied by the representative. The underwriting discounts and commissions (sales load) of $0.90 a share are equal to 4.5% of the initial offering price. Investors must pay for any Common Shares purchased on or before November 28, 2006.

The Fund has granted to the underwriters an option, exercisable for 45 days from the date of this prospectus, to purchase up to an aggregate of 6,825,000 Common Shares at the initial offering price per Common Share listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over allotments, if any, made in connection with the offering of the Common Shares offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to limited conditions, to purchase approximately the same percentage of the additional Common Shares as the number listed next to the underwriter's name in the preceding table bears to the total number of Common Shares listed next to the names of all underwriters in the preceding table. If the underwriters' over-allotment option is exercised in full, the total price to the public would be $1,046,500,000, the total underwriters' discounts and commissions (sales load) would be $47,092,500, the estimated offering expenses would be $2,093,000 and the total proceeds to the Fund would be $997,314,500.

The following table summarizes the estimated expenses and compensation that the Fund will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Expenses payable by the Fund	$0.04	$0.04	$1,820,000	$2,093,000
Underwriting discounts and commissions (sales load)	$0.90	$0.90	$40,950,000	$47,092,500

The fees described below under "— Additional Compensation to Be Paid by the Investment Adviser" are not reimbursable to the Investment Adviser by the Fund, and are therefore not reflected in expenses payable by the Fund in the table above.

Offering expenses paid by the Fund (other than underwriting discounts and commissions) will not exceed $0.04 per Common Share sold by the Fund in this offering. If the offering expenses referred to in the preceding sentence exceed this amount, the Investment Adviser will pay the excess. The aggregate offering expenses (excluding underwriting discounts and commissions) are estimated to be $1,820,000 in total, or $0.04 per Common Share sold by the Fund in this offering.

The underwriters have informed the Fund that they do not intend sales to discretionary accounts to exceed five percent of the total number of Common Shares offered by them.

In order to meet requirements for the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial owners. The minimum investment requirement is 100 Common Shares ($2,000).

The Common Shares have been approved for listing on the NYSE, subject to notice of issuance, under the trading or "ticker" symbol "DHG."

The Fund has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, it will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares, or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Shares,

whether any such transaction described above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise; or file any registration statement with the Securities and Exchange Commission relating to the offering of any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares. These lock-up agreements will not apply to the Common Shares to be sold pursuant to the underwriting agreement or any Common Shares issued pursuant to the Fund's Dividend Reinvestment and Cash Purchase Plan.

In order to facilitate the offering of the Common Shares, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Shares. The underwriters currently expect to sell more Common Shares than they are obligated to purchase under the underwriting agreement, creating a short position in the Common Shares for their own account. A short sale is covered if the short position is no greater than the number of Common Shares available for purchase by the underwriters under the over-allotment option (exercisable for 45 days from the date of this prospectus). The underwriters can close out a covered short sale by exercising the overallotment option or purchasing Common Shares in the open market. In determining the source of Common Shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of the Common Shares compared to the price available under the overallotment option. The underwriters may also sell Common Shares in excess of the overallotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Common Shares in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, Common Shares in the open market to stabilize the price of the Common Shares. Finally, the underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing the Common Shares in the offering, if the syndicate repurchases previously distributed Common Shares in transactions to cover syndicate short positions or to stabilize the price of the Common Shares. Any of these activities may raise or maintain the market price of the Common Shares above independent market levels or prevent or retard a decline in the market price of the Common Shares. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Prior to this offering, there has been no public or private market for the Common Shares or any other securities of the Fund. Consequently, the offering price for the Common Shares was determined by negotiation among the Fund, the Investment Adviser and the representative. There can be no assurance, however, that the price at which the Common Shares trade after this offering will not be lower than the price at which they are sold by the underwriters or that an active trading market in the Common Shares will develop and continue after this offering.

The Fund anticipates that the representative and certain other underwriters may from time to time act as brokers and dealers in connection with the execution of its portfolio transactions after they have ceased to be underwriters and, subject to certain restrictions, may act as such brokers while they are underwriters.

In connection with this offering, certain of the underwriters or selected dealers may distribute prospectuses electronically.

The Fund and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933.

The address of Morgan Stanley & Co. Incorporated is 1585 Broadway, New York, New York 10036.

Deutsche Bank Securities Inc., one of the underwriters, is an affiliate of the Investment Adviser.

Additional Compensation to be Paid by the Investment Adviser

In connection with this transaction, Morgan Stanley & Co. Incorporated will be paid a marketing and structuring fee by the Investment Adviser (and not the Fund) equal to $10,987,276.50, or 1.21% of the total price to the public of the Common Shares sold in this offering (excluding any Common Shares that may be purchased pursuant to the underwriters' over-allotment option). In contrast to the underwriting discounts and commissions (earned under the underwriting agreement by the underwriting syndicate as a group), this marketing and structuring fee will be earned by and paid to Morgan Stanley & Co. Incorporated by the

Investment Adviser for advice to the Investment Adviser on the design and structuring of, and marketing assistance with respect to, the Fund and the distribution of its Common Shares.

The Investment Adviser (and not the Fund) has agreed to pay from its own assets to A.G. Edwards & Sons, Inc. a marketing and structuring fee up to $240,000 for advice to the Investment Adviser relating to the structure and design of the Fund and the organization of the Fund, as well as services related to the sale and distribution of the Common Shares. The marketing and structuring fee paid to A.G. Edwards & Sons, Inc. will not exceed 0.50% of the total price to the public of the Common Shares sold by A.G. Edwards & Sons, Inc. in this offering.

The sum total of all compensation to the underwriters in connection with this public offering of Common Shares, including sales load and the fees described above, will not exceed 9% of the total price to the public of the Common Shares sold in this offering.

CUSTODIAN, TRANSFER AGENT AND DIVIDEND-DISBURSING AGENT

State Street Bank and Trust Company serves as the custodian of the Fund's assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the Custodian will receive a monthly fee based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions.

DWS Scudder Investments Service Company, an affiliate of DeIM, serves as the dividend-disbursing agent and transfer agent for the Fund.

State Street Bank and Trust Company is located at 225 Franklin Street, Boston, Massachusetts 02109. DeIM is located at 345 Park Avenue, New York, New York 10154. DWS Scudder Investments Service Company is located at 210 W. 10th Street, Kansas City, Missouri 64105-1614.

LEGAL MATTERS

Certain legal matters will be passed on by Vedder, Price, Kaufman & Kammholz, P.C., Chicago, Illinois ("Vedder Price"), as counsel to the Fund in connection with the offering of the Common Shares, and by Davis Polk & Wardwell, New York, New York, counsel to the underwriters. Vedder Price and Davis Polk & Wardwell may rely on the opinion of Ober, Kaler, Grimes & Shriver, a Professional Corporation, Baltimore, Maryland, as to matters of Maryland law.

ADDITIONAL INFORMATION

The Fund is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and the 1940 Act and in accordance therewith files reports and other information with the Securities and Exchange Commission. Reports, proxy statements and other information filed by the Fund with the Securities and Exchange Commission pursuant to the informational requirements of such Acts can be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission, 100 F. Street, N.E., Washington, D.C. 20549. The Securities and Exchange Commission maintains a web site at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the Securities and Exchange Commission.

The Fund's Common Shares are expected to be listed on the NYSE, and reports, proxy statements and other information concerning the Fund and filed with the Securities and Exchange Commission by the Fund can be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

This prospectus constitutes part of a Registration Statement filed by the Fund with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and the 1940 Act. This prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the Common Shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Securities and Exchange Commission. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the Securities and Exchange Commission upon payment of the fee prescribed by its rules and regulations or free of charge through the Securities and Exchange Commission's web site (http://www.sec.gov).

TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION

A statement of additional information dated as of November 21, 2006, has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus. A statement of additional information may be obtained without charge by writing to the Fund at its address at 345 Park Avenue, New York, New York 10154 or by calling the Fund toll-free at (800) 349-4281. The Table of Contents of the statement of additional information is as follows:

DWS Dreman Value Income Edge Fund, Inc.

DHG-PRO