

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

S&P 500 GEARED Fund Inc.
Form N-CSR
March 09, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-21611

Name of Fund: S&P 500(R) GEARED(SM) Fund Inc.

Fund Address: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Mitchell M. Cox, Chief Executive Officer,
S&P 500(R) GEARED(SM) Fund Inc., 4 World Financial Center, 5th Floor, New
York, New York 10080. Mailing address: P.O. Box 9011, Princeton, NJ
08543-9011

Registrant's telephone number, including area code: (212) 449-8118

Date of fiscal year end: 12/31/05

Date of reporting period: 01/01/05 - 12/31/05

Item 1 - Report to Stockholders

S&P 500(R) GEARED(SM) Fund Inc.

Annual Report
December 31, 2005

[LOGO] IQ
INVESTMENT
ADVISORS

[LOGO] Merrill Lynch Investment Managers

S&P 500(R) GEARED(SM) Fund Inc.

Portfolio Information as of December 31, 2005

Ten Largest Equity Holdings	Percent of Net Assets
General Electric Co.	3.1%
Exxon Mobil Corp.	3.0
Citigroup, Inc.	2.1
Microsoft Corp.	2.0
Procter & Gamble Co.	1.7
Bank of America Corp.	1.6
Johnson & Johnson	1.5
American International Group, Inc.	1.5
Pfizer, Inc.	1.5

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Altria Group, Inc. 1.3

Five Largest Industries	Percent of Net Assets
Oil, Gas & Consumable Fuels	7.2%
Pharmaceuticals	6.1
Commercial Banks	5.5
Insurance	4.7
Industrial Conglomerates	4.2

S&P 500 Index Sector Weightings	Percent of Total Investments
Financials	20.0%
Information Technology	14.1
Health Care	12.4
Producer Durables	10.6
Consumer Discretionary	9.6
Energy	9.2
Consumer Staples	9.0
Materials	2.8
Telecommunication Services	2.8
Utilities	2.6
Auto & Transportation	0.5
Other*	6.4

* Includes portfolio holdings in short-term investments and options.

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

S&P 500 and Standard & Poor's 500 are registered trademarks of the McGraw-Hill Companies.

"GEARED" and "Geared-Equity Accelerated Return" are servicemarks of Merrill Lynch & Co.

2 S&P 500(R) GEARED(SM) FUND INC. DECEMBER 31, 2005

A Letter From the President

Dear Shareholder

As you know, the investment objective of S&P 500(R) GEARED(SM) Fund Inc. (the "Fund") is to provide total returns, exclusive of fees and expenses of the Fund, linked to the annual performance of the Standard & Poor's 500(R) Index (the "S&P 500 Index" or the "Index"). Where the Index has negative returns for an annual period (approximately one year), the Fund seeks to provide annual price returns that track the performance of the Index on a one-for-one basis over the annual period. When the Index is positive for an annual period, the Fund seeks to deliver a "geared" return equal to approximately three times the annual price returns of the Index, up to a maximum index participation level. The Fund will not participate in any Index returns in excess of the maximum index

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

participation and, as a result, the Fund's performance over an annual period will be subject to a maximum annual return cap. The maximum annual return cap for the current annual period is approximately 13%.

The S&P 500 Index is a capitalization-weighted index of 500 stocks. The Index is designed to measure performance of the broad domestic economy through changes in the aggregate market values of 500 stocks representing all major industries. It is not possible to make a direct investment in the S&P 500 Index.

During the twelve months ended December 31, 2005, the total return of the S&P 500 Index was +4.91 % (including dividend reinvestment). Over the same period, and after fees and expenses, the total return of the Fund was +10.91% (as measured by change in net asset value plus dividend reinvestment). The Fund's performance over this period is consistent with our expectations.

IQ Investment Advisors LLC invites you to visit our new Website at www.IQIAFunds.com. Here you will find more information about IQ Investment Advisors LLC and our products and services, including current market data and fund statistics.

IQ Investment Advisors LLC continues to take a non-traditional approach to asset management by seeking to identify specific economic or strategic investment themes that aim to fulfill particular investor needs. We encourage you to revisit your portfolio to ensure that your asset allocation strategy is consistent with your specific investment needs. We thank you for trusting IQ Investment Advisors LLC with your investment assets, and we look forward to serving you in the months and years ahead.

Sincerely,

/s/ Mitchell M. Cox

Mitchell M. Cox
President, IQ Investment Advisors LLC

S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

3

A Discussion With Your Fund's Portfolio Managers

We are pleased to provide you with this shareholder report for S&P 500(R) GEARED(SM) Fund Inc. While the Fund is advised by IQ Investment Advisors LLC, the following discussion is provided by Merrill Lynch Investment Managers, the Fund's subadviser.

How did the Fund perform during the fiscal year?

The Fund seeks to provide annual total returns in excess of the performance of the S&P 500 Index where the performance of the Index increases (up to a maximum return cap that is set each year), and that generally correspond to the performance of the Index where the Index decreases. We would like to note that the Fund changed its reporting schedule from a fiscal year-end of September 30 to a fiscal year-end of December 31.

For the 12-month period ended December 31, 2005, the Common Stock of the Fund had a total investment return of +10.91%, based on a change in per share net asset value from \$19.98 to \$19.66, and assuming reinvestment of a \$2.35 distribution in November. The Fund's unmanaged benchmark, the S&P 500 Index, returned +4.91% (including dividend reinvestment) for the same period. The Fund's options for its first year of operations expired on November 2, 2005. The

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Fund's current options will expire on November 3, 2006. In addition, the Fund experienced its first tender in the amount of 25% of the Fund's assets.

For a description of the Fund's total investment return based on a change in per share market value of the Fund's Common Stock (as measured by the trading price of the Fund's shares on the New York Stock Exchange), and assuming reinvestment of dividends, please refer to the Financial Highlights section of this report. As a closed-end fund, the Fund's shares may trade in the secondary market at a premium or a discount to the Fund's net asset value. As a result, total investment returns based on changes in the market value of the Fund's Common Stock can vary significantly from total investment returns based on changes in the Fund's net asset value.

Describe the market environment during the fiscal year.

U.S. equity markets, which "muddled through" 2005, finished the year with mid single-digit growth. For most of 2005, stocks remained in one of the narrowest trading ranges in history.

The year began with a slide after the strong fourth quarter of 2004, with cyclical and small capitalization stocks performing the worst out of the gate. January was characterized by mixed economic data, increasing interest rates, disappointing earnings reports, and climbing oil prices. The markets were able to reverse course in February, even as the productivity report showed a continued slowdown in productivity growth and oil prices continued to climb. In March, the markets resumed their downward slide experienced in January due to the combination of the trade deficit, mixed economic news, high oil prices, and rising interest rates.

April began on the heels of a March economic soft spot, as retail sales, payrolls, and consumer and business sentiment weakened. For most of April, equity markets were dogged by continuing inflation concerns as oil climbed above \$57 per barrel. April closed with the announcement that the Consumer Price Index (CPI) rose 0.6% in March, one of the biggest jumps in several months. May featured the announcement of slower-than-expected first quarter gross domestic product growth of 3.1%. Despite concerns about economic deceleration, slowing profit growth, and continued high oil prices, first quarter earnings reports remained strong. June brought a slowdown in the equity market rally that began in May as the specter of economic deceleration dampened markets.

4 S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

July was an impressive month for equity markets, despite the drag from a strong dollar, higher energy prices, and a major terror attack in London, which caused an immediate 4% drop in the S&P 500 Index. Investors quickly rebounded however, and the losses were recovered only one day later. August brought a reversal of July's rally, as higher oil prices continued to fan the fears of economic weakness, reaching a record high of \$70 per barrel during the aftermath of Hurricane Katrina. Despite the downturn of U.S. equity markets in August, September turned slightly positive as improved profits in the energy sector provided a counterbalance to lagging retail, transportation, tourism, and insurance sectors.

Equity markets slid again in October amid continued signs of a slower economy and renewed concerns about inflation. Despite a U.S. gross domestic product growth rate of 4.1% for the third quarter, short-term interest rates rose, oil prices remained historically high, and consumer confidence declined. In November, equity markets were resilient in the face of Fed tightening, continued concerns about energy prices, and the strength of the U.S. dollar; markets rebounded because strong productivity and high margins resulted in good earnings

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

and oil prices fell to the mid-\$50 per barrel range from \$70 per barrel. After posting gains for nearly six weeks, December saw equity markets finish on an uninspiring note as thin volume led to volatile movements in stock prices. Compounding the mixed results throughout the year and leaving investors uncertain about the direction of the economy heading into 2006, the yield curve inverted at the end of December as long-term yields fell below short-term yields, historically a harbinger of an economic downturn.

As expected, interest rates moved considerably during the year as the yield curve flattened dramatically and inverted at the close of 2005. The Federal Reserve raised the Federal Funds rate 25 basis points eight times during the year. This brought the Federal Funds rate to 4.25% at year end from 2.25%.

How did you manage the portfolio during the period?

On November 2, 2005, the Fund's options expired and were reset to November 3, 2006 expiration, bringing the maximum return cap to approximately 13%. At the reset of the Fund, we negotiated over-the-counter option transactions, selling three out-of-the-money call options and purchasing two at-the-money call options. We utilized this options strategy to provide a total return that fulfills the three-to-one upside potential to the annual maximum return cap.

How would you characterize the portfolio's position at the close of the period?

The Fund is positioned to provide accelerated growth relative to the S&P 500 Index, up to the annual maximum return cap. The S&P 500 Index provides diversified exposure to the securities of the largest U.S. publicly traded companies.

Jonathan Clark
Portfolio Manager

Vincent J. Costa, CFA
Portfolio Manager

Debra L. Jelilian
Portfolio Manager

Jeffrey L. Russo, CFA
Portfolio Manager

January 18, 2006

S&P 500 (R) GEARED (SM) FUND INC.

DECEMBER 31, 2005

5

Schedule of Investments

Industry	Common Stocks	Shares Held	Value
=====			
Aerospace & Defense--2.1%			
	Boeing Co.	7,100	\$ 498,
	General Dynamics Corp.	1,700	193,
	Goodrich Corp.	1,200	49,
	Honeywell International, Inc.	7,300	271,
	L-3 Communications Holdings, Inc.	1,078	80,
	Lockheed Martin Corp.	3,100	197,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

	Northrop Grumman Corp.	3,000	180,
	Raytheon Co.	4,100	164,
	Rockwell Collins, Inc.	1,700	78,
	United Technologies Corp.	8,900	497,

			2,212,

Air Freight & Logistics--1.0%			
	FedEx Corp.	2,600	268,
	Ryder System, Inc.	500	20,
	United Parcel Service, Inc. Class B	9,700	728,

			1,018,

Airlines--0.1%			
	Southwest Airlines Co.	6,300	103,

Auto Components--0.1%			
	Cooper Tire & Rubber Co.	300	4,
	Dana Corp.	700	5,
	The Goodyear Tire & Rubber Co. (a)	1,300	22,
	Johnson Controls, Inc.	1,600	116,

			148,

Automobiles--0.3%			
	Ford Motor Co.	15,500	119,
	General Motors Corp.	4,800	93,
	Harley-Davidson, Inc.	2,300	118,

			331,

Beverages--2.0%			
	Anheuser-Busch Cos., Inc.	6,600	283,
	Brown-Forman Corp. Class B	800	55,
	The Coca-Cola Co.	18,100	729,
	Coca-Cola Enterprises, Inc.	2,900	55,
	Constellation Brands, Inc. Class A (a)	1,900	49,
	Molson Coors Brewing Co. Class B	600	40,
	Pepsi Bottling Group, Inc.	1,400	40,
	PepsiCo, Inc.	14,500	856,

			2,110,

Biotechnology--1.5%			
	Amgen, Inc. (a)	10,800	851,
	Applera Corp.--Applied Biosystems Group	1,900	50,
	Biogen Idec, Inc. (a)	2,900	131,
	Chiron Corp. (a)	1,000	44,
	Genzyme Corp. (a)	2,200	155,
	Gilead Sciences, Inc. (a)	4,000	210,
	Medimmune, Inc. (a)	2,000	70,

			1,514,

Building Products--0.2%			
	American Standard Cos., Inc.	1,400	55,
	Masco Corp.	3,500	105,

			161,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Capital Markets--3.0%

Ameriprise Financial, Inc.	2,020	82,
The Bank of New York Co., Inc.	6,600	210,
The Bear Stearns Cos., Inc.	900	103,
The Charles Schwab Corp.	9,300	136,
E*Trade Financial Corp. (a)	3,400	70,
Federated Investors, Inc. Class B	900	33,
Franklin Resources, Inc.	1,200	112,
Goldman Sachs Group, Inc.	3,900	498,
Janus Capital Group, Inc.	2,200	40,
Lehman Brothers Holdings, Inc.	2,300	294,
Mellon Financial Corp.	3,800	130,
Merrill Lynch & Co., Inc. (b)	8,100	548,
Morgan Stanley	9,600	544,
Northern Trust Corp.	1,500	77,
State Street Corp.	2,800	155,
T. Rowe Price Group, Inc.	1,200	86,

		3,127,

Chemicals--1.5%

Air Products & Chemicals, Inc.	1,800	106,
Ashland, Inc.	600	34,
The Dow Chemical Co.	8,300	363,
E.I. du Pont de Nemours & Co.	7,800	331,
Eastman Chemical Co.	600	30,
Ecolab, Inc.	1,800	65,
Engelhard Corp.	1,200	36,
Hercules, Inc. (a)	1,000	11,
International Flavors & Fragrances, Inc.	900	30,
Monsanto Co.	2,300	178,
PPG Industries, Inc.	1,400	81,
Praxair, Inc.	2,900	153,
Rohm & Haas Co.	1,100	53,
Sigma-Aldrich Corp.	700	44,

		1,520,

Commercial Banks--5.5%

AmSouth Bancorp	3,300	86,
BB&T Corp.	4,600	192,
Bank of America Corp.	35,100	1,619,
Comerica, Inc.	1,300	73,
Compass Bancshares, Inc.	1,250	60,
Fifth Third Bancorp	4,700	177,
First Horizon National Corp.	900	34,
Huntington Bancshares, Inc.	2,300	54,
KeyCorp	3,800	125,
M&T Bank Corp.	800	87,
Marshall & Ilsley Corp.	1,900	81,
National City Corp.	4,700	157,
North Fork Bancorporation, Inc.	3,900	106,
PNC Financial Services Group, Inc.	2,400	148,
Regions Financial Corp.	4,200	143,
SunTrust Banks, Inc.	3,100	225,
Synovus Financial Corp.	2,900	78,
U.S. Bancorp	16,100	481,
Wachovia Corp.	13,600	718,
Wells Fargo & Co.	14,700	923,
Zions Bancorporation	900	68,

		5,645,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Commercial Services & Supplies--0.7%			
Allied Waste Industries, Inc. (a)	2,200		19,
Avery Dennison Corp.	1,100		60,
Cendant Corp.	8,800		151,
Cintas Corp.	1,300		53,
Equifax, Inc.	1,300		49,
Monster Worldwide, Inc. (a)	1,000		40,

6

S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

Schedule of Investments (continued)

Industry	Common Stocks	Shares Held	Value
Commercial Services & Supplies (concluded)			
	Pitney Bowes, Inc.	2,100	\$ 88,
	RR Donnelley & Sons Co.	2,000	68,
	Robert Half International, Inc.	1,600	60,
	Waste Management, Inc.	4,700	142,

			736,

Communications Equipment--2.6%			
ADC Telecommunications, Inc. (a)	828		18,
Andrew Corp. (a)	1,600		17,
Avaya, Inc. (a)	3,900		41,
Ciena Corp. (a)	3,500		10,
Cisco Systems, Inc. (a)	53,800		921,
Comverse Technology, Inc. (a)	1,900		50,
Corning, Inc. (a)	13,100		257,
JDS Uniphase Corp. (a)	12,600		29,
Lucent Technologies, Inc. (a)	37,600		100,
Motorola, Inc.	21,500		485,
QUALCOMM, Inc.	14,500		624,
Scientific-Atlanta, Inc.	1,400		60,
Tellabs, Inc. (a)	3,400		37,

			2,654,

Computers & Peripherals--3.5%			
Apple Computer, Inc. (a)	7,300		524,
Dell, Inc. (a)	20,500		614,
EMC Corp. (a)	20,700		281,
Gateway, Inc. (a)	3,400		8,
Hewlett-Packard Co.	25,100		718,
International Business Machines Corp.	13,900		1,142,
Lexmark International, Inc. Class A (a)	900		40,
NCR Corp. (a)	1,700		57,
Network Appliance, Inc. (a)	3,100		83,
QLogic Corp. (a)	700		22,
Sun Microsystems, Inc. (a)	28,700		120,

			3,616,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Construction & Engineering--0.1%			
Fluor Corp.	800		61,

Construction Materials--0.1%			
Vulcan Materials Co.	1,000		67,

Consumer Finance--1.3%			
American Express Co.	10,800		555,
Capital One Financial Corp.	2,700		233,
MBNA Corp.	11,100		301,
SLM Corp.	3,700		203,

			1,294,

Containers & Packaging--0.2%			
Ball Corp.	1,100		43,
Bemis Co.	1,000		27,
Pactiv Corp. (a)	1,500		33,
Sealed Air Corp. (a)	800		44,
Temple-Inland, Inc.	1,100		49,

			198,

Distributors--0.1%			
Genuine Parts Co.	1,700		74,

Diversified Consumer Services--0.1%			
Apollo Group, Inc. Class A (a)	1,200		72,
H&R Block, Inc.	3,000		73,

			146,

Diversified Financial Services--3.6%			
CIT Group, Inc.	1,700		88,
Citigroup, Inc.	44,300		2,149,
JPMorgan Chase & Co.	30,500		1,210,
Moody's Corp.	2,300		141,
Principal Financial Group, Inc.	2,600		123,

			3,713,

Diversified Telecommunication Services--2.1%			
AT&T, Inc.	34,689		849,
BellSouth Corp.	15,700		425,
CenturyTel, Inc.	1,100		36,
Citizens Communications Co.	3,500		42,
Qwest Communications			
International Inc. (a)	13,900		78,
Verizon Communications, Inc.	24,200		728,

			2,161,

Electric Utilities--1.5%			
Allegheny Energy, Inc. (a)	1,500		47,
American Electric Power Co., Inc.	3,200		118,
Cinergy Corp.	1,900		80,
Edison International	3,000		130,
Entergy Corp.	1,700		116,
Exelon Corp.	5,900		313,
FPL Group, Inc.	3,300		137,
FirstEnergy Corp.	2,700		132,
PPL Corp.	3,500		102,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

	Pinnacle West Capital Corp.	1,000	41,
	Progress Energy, Inc.	2,300	101,
	The Southern Co.	6,300	217,

			1,540,

Electrical Equipment--0.5%			
	American Power Conversion Corp.	1,700	37,
	Cooper Industries Ltd. Class A	900	65,
	Emerson Electric Co.	3,500	261,
	Rockwell Automation, Inc.	1,700	100,

			465,

Electronic Equipment & Instruments--0.3%			
	Agilent Technologies, Inc. (a)	4,118	137,
	Jabil Circuit, Inc. (a)	1,600	59,
	Molex, Inc.	1,500	38,
	Sanmina-SCI Corp. (a)	4,900	20,
	Solectron Corp. (a)	9,300	34,
	Symbol Technologies, Inc.	2,400	30,
	Tektronix, Inc.	900	25,

			346,

Energy Equipment & Services--1.6%			
	BJ Services Co.	2,900	106,
	Baker Hughes, Inc.	2,800	170,
	Halliburton Co.	4,500	278,
	Nabors Industries Ltd. (a)	1,300	98,
	National Oilwell Varco, Inc. (a)	1,607	100,
	Noble Corp.	1,100	77,
	Rowan Cos., Inc.	800	28,
	Schlumberger Ltd.	5,100	495,
	Transocean, Inc. (a)	2,800	195,
	Weatherford International Ltd. (a)	2,200	79,

			1,630,

S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

7

Schedule of Investments (continued)

Industry	Common Stocks	Shares Held	Value
=====			
Food & Staples Retailing--2.3%			
	Albertson's, Inc.	3,000	\$ 64,
	CVS Corp.	6,900	182,
	Costco Wholesale Corp.	4,000	197,
	The Kroger Co. (a)	6,500	122,
	SUPERVALU Inc.	1,300	42,
	SYSCO Corporation	5,300	164,
	Safeway, Inc.	4,100	97,
	Wal-Mart Stores, Inc.	21,800	1,020,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Walgreen Co.	8,800	389,
Whole Foods Market, Inc.	1,200	92,

		2,373,

Food Products--1.0%		
Archer-Daniels-Midland Co.	5,500	135,
Campbell Soup Co.	1,800	53,
ConAgra Foods, Inc.	4,200	85,
General Mills, Inc.	3,100	152,
HJ Heinz Co.	2,800	94,
The Hershey Co.	1,700	93,
Kellogg Co.	2,400	103,
McCormick & Co., Inc.	1,300	40,
Sara Lee Corp.	7,200	136,
Tyson Foods, Inc. Class A	2,500	42,
Wm. Wrigley Jr. Co.	1,700	113,

		1,051,

Gas Utilities--0.0%		
Nicor, Inc.	200	7,
Peoples Energy Corp.	200	7,

		14,

Health Care Equipment & Supplies--2.1%		
Bausch & Lomb, Inc.	400	27,
Baxter International, Inc.	5,600	210,
Becton Dickinson & Co.	2,300	138,
Biomet, Inc.	2,000	73,
Boston Scientific Corp. (a)	5,300	129,
CR Bard, Inc.	1,000	65,
Fisher Scientific International (a)	1,000	61,
Guidant Corp.	2,900	187,
Hospira, Inc. (a)	1,500	64,
Medtronic, Inc.	10,500	604,
Millipore Corp. (a)	500	33,
PerkinElmer, Inc.	1,300	30,
St. Jude Medical, Inc. (a)	3,300	165,
Stryker Corp.	2,600	115,
Thermo Electron Corp. (a)	1,600	48,
Waters Corp. (a)	1,100	41,
Zimmer Holdings, Inc. (a)	2,100	141,

		2,139,

Health Care Providers & Services--3.0%		
Aetna, Inc.	2,500	235,
AmerisourceBergen Corp.	1,600	66,
Cardinal Health, Inc.	3,800	261,
Caremark Rx, Inc. (a)	4,000	207,
Cigna Corp.	1,100	122,
Coventry Health Care, Inc. (a)	1,350	76,
Express Scripts, Inc. (a)	1,200	100,
HCA, Inc.	3,390	171,
Health Management Associates, Inc.		
Class A	1,900	41,
Humana, Inc. (a)	1,300	70,
IMS Health, Inc.	2,200	54,
Laboratory Corp. of America Holdings (a)	1,300	70,
Manor Care, Inc.	600	23,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

McKesson Corp.	2,800	144,
Medco Health Solutions, Inc. (a)	2,600	145,
Quest Diagnostics, Inc.	1,600	82,
Tenet Healthcare Corp. (a)	4,400	33,
UnitedHealth Group, Inc.	11,100	689,
WellPoint, Inc. (a)	5,800	462,

		3,061,

Hotels, Restaurants & Leisure--1.4%		
Carnival Corp.	3,600	192,
Darden Restaurants, Inc.	1,200	46,
Harrah's Entertainment, Inc.	1,500	106,
Hilton Hotels Corp.	2,600	62,
International Game Technology	3,100	95,
Marriott International, Inc. Class A	1,400	93,
McDonald's Corp.	10,700	360,
Starbucks Corp. (a)	6,500	195,
Starwood Hotels & Resorts Worldwide, Inc.	1,800	114,
Wendy's International, Inc.	900	49,
Yum! Brands, Inc.	2,400	112,

		1,431,

Household Durables--0.7%		
Black & Decker Corp.	600	52,
Centex Corp.	1,100	78,
DR Horton, Inc.	2,500	89,
Fortune Brands, Inc.	1,200	93,
KB HOME	600	43,
Leggett & Platt, Inc.	1,800	41,
Lennar Corp. Class A	1,097	66,
Maytag Corp.	900	16,
Newell Rubbermaid, Inc.	2,200	52,
Pulte Homes, Inc.	1,900	74,
Snap-On, Inc.	600	22,
The Stanley Works	800	38,
Whirlpool Corp.	600	50,

		720,

Household Products--2.2%		
Clorox Co.	1,200	68,
Colgate-Palmolive Co.	4,400	241,
Kimberly-Clark Corp.	4,000	238,
Procter & Gamble Co.	29,402	1,701,

		2,249,

IT Services--1.0%		
Affiliated Computer Services, Inc. Class A (a)	1,000	59,
Automatic Data Processing, Inc.	4,900	224,
Computer Sciences Corp. (a)	1,500	75,
Convergys Corp. (a)	1,400	22,
Electronic Data Systems Corp.	4,700	112,
First Data Corp.	6,600	283,
Fiserv, Inc. (a)	1,500	64,
Paychex, Inc.	2,800	106,
Sabre Holdings Corp. Class A	1,400	33,
Unisys Corp. (a)	3,500	20,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

1,004,

8 S&P 500 (R) GEARED (SM) FUND INC.

DECEMBER 31, 2005

Schedule of Investments (continued)

Industry	Common Stocks	Shares Held	Value
=====			
Independent Power Producers & Energy Traders--0.6%			
	The AES Corp. (a)	5,900	\$ 93,
	Constellation Energy Group, Inc.	1,700	97,
	Duke Energy Corp.	8,300	227,
	Dynegy, Inc. Class A (a)	3,200	15,
	TXU Corp.	4,000	200,
			----- 635,

Industrial Conglomerates--4.2%			
	3M Co.	6,700	519,
	General Electric Co.	92,400	3,238,
	Textron, Inc.	1,100	84,
	Tyco International Ltd.	17,800	513,
			----- 4,356,

Insurance--4.7%			
	ACE Ltd.	2,600	138,
	AMBAC Financial Group, Inc.	1,000	77,
	AON Corp.	2,800	100,
	Aflac, Inc.	4,500	208,
	The Allstate Corp.	5,600	302,
	American International Group, Inc.	22,700	1,548,
	Chubb Corp.	1,700	166,
	Cincinnati Financial Corp.	1,690	75,
	Genworth Financial, Inc. Class A	3,200	110,
	Hartford Financial Services Group, Inc.	2,500	214,
	Jefferson-Pilot Corp.	1,300	74,
	Lincoln National Corp.	1,600	84,
	Loews Corp.	1,200	113,
	MBIA, Inc.	1,300	78,
	Marsh & McLennan Cos., Inc.	4,800	152,
	Metlife, Inc.	6,500	318,
	The Progressive Corp.	1,700	198,
	Prudential Financial, Inc.	4,400	322,
	Safeco Corp.	1,200	67,
	The St. Paul Travelers Cos., Inc.	6,200	276,
	Torchmark Corp.	1,000	55,
	UnumProvident Corp.	2,800	63,
	XL Capital Ltd. Class A	1,400	94,
			----- 4,844, -----

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Internet & Catalog Retail--0.5%			
Amazon.com, Inc. (a)	2,700	127,	
eBay, Inc. (a)	10,000	432,	
			559,

Internet Software & Services--0.4%			
Yahoo!, Inc. (a)	10,800	423,	

Leisure Equipment & Products--0.2%			
Brunswick Corp.	700	28,	
Eastman Kodak Co.	2,300	53,	
Hasbro, Inc.	1,800	36,	
Mattel, Inc.	3,800	60,	
			178,

Machinery--1.3%			
Caterpillar, Inc.	5,800	335,	
Cummins, Inc.	400	35,	
Danaher Corp.	2,100	117,	
Deere & Co.	2,000	136,	
Dover Corp.	1,900	76,	
Eaton Corp.	1,400	93,	
ITT Industries, Inc.	700	71,	
Illinois Tool Works, Inc.	1,700	149,	
Ingersoll-Rand Co. Class A	3,100	125,	
Navistar International Corp. (a)	700	20,	
PACCAR, Inc.	1,600	110,	
Pall Corp.	1,300	34,	
Parker Hannifin Corp.	1,100	72,	
			1,380,

Media--3.2%			
Clear Channel Communications, Inc.	4,900	154,	
Comcast Corp. Class A (a)	19,100	495,	
Dow Jones & Co., Inc.	400	14,	
EW Scripps Co. Class A	700	33,	
Gannett Co., Inc.	2,000	121,	
Interpublic Group of Cos., Inc. (a)	3,200	30,	
Knight-Ridder, Inc.	500	31,	
The McGraw-Hill Cos., Inc.	3,400	175,	
Meredith Corp.	400	20,	
New York Times Co. Class A	1,100	29,	
News Corp. Class A	21,700	337,	
Omnicom Group	1,500	127,	
Time Warner, Inc.	41,201	718,	
Tribune Co.	2,100	63,	
Univision Communications, Inc.			
Class A (a)	2,200	64,	
Viacom, Inc. Class B (a)	13,500	440,	
Walt Disney Co.	16,500	395,	
			3,254,

Metals & Mining--0.7%			
Alcoa, Inc.	7,400	218,	
Allegheny Technologies, Inc.	900	32,	
Freeport-McMoRan Copper & Gold, Inc.			
Class B	1,500	80,	
Newmont Mining Corp.	3,700	197,	

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Nucor Corp.	1,300	86,
Phelps Dodge Corp.	800	115,
United States Steel Corp.	900	43,
		----- 774,

Multi-Utilities--1.1%		
Ameren Corp.	1,600	81,
CMS Energy Corp. (a)	2,200	31,
Centerpoint Energy, Inc.	3,100	39,
Consolidated Edison, Inc.	2,000	92,
DTE Energy Co.	1,700	73,
Dominion Resources, Inc.	2,900	223,
KeySpan Corp.	1,700	60,
NiSource, Inc.	2,600	54,
PG&E Corp.	2,900	107,
Public Service Enterprise Group, Inc.	2,200	142,
Sempra Energy	2,400	107,
TECO Energy, Inc.	2,100	36,
Xcel Energy, Inc.	3,900	71,
		----- 1,124,

Multiline Retail--1.1%		
Big Lots, Inc. (a)	1,000	12,
Dillard's, Inc. Class A	700	17,
Dollar General Corp.	3,000	57,
Family Dollar Stores, Inc.	1,200	29,
Federated Department Stores	2,183	144,
JC Penney Co., Inc.	1,900	105,
Kohl's Corp. (a)	2,900	140,

S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

9

Schedule of Investments (continued)

Industry	Common Stocks	Shares Held	Value

Multiline Retail (concluded)			
	Nordstrom, Inc.	2,000	\$ 74,
	Sears Holdings Corp. (a)	881	101,
	Target Corp.	7,600	417,
			----- 1,102,

Office Electronics--0.1%			
	Xerox Corp. (a)	8,600	125,

Oil, Gas & Consumable Fuels--7.2%			
	Amerada Hess Corp.	700	88,
	Anadarko Petroleum Corp.	2,000	189,
	Apache Corp.	2,800	191,
	Burlington Resources, Inc.	3,200	275,
	Chevron Corp.	19,691	1,117,
	ConocoPhillips	12,200	709,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Devon Energy Corp.	4,000	250,
EOG Resources, Inc.	2,000	146,
El Paso Corp.	6,000	72,
Exxon Mobil Corp.	54,400	3,055,
Kerr-McGee Corp.	926	84,
Kinder Morgan, Inc.	800	73,
Marathon Oil Corp.	3,136	191,
Murphy Oil Corp.	1,300	70,
Occidental Petroleum Corp.	3,600	287,
Sunoco, Inc.	1,100	86,
Valero Energy Corp.	5,400	278,
Williams Cos., Inc.	5,100	118,
XTO Energy, Inc.	3,033	133,

		7,422,

Paper & Forest Products--0.3%		
International Paper Co.	4,100	137,
Louisiana-Pacific Corp.	1,100	30,
MeadWestvaco Corp.	1,800	50,
Weyerhaeuser Co.	2,000	132,

		351,

Personal Products--0.1%		
Alberto-Culver Co. Class B	800	36,
Avon Products, Inc.	4,000	114,

		150,

Pharmaceuticals--6.1%		
Abbott Laboratories	13,500	532,
Allergan, Inc.	1,100	118,
Bristol-Myers Squibb Co.	16,700	383,
Eli Lilly & Co.	9,900	560,
Forest Laboratories, Inc. (a)	2,900	117,
Johnson & Johnson	26,000	1,562,
King Pharmaceuticals, Inc. (a)	2,300	38,
Merck & Co., Inc.	19,100	607,
Mylan Laboratories	2,100	41,
Pfizer, Inc.	64,300	1,499,
Schering-Plough Corp.	13,000	271,
Watson Pharmaceuticals, Inc. (a)	800	26,
Wyeth	11,700	539,

		6,299,

Real Estate--0.7%		
Apartment Investment & Management Co. Class A	700	26,
Archstone-Smith Trust	2,000	83,
Equity Office Properties Trust	3,400	103,
Equity Residential	2,300	89,
Plum Creek Timber Co., Inc.	1,800	64,
Prologis	2,300	107,
Public Storage, Inc.	800	54,
Simon Property Group, Inc.	1,500	114,
Vornado Realty Trust	900	75,

		719,

Road & Rail--0.6%		

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

	Burlington Northern Santa Fe Corp.	3,100	219,
	CSX Corp.	1,900	96,
	Norfolk Southern Corp.	3,400	152,
	Union Pacific Corp.	2,200	177,

			645,

Semiconductors & Semiconductor			
Equipment--3.0%			
	Advanced Micro Devices, Inc. (a)	3,300	100,
	Altera Corp. (a)	3,000	55,
	Analog Devices, Inc.	3,100	111,
	Applied Materials, Inc.	13,800	247,
	Applied Micro Circuits Corp. (a)	1,100	2,
	Broadcom Corp. Class A (a)	2,500	117,
	Freescale Semiconductor, Inc. Class B (a)	3,646	91,
	Intel Corp.	52,900	1,320,
	Kla-Tencor Corp.	1,600	78,
	LSI Logic Corp. (a)	3,700	29,
	Linear Technology Corp.	2,500	90,
	Maxim Integrated Products, Inc.	2,700	97,
	Micron Technology, Inc. (a)	5,100	67,
	National Semiconductor Corp.	3,200	83,
	Novellus Systems, Inc. (a)	1,000	24,
	Nvidia Corp. (a)	1,600	58,
	PMC-Sierra, Inc. (a)	1,000	7,
	Teradyne, Inc. (a)	2,000	29,
	Texas Instruments, Inc.	14,300	458,
	Xilinx, Inc.	2,800	70,

			3,144,

Software--3.4%			
	Adobe Systems, Inc.	5,200	192,
	Autodesk, Inc.	1,900	81,
	BMC Software, Inc. (a)	2,100	43,
	Citrix Systems, Inc. (a)	1,300	37,
	Computer Associates International, Inc.	4,200	118,
	Compuware Corp. (a)	3,700	33,
	Electronic Arts, Inc. (a)	2,600	136,
	Intuit, Inc. (a)	1,500	79,
	Mercury Interactive Corp. (a)	700	19,
	Microsoft Corp.	80,300	2,099,
	Novell, Inc. (a)	3,000	26,
	Oracle Corp. (a)	32,500	396,
	Parametric Technology Corp. (a)	2,500	15,
	Siebel Systems, Inc.	4,800	50,
	Symantec Corp. (a)	9,483	165,

			3,496,

Specialty Retail--2.1%			
	AutoNation, Inc. (a)	1,800	39,
	AutoZone, Inc. (a)	400	36,
	Bed Bath & Beyond, Inc. (a)	2,500	90,
	Best Buy Co., Inc.	3,400	147,
	Circuit City Stores, Inc.	1,200	27,
	The Gap, Inc.	5,200	91,
	Home Depot, Inc.	18,700	756,
	Limited Brands	3,200	71,

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

10 S&P 500 (R) GEARED (SM) FUND INC.

DECEMBER 31, 2005

Schedule of Investments (concluded)

Industry	Common Stocks	Shares Held	Value
Specialty Retail (concluded)			
	Lowe's Cos., Inc.	6,700	\$ 446,
	Office Depot, Inc. (a)	2,900	91,
	OfficeMax, Inc.	500	12,
	RadioShack Corp.	1,300	27,
	The Sherwin-Williams Co.	900	40,
	Staples, Inc.	6,150	139,
	TJX Cos., Inc.	3,800	88,
	Tiffany & Co.	1,100	42,

			2,149,

Textiles, Apparel & Luxury Goods--0.4%			
	Coach, Inc. (a)	3,400	113,
	Jones Apparel Group, Inc.	1,200	36,
	Liz Claiborne, Inc.	1,100	39,
	Nike, Inc. Class B	1,600	138,
	Reebok International Ltd.	500	29,
	VF Corp.	900	49,

			407,

Thrifts & Mortgage Finance--1.5%			
	Countrywide Financial Corp.	5,300	181,
	Fannie Mae	8,300	405,
	Freddie Mac	5,900	385,
	Golden West Financial Corp.	2,100	138,
	MGIC Investment Corp.	700	46,
	Sovereign Bancorp, Inc.	3,400	73,
	Washington Mutual, Inc.	8,461	368,

			1,598,

Tobacco--1.4%			
	Altria Group, Inc.	18,100	1,352,
	Reynolds American, Inc.	700	66,
	UST, Inc.	1,400	57,

			1,476,

Trading Companies & Distributors--0.0%			
	WW Grainger, Inc.	700	49,

Wireless Telecommunication Services--0.9%			
	Alltel Corp.	3,200	201,
	Sprint Nextel Corp.	25,653	599,

			801,

	Total Common Stocks		

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

(Cost--\$88,811,075)--95.1%

98,123,

Short-Term Securities	Face Amount	
=====		
Time Deposits--6.6%		
State Street Bank & Trust Co., 3.60%		
due 1/03/2006	\$6,801,704	6,801,

Total Short-Term Securities		
(Cost--\$6,801,704)--6.6%		6,801,
=====		
	Number of Contracts	
=====		
Call Options Purchased--16.2%		
S&P 500 Index, expiring		
November 2006 at USD 1,214.76,		
Broker HSBC Securities	32,994	3,292,
S&P 500 Index, expiring		
November 2006 at USD 1,214.76,		
Broker BNP Paribas	131,985	13,355,

Total Options Purchased		
(Premiums Paid--\$0)--16.2%		16,647,
=====		
Total Investments (Cost--\$95,612,779)--117.9%		121,571,
=====		
	Number of Contracts	
=====		
Options Written		

Call Options Written--(16.2%)		
S&P 500 Index, expiring		
November 2006 at USD 1,266.99,		
Broker HSBC Securities	49,491	(3,323,
S&P 500 Index, expiring		
November 2006 at USD 1,267.54,		
Broker BNP Paribas	197,977	(13,372,

Total Options Written		
(Premiums Received--\$0)--(16.2%)		(16,695,
=====		
Total Investments, Net of Options Written		
(Cost--\$95,612,779*)--101.7%		104,876,

Liabilities in Excess of Other Assets--(1.7%)		(1,734,

Net Assets--100.0%		\$103,142,
=====		

* The cost and unrealized appreciation (depreciation) of investments, net of options written, as of December 31, 2005, as computed for federal income

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

tax purposes, were as follows:

Aggregate cost	\$ 95,617,347
	=====
Gross unrealized appreciation	\$ 29,139,773
Gross unrealized depreciation	(19,880,278)

Net unrealized appreciation	\$ 9,259,495
	=====

- (a) Non-income producing security.
 (b) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	Net Activity	Dividend Income
Merrill Lynch & Co., Inc.	(3,900)	\$2,340

- o Financial futures contracts purchased as of December 31, 2005 were as follows:

Number of Contracts	Issue	Expiration Date	Face Value	Unrealized Depreciation
16	S&P 500(R) Index	March 2006	\$5,085,794	\$(66,594)

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

See Notes to Financial Statements.

S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

11

Statement of Assets, Liabilities and Capital

As of December 31, 2005

Assets

Investments in unaffiliated securities, at value (identified cost--\$95,174,285)
Investments in affiliated securities, at value (identified cost--\$438,494)
Options purchased, at value (premiums paid--\$0)
Cash collateral on futures contracts
Receivables:
Dividends
Securities sold

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Interest
Prepaid expenses
Total assets

=====
Liabilities

Options written, at value (premiums received--\$0)
Payables:
 Dividends to shareholders
 Securities purchased
 Investment adviser
 Variation margin
Accrued expenses
Total liabilities

=====
Net Assets

Net assets

=====
Capital

Common Stock, par value \$.001 per share, 100,000,000 shares authorized
Paid-in capital in excess of par
Accumulated realized capital losses--net
Unrealized appreciation--net
Total accumulated earnings--net
Total Capital--Equivalent to \$19.66 per share based on 5,246,427 shares of
Common Stock outstanding (market price--\$18.85)

See Notes to Financial Statements.

12 S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

Statements of Operations

=====
Investment Income

Dividends++
Interest

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Total income

=====
Expenses

Investment advisory fees
Interest expense
Professional fees
Directors' fees and expenses
Printing and shareholder reports
Transfer agent fees
Accounting services
Listing fees
Custodian fees
Repurchase offer fees
Pricing fees
Other

Total expenses

Investment income--net

=====
Realized & Unrealized Gain (Loss)--Net

Realized gain (loss) on:
 Investments--net
 Futures contracts--net
 Options written--net

Total realized gain--net

Change in unrealized appreciation/depreciation on:
 Investments--net
 Futures contracts--net
 Options written--net

Total change in appreciation/depreciation--net

Total realized and unrealized gain--net

Net Increase in Net Assets Resulting from Operations

 + Commencement of operations.
 ++ Dividends from affiliates

See Notes to Financial Statements.

S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

13

Statements of Changes in Net Assets

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Increase (Decrease) in Net Assets:

Operations

Investment income--net
Realized gain--net
Change in unrealized appreciation/depreciation--net

Net increase in net assets resulting from operations

Dividends & Distributions to Shareholders

Investment income--net
Realized gain--net

Net decrease in assets resulting from dividends and distributions to
shareholders

Common Stock Transactions

Net proceeds from issuance of Common Stock
Offering costs resulting from the issuance of Common Stock
Redemption of Common Stock resulting from a repurchase offer

Net increase (decrease) in net assets resulting from Common Stock
transactions

Net Assets

Total increase (decrease) in net assets
Beginning of period

End of period*

* Undistributed investment income--net

+ Commencement of operations.

See Notes to Financial Statements.

14 S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

Financial Highlights

The following per share data and ratios have been derived
from information provided in the financial statements.

Per Share Operating Performance

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Net asset value, beginning of period

Investment income--net***

Realized and unrealized gain--net

Total from investment operations

Less dividends and distributions:

 Investment income--net

 Realized gain--net

Total dividends and distributions

Offering costs resulting from the issuance of Common Stock

Net asset value, end of period

Market price per share, end of period

=====
Total Investment Return**

Based on net asset value per share

Based on market price per share

=====
Ratios to Average Net Assets

Expenses, excluding interest expense

Expenses

Investment income--net

=====
Supplemental Data

Net assets, end of period (in thousands)

Portfolio turnover

- * Annualized.
- ** Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges.
- *** Based on average shares outstanding.
- + Commencement of operations.
- @ Aggregate total investment return.

See Notes to Financial Statements.

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

1. Significant Accounting Policies:

S&P 500(R) GEARED(SM) Fund Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company with a fixed term of existence. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. Effective October 1, 2005, the Fund changed its year end to December 31, 2005. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund's Common Stock shares are listed on the New York Stock Exchange ("NYSE") under the symbol GRE. The following is a summary of significant accounting policies followed by the Fund.

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

Options written are valued at the last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last asked price. Options purchased are valued at their last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last bid price. Swap agreements are valued based upon quoted fair valuations received daily by the Fund from a pricing service or counterparty. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges. Obligations with remaining maturities of 60 days or less are valued at amortized cost unless the Investment Adviser believes that this method no longer produces fair valuations.

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

Generally, trading in foreign securities, as well as U.S. government securities and money market instruments, is substantially completed each day at various times prior to the close of business on the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates also are generally determined prior to the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of the Fund's net asset value. If events (for example, a company announcement, market volatility or a natural disaster) occur

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

during such periods that are expected to materially affect the value of such securities, those securities may be valued at their fair value as determined in good faith by the Fund's Board of Directors or by the Investment Adviser using a pricing service and/or procedures approved by the Fund's Board of Directors.

(b) Derivative financial instruments -- The Fund will engage in various portfolio investment strategies both to enhance its returns or as a proxy for a direct investment in securities underlying the Fund's index. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

- o Options -- The Fund will purchase and write call options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an

16 S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

Notes to Financial Statements (continued)

option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received). When cash is received as collateral for purchased options, the Fund may pay interest to the option writer.

Written and purchased options are non-income producing investments.

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

(c) Income taxes -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

(d) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis.

(e) Dividends and distributions -- Dividends and distributions paid by the Fund are recorded on the ex-dividend dates.

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

(f) Offering expenses -- Direct expenses relating to the public offering of the Fund's Common Stock were charged to capital at the time of issuance of the shares.

(g) Securities lending -- The Fund may lend securities to financial institutions that provide cash or securities issued or guaranteed by the U.S. government as collateral, which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. Where the Fund receives securities as collateral for the loaned securities, it collects a fee from the borrower. The Fund typically receives the income on the loaned securities but does not receive the income on the collateral. Where the Fund receives cash collateral, it may invest such collateral and retain the amount earned on such investment, net of any amount rebated to the borrower. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within five business days. The Fund may pay reasonable finder's, lending agent, administrative and custodial fees in connection with its loans. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or for any other reason, the Fund could experience delays and costs in gaining access to the collateral. The Fund also could suffer a loss where the value of the collateral falls below the market value of the borrowed securities, in the event of borrower default or in the event of losses on investments made with cash collateral.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory and Management Agreement with IQ Investment Advisors LLC ("IQ"), an indirect subsidiary of Merrill Lynch & Co. Inc. ("ML & Co.").

IQ is responsible for the investment advisory, management and administrative services to the Fund. In addition, IQ provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund will pay a monthly fee at an annual rate equal to .82% of the average daily value of the Fund's net assets plus borrowings for investment purposes, but exclude any net assets attributable to leveraging transactions. IQ has entered into a Subadvisory Agreement with Merrill Lynch Investment Managers, L.P. ("MLIM") pursuant to which MLIM provides certain investment advisory services to IQ with respect to the Fund. For such services, IQ will pay MLIM a monthly fee at an annual rate of .35% of the average daily value of the Fund's net assets plus borrowings for investment purposes, but exclude any net assets attributable to leveraging transactions. There was no increase in the aggregate fees paid by the Fund for these services.

S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

17

Notes to Financial Statements (concluded)

The Fund has received an exemptive order from the Securities and Exchange Commission permitting it to lend portfolio securities to ML & Co. and its affiliates, including Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), an affiliate of IQ. Pursuant to that order, the Fund may retain Merrill Lynch Investment Managers, LLC ("MLIM, LLC"), an affiliate of IQ, as the securities lending agent for a fee based on a share of the returns on investment of cash collateral. MLIM, LLC may, on behalf of the Fund, invest cash collateral received by the Fund for such loans, among other things, in a private investment company managed by MLIM, LLC or in registered money market funds advised by IQ

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

or its affiliates.

In addition, MLPF&S received \$198 in commissions on the execution of portfolio security transactions for the Fund for the period October 1, 2005 to December 31, 2005.

Certain officers and/or directors of the Fund are officers and/or directors of MLIM, IQ, ML & Co., and/or MLIM, LLC.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the period October 1, 2005 to December 31, 2005 were \$831,326 and \$47,532,239, respectively.

Transactions in options written for the period October 1, 2005 to December 31, 2005 were as follows:

	Number of Contracts	Premiums Received
Outstanding call options written, beginning of period	353,416	\$ 60,000
Options written	247,468	--
Options closed	(353,416)	(60,000)
Outstanding call options written, end of period	247,468	\$ --

4. Common Stock Transactions:

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

Shares issued and outstanding during the period October 1, 2005 to December 31, 2005 decreased 1,748,809 as a result of a repurchase offer and during the period November 1, 2004 to September 30, 2005 increased 6,990,000 from shares sold.

5. Distributions to Shareholders:

The tax character of distributions paid during the periods October 1, 2005 to December 31, 2005 and November 1, 2004 to September 30, 2005 was as follows:

	10/01/2005 to 12/31/2005	11/01/2004+ to 9/30/2005
Distributions paid from:		
Ordinary income	\$ 1,652,960	\$ 660,000
Net long-term capital gain	10,676,144	--
Total distributions	\$12,329,104	\$ 660,000

+ Commencement of operations.

As of December 31, 2005, the components of accumulated earnings on a tax basis were as follows:

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Undistributed ordinary income -- net	\$2,459,562
Undistributed long-term capital gains -- net	--

Total undistributed earnings -- net	2,459,562
Capital loss carryforward	--
Unrealized gains -- net	4,830,239*

Total accumulated earnings -- net	\$7,289,801
	=====

* The difference between book-basis and tax-basis net unrealized gains is attributable primarily to the tax deferral of losses on wash sales, the tax deferral of losses on straddles, and the realization for tax purposes of unrealized gains/losses on certain futures contracts.

18 S&P 500(R) GEARED(SM) FUND INC. DECEMBER 31, 2005

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of S&P 500(R) GEARED(SM) Fund Inc.:

We have audited the accompanying statement of assets, liabilities and capital, including the schedule of investments, of S&P 500(R) GEARED(SM) Fund Inc. as of December 31, 2005, and the related statements of operations and of changes in net assets, and the financial highlights for the periods October 1, 2005 through December 31, 2005 and November 1, 2004 (commencement of operations) through September 30, 2005. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2005, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of S&P 500(R) GEARED(SM) Fund Inc. as of December 31, 2005, the results of its operations, the changes in its net assets, and its financial highlights for the periods October 1, 2005 through December 31, 2005 and November 1, 2004 through September 30, 2005, in conformity with U.S. generally accepted accounting principles.

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

per share.

Participation in the Plan -- Participation in the Plan is automatic, that is, a shareholder is automatically enrolled in the Plan when he or she purchases shares of Common Stock of the Fund unless the shareholder specifically elects not to participate in the Plan. Shareholders who elect not to participate will receive all dividend distributions in cash. Shareholders who do not wish to participate in the Plan must advise the Plan Agent in writing (at the address set forth below) that they elect not to participate in the Plan. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by writing to the Plan Agent.

Benefits of the Plan -- The Plan provides an easy, convenient way for shareholders to make additional, regular investments in the Fund. The Plan promotes a long-term strategy of investing at a lower cost. All shares acquired pursuant to the Plan receive voting rights. In addition, if the market price plus commissions of the Fund's shares is above the net asset value, participants in the Plan will receive shares of the Fund for less than they could otherwise purchase them and with a cash value greater than the value of any cash distribution they would have received. However, there may not be enough shares available in the market to make distributions in shares at prices below the net asset value. Also, since the Fund does not redeem shares, the price on resale may be more or less than the net asset value.

Plan Fees -- There are no enrollment fees or brokerage fees for participating in the Plan. The Plan Agent's service fees for handling the reinvestment of distributions are paid for by the Fund. However, brokerage commissions may be incurred when the Fund purchases shares on the open market and shareholders will pay a pro rata share of any such commissions.

Tax Implications -- The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Therefore, income and capital gains may still be realized even though shareholders do not receive cash. Participation in the Plan generally will not effect the tax-exempt status of exempt interest dividends paid by the Fund. If, when the Fund's shares are trading at a market premium, the Fund issues shares pursuant to the Plan that have a greater fair market value than the amount of cash reinvested, it is possible that all or a portion of the discount from the market value (which may not exceed 5% of the fair market value of the Fund's shares) could be viewed as a taxable distribution. If the discount is viewed as a taxable distribution, it is also possible that the taxable character of this discount would be allocable to all the shareholders, including shareholders who do not participate in the Plan. Thus, shareholders who do not participate in the Plan might be required to report as ordinary income a portion of their distributions equal to their allocable share of the discount.

Contact Information -- All correspondence concerning the Plan, including any questions about the Plan, should be directed to the Plan Agent at The Bank of New York, Church Street Station, P.O. Box 11258, New York, NY 10286-1258, Telephone: 800-432-8224.

20 S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

Officers and Directors

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Name	Address & Age	Position(s) Held with Fund	Length of Time Served**	Principal Occupation(s) During Past 5 Years
------	---------------	----------------------------------	-------------------------------	---

Non-Interested Directors*

Alan R. Batkin	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 61	Director & Chairman of the Board	2004 to present	Vice-Chairman, Kissinger Associates, Inc., a consulting firm, since 1990.
----------------	---	--	--------------------	---

Paul Glasserman	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 43	Director & Chairman of the Audit Committee	2004 to present	Professor, Columbia University Business School since 1991; Senior Vice Dean since July 2004.
-----------------	---	---	--------------------	--

Steven W. Kohlhagen	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 58	Director	2005 to present	Retired since August 2002; Managing Director, Wachovia National Bank and its predecessors (1992 - 2002).
---------------------	---	----------	--------------------	--

William J. Rainer	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 59	Director & Chairman of Nominating and Corporate Governance Committee	2004 to present	Retired since November 2004; Chairman and Chief Executive Officer, OneChicago, LLC, a designated contract market (2001 to November 2004); Chairman U.S. Commodity Futures Trading Commission (1999 - 2001).
-------------------	---	--	--------------------	---

* Each of the Non-Interested Directors is a member of the Audit Committee and the Governance Committee.

** Each Director will serve for a term of one year and until his successor is elected or death, resignation or removal as provided in the Fund's Bylaws, charter or by statute.

Interested Director*

Andrew J. Donohue	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 55	Director	2005 to present	IQ Investment Advisors LLC, Chief Legal Officer since 2004; Global General Counsel, FAM and MLIM, since March 2003; prior to 2003, General Counsel, OppenheimerFunds, Inc.
-------------------	---	----------	--------------------	--

* Mr. Donohue is an Interested Director because of his position as an employee of the Fund. Mr. Donohue serves for a term of one year and until his successor is elected or resignation or removal as provided by the Fund's Bylaws, charter or by statute.

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Name	Address & Age	Position(s) Held with Funds	Length of Time Served	Principal Occupation(s) During Past 5 Years
Fund Officers*				
Mitchell M. Cox	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 40	President	2004 to present	IQ Investment Advisors LLC, President since April 2003; MLPF&S, First Vice President, Head of Structured Sales (2001 - 2003); MLPF&S, Director, Head of Structured Sales (1997 - 2001).
Donald C. Burke	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 45	Vice President, Treasurer and Secretary	2004 to present	IQ Investment Advisors LLC, Treasurer and Secretary of MLIM and FAM since 1997 and Treasurer and Secretary of Princeton Services since 1999; Vice President of FAM since 1999; Vice President and Director of Taxation of MLIM (1999 - 2001).
Andrew J. Donohue	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 55	Chief Legal Officer	2005 to present	IQ Investment Advisors LLC, Chief Legal Officer and Counsel, FAM and MLIM, since March 2003; prior to 2003, OppenheimerFunds, Inc.
Jeffrey Hiller	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 54	Chief Compliance Officer	2004 to present	IQ Investment Advisors LLC, Chief Compliance Officer of the MLIM/FAM-advised funds and First Vice President of MLIM (Americas Region) since 2004; Global Compliance Officer at Morgan Stanley Investment Management (2000 - 2003); Director of Compliance at Citigroup Asset Management (2000 - 2003); Compliance Officer at Soros Fund Management in 2000; Senior Counsel at Prudential Financial (1995 - 2000); Senior Counsel at Enforcement in Washington, D.C. (1990 - 1995).
Justin C. Ferri	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 30	Vice President	2005 to present	IQ Investment Advisors LLC, Vice President since 2005; Private Client Market Investments & Origination since 2004; Global Private Client Investments & Origination since 2003; MLPF&S, Vice President, Co-Head Global Private Client Market Investments & Origination (2002 - 2004); mPower Advisors LLC, Vice President since 2002 (1999 - 2002).
Jay M. Fife	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 35	Vice President and Assistant Treasurer	2005 to present	IQ Investment Advisors LLC, Vice President and Assistant Treasurer of MLIM, Director since 2000; MLPF&S, Director (2000 - 2003) (1997 - 2000).
Colleen R. Rusch	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 38	Vice President and Assistant Secretary	2005 to present	IQ Investment Advisors LLC, Vice President since 2005; Private Client Market Investments & Origination since 2004; from January 2005 to July 2005; Vice President of MLIM since 2003 (2000 - 2003).

* Officers of the Fund serve at the pleasure of the Board of Directors.

Custodian

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

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Transfer Agent

The Bank of New York
101 Barclay Street -- 11 East
New York, NY 10286

NYSE Symbol

GRE

Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's Web site at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

22 S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

Fundamental Periodic Repurchase Policy

The Board of Directors approved a fundamental policy whereby the Fund would adopt an "interval fund" structure pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended (the "1940 Act"). As an interval fund, the Fund will make annual repurchase offers at net asset value (less repurchase fee not to exceed 2%) to all Fund shareholders. The percentage of outstanding shares that the Fund can repurchase in each offer will be established by the Fund's Board of Directors shortly before the commencement of each offer, and will be between 5% and 25% of the Fund's then outstanding shares.

The Fund has adopted the following fundamental policy regarding periodic repurchases:

- a) The Fund will make offers to repurchase its shares at annual (approximately 12-month) intervals pursuant to Rule 23c-3 under the 1940 Act ("Offers"). The Board of Directors may place such conditions and limitations on an Offer, as may be permitted under Rule 23c-3.
- b) The repurchase request deadline for each Offer, by which the Fund must receive repurchase requests submitted by shareholders in response to the most recent Offer, will be determined by reference to the exercise date of the call spreads and written call options that comprise the Fund's transactions (as described in the Fund's prospectus) for an annual period; and will be the fourteenth day prior to such exercise date; provided, that in the event that such day is not a business day, the repurchase request deadline will be the business day subsequent to the fourteenth day prior to the exercise date of the call spreads and written call options (the "Repurchase Request Deadline").
- c) The maximum number of days between a Repurchase Request Deadline and the next repurchase pricing date will be fourteen days; provided that if the fourteenth day after a Repurchase Request Deadline is not a business day, the repurchase pricing date shall be the next business day (the "Repurchase Pricing Date").
- d) Offers may be suspended or postponed under certain circumstances, as provided for in Rule 23c-3. (For further details, see Note 4 to the Financial Statements.)

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Under the terms of the Offer for the most recent annual period, the Fund offered to purchase up to 1,748,809 shares from shareholders at an amount per share equal to the Fund's net asset value per share calculated as of the close of business of the New York Stock Exchange on November 2, 2005, ten business days after Wednesday, October 19, 2005, the Repurchase Request Deadline. As of November 2, 2005, 1,748,809 shares, or 25% of the Fund's outstanding shares, were purchased by the Fund at \$21.45 per share (subject to a repurchase fee of 0.10% of the net asset value per share), the Fund's net asset value per share was determined as of 4:00 p.m. EST, Wednesday, November 2, 2005.

Electronic Delivery

The Fund offers electronic delivery of communications to its shareholders. In order to receive this service, you must register your account and provide us with e-mail information. To sign up for this service, simply access this Web site at <http://www.icsdelivery.com/live> and follow the instructions. When you visit this site, you will obtain a personal identification number (PIN). You will need this PIN should you wish to update your e-mail address, choose to discontinue this service and/or make any other changes to the service. This service is not available for certain retirement accounts at this time.

Contact Information

For more information regarding the Fund, please visit www.IQIAFunds.com or contact us at 1-877-449-4742.

S&P 500(R) GEARED(SM) FUND INC.

DECEMBER 31, 2005

23

[LOGO] IQ
INVESTMENT
ADVISORS

www.IQIAFunds.com

S&P 500(R) GEARED(SM) Fund Inc. seeks to provide total returns, exclusive of fees and expenses of the Fund, linked to the annual performance of the S&P 500 Composite Stock Price Index.

This report, including the financial information herein, is transmitted to shareholders of S&P 500(R) GEARED(SM) Fund Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge at www.IQIAFunds.com/proxyvoting.asp or upon request by calling toll-free 1-877-449-4742 or through the Securities and Exchange Commission's Web site at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) at www.IQIAFunds.com/proxyvoting.asp; and (2) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

S&P 500(R) GEARED(SM) Fund Inc.
Box 9011
Princeton, NJ 08543-9011

#IQGRE -- 12/05

Item 2 - Code of Ethics - The registrant has adopted a code of ethics, as of the end of the period covered by this report, that applies to the

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

registrant's principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. A copy of the code of ethics is available without charge upon request by calling toll-free 1-877-449-4742.

Item 3 - Audit Committee Financial Expert - The registrant's board of directors has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent: (1) Alan R. Batkin and (2) Steven W. Kohlhagen.

Item 4 - Principal Accountant Fees and Services

(a) Audit Fees - Fiscal Year Ending December 31, 2005 - \$19,000
Fiscal Year Ending December 31, 2004 - N/A

(b) Audit-Related Fees - Fiscal Year Ending December 31, 2005 - \$0
Fiscal Year Ending December 31, 2004 - \$0

(c) Tax Fees - Fiscal Year Ending December 31, 2005 - \$6,500
Fiscal Year Ending December 31, 2004 - N/A

The nature of the services include tax compliance, tax advice and tax planning.

(d) All Other Fees - Fiscal Year Ending December 31, 2005 - \$0
Fiscal Year Ending December 31, 2004 - \$0

(e)(1) The registrant's audit committee (the "Committee") has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the registrant's affiliated service providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC's auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ("general pre-approval"). However, such services will only be deemed pre-approved provided that any individual project does not exceed \$5,000 attributable to the registrant or \$50,000 for all of the registrants the Committee oversees. Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled in-person board meeting.

(e)(2) 0%

(f) Not Applicable

(g) Fiscal Year Ending December 31, 2005 - \$5,034,771
Fiscal Year Ending December 31, 2004 - N/A

(h) The registrant's audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant's investment adviser and any entity controlling, controlled

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Regulation S-X Rule 2-01(c) (7) (ii) - \$919,000, 0%

Item 5 - Audit Committee of Listed Registrants - The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a) (58) (A) of the Exchange Act (15 U.S.C. 78c(a) (58) (A)):

Alan R. Batkin
Steven W. Kohlhagen
Paul Glasserman
William J. Rainer

Item 6 - Schedule of Investments - Not Applicable

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies -

Proxy Voting Policies and Procedures

Each Fund's Board of Directors has delegated to IQ Investment Advisors LLC, and/or any sub-investment adviser approved by the Board of Directors (the "Investment Adviser") authority to vote all proxies relating to the Fund's portfolio securities. The Investment Adviser has adopted policies and procedures ("Proxy Voting Procedures") with respect to the voting of proxies related to the portfolio securities held in the account of one or more of its clients, including a Fund. Pursuant to these Proxy Voting Procedures, the Investment Adviser's primary objective when voting proxies is to make proxy voting decisions solely in the best interests of each Fund and its shareholders, and to act in a manner that the Investment Adviser believes is most likely to enhance the economic value of the securities held by the Fund. The Proxy Voting Procedures are designed to ensure that the Investment Adviser considers the interests of its clients, including the Funds, and not the interests of the Investment Adviser, when voting proxies and that real (or perceived) material conflicts that may arise between the Investment Adviser's interest and those of the Investment Adviser's clients are properly addressed and resolved.

In order to implement the Proxy Voting Procedures, the Investment Adviser has formed a Proxy Voting Committee (the "Committee"). The Committee is comprised of the Investment Adviser's Chief Investment Officer (the "CIO"), one or more other senior investment professionals appointed by the CIO, portfolio managers and investment analysts appointed by the CIO and any other personnel the CIO deems appropriate. The Committee will also include two non-voting representatives from the Investment Adviser's Legal department appointed by the Investment Adviser's General Counsel. The Committee's membership shall be limited to full-time employees of the Investment Adviser. No person with any investment banking, trading, retail brokerage or research responsibilities for the Investment Adviser's affiliates may serve as a member of the Committee or participate in its decision making (except to the extent such person is asked by the Committee to present information to the Committee, on the same basis as other interested knowledgeable parties not affiliated with the Investment Adviser might be asked to do so). The Committee determines how to vote the proxies of all clients, including a Fund, that have delegated proxy voting authority to the Investment Adviser and seeks to ensure that all votes are consistent with the best interests of those clients and are free from unwarranted and inappropriate influences. The Committee establishes general proxy voting policies for the Investment Adviser and is responsible for determining how those policies are applied to specific proxy votes, in light of

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

each issuer's unique structure, management, strategic options and, in certain circumstances, probable economic and other anticipated consequences of alternate actions. In so doing, the Committee may determine to vote a particular proxy in a manner contrary to its generally stated policies. In addition, the Committee will be responsible for ensuring that all reporting and recordkeeping requirements related to proxy voting are fulfilled.

The Committee may determine that the subject matter of a recurring proxy issue is not suitable for general voting policies and requires a case-by-case determination. In such cases, the Committee may elect not to adopt a specific voting policy applicable to that issue. The Investment Adviser believes that certain proxy voting issues require investment analysis -- such as approval of mergers and other significant corporate transactions -- akin to investment decisions, and are, therefore, not suitable for general guidelines. The Committee may elect to adopt a common position for the Investment Adviser on certain proxy votes that are akin to investment decisions, or determine to permit the portfolio manager to make individual decisions on how best to maximize economic value for a Fund (similar to normal buy/sell investment decisions made by such portfolio managers). While it is expected that the Investment Adviser will generally seek to vote proxies over which the Investment Adviser exercises voting authority in a uniform manner for all the Investment Adviser's clients, the Committee, in conjunction with a Fund's portfolio manager, may determine that the Fund's specific circumstances require that its proxies be voted differently.

To assist the Investment Adviser in voting proxies, the Committee has retained Institutional Shareholder Services ("ISS"). ISS is an independent adviser that specializes in providing a variety of fiduciary-level proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to the Investment Adviser by ISS include in-depth research, voting recommendations (although the Investment Adviser is not obligated to follow such recommendations), vote execution, and recordkeeping. ISS will also assist the Fund in fulfilling its reporting and recordkeeping obligations under the Investment Company Act.

The Investment Adviser's Proxy Voting Procedures also address special circumstances that can arise in connection with proxy voting. For instance, under the Proxy Voting Procedures, the Investment Adviser generally will not seek to vote proxies related to portfolio securities that are on loan, although it may do so under certain circumstances. In addition, the Investment Adviser will vote proxies related to securities of foreign issuers only on a best efforts basis and may elect not to vote at all in certain countries where the Committee determines that the costs associated with voting generally outweigh the benefits. The Committee may at any time override these general policies if it determines that such action is in the best interests of a Fund.

From time to time, the Investment Adviser may be required to vote proxies in respect of an issuer where an affiliate of the Investment Adviser (each, an "Affiliate"), or a money management or other client of the Investment Adviser (each, a "Client") is involved. The Proxy Voting Procedures and the Investment Adviser's adherence to those procedures are designed to address such conflicts of interest. The Committee intends to strictly adhere to the Proxy Voting Procedures in all proxy matters, including matters involving Affiliates and Clients. If, however, an issue representing a non-routine matter that is material to an Affiliate or a widely known Client is involved such that the Committee does not reasonably believe it is able to follow its guidelines (or if the particular proxy matter is not addressed by the guidelines) and vote impartially, the Committee may, in its discretion for the purposes of ensuring that an independent determination is reached, retain an independent fiduciary to

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

advise the Committee on how to vote or to cast votes on behalf of the Investment Adviser's clients.

In the event that the Committee determines not to retain an independent fiduciary, or it does not follow the advice of such an independent fiduciary, the powers of the Committee shall pass to a subcommittee, appointed by the CIO (with advice from the Secretary of the Committee), consisting solely of Committee members selected by the CIO. The CIO shall appoint to the subcommittee, where appropriate, only persons whose job responsibilities do not include contact with the Client and whose job evaluations would not be affected by the Investment Adviser's relationship with the Client (or failure to retain such relationship). The subcommittee shall determine whether and how to vote all proxies on behalf of the Investment Adviser's clients or, if the proxy matter is, in their judgment, akin to an investment decision, to defer to the applicable portfolio managers, provided that, if the subcommittee determines to alter the Investment Adviser's normal voting guidelines or, on matters where the Investment Adviser's policy is case-by-case, does not follow the voting recommendation of any proxy voting service or other independent fiduciary that may be retained to provide research or advice to the Investment Adviser on that matter, no proxies relating to the Client may be voted unless the Secretary, or in the Secretary's absence, the Assistant Secretary of the Committee concurs that the subcommittee's determination is consistent with the Investment Adviser's fiduciary duties.

In addition to the general principles outlined above, the Investment Adviser has adopted voting guidelines with respect to certain recurring proxy issues that are not expected to involve unusual circumstances. These policies are guidelines only, and the Investment Adviser may elect to vote differently from the recommendation set forth in a voting guideline if the Committee determines that it is in a Fund's best interest to do so. In addition, the guidelines may be reviewed at any time upon the request of a Committee member and may be amended or deleted upon the vote of a majority of Committee members present at a Committee meeting at which there is a quorum.

The Investment Adviser has adopted specific voting guidelines with respect to the following proxy issues:

- o Proposals related to the composition of the Board of Directors of issuers other than investment companies. As a general matter, the Committee believes that a company's Board of Directors (rather than shareholders) is most likely to have access to important, nonpublic information regarding a company's business and prospects, and is therefore best-positioned to set corporate policy and oversee management. The Committee, therefore, believes that the foundation of good corporate governance is the election of qualified, independent corporate directors who are likely to diligently represent the interests of shareholders and oversee management of the corporation in a manner that will seek to maximize shareholder value over time. In individual cases, the Committee may look at a nominee's history of representing shareholder interests as a director of other companies or other factors, to the extent the Committee deems relevant.
- o Proposals related to the selection of an issuer's independent auditors. As a general matter, the Committee believes that corporate auditors have a responsibility to represent the interests of shareholders and provide an independent view on the propriety of financial reporting decisions of corporate management. While the Committee will generally defer to a

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

corporation's choice of auditor, in individual cases, the Committee may look at an auditors' history of representing shareholder interests as auditor of other companies, to the extent the Committee deems relevant.

- o Proposals related to management compensation and employee benefits. As a general matter, the Committee favors disclosure of an issuer's compensation and benefit policies and opposes excessive compensation, but believes that compensation matters are normally best determined by an issuer's board of directors, rather than shareholders. Proposals to "micro-manage" an issuer's compensation practices or to set arbitrary restrictions on compensation or benefits will, therefore, generally not be supported.
- o Proposals related to requests, principally from management, for approval of amendments that would alter an issuer's capital structure. As a general matter, the Committee will support requests that enhance the rights of common shareholders and oppose requests that appear to be unreasonably dilutive.
- o Proposals related to requests for approval of amendments to an issuer's charter or by-laws. As a general matter, the Committee opposes poison pill provisions.
- o Routine proposals related to requests regarding the formalities of corporate meetings.
- o Proposals related to proxy issues associated solely with holdings of investment company shares. As with other types of companies, the Committee believes that a fund's Board of Directors (rather than its shareholders) is best-positioned to set fund policy and oversee management. However, the Committee opposes granting Boards of Directors authority over certain matters, such as changes to a fund's investment objective that the Investment Company Act envisions will be approved directly by shareholders.
- o Proposals related to limiting corporate conduct in some manner that relates to the shareholder's environmental or social concerns. The Committee generally believes that annual shareholder meetings are inappropriate forums for discussion of larger social issues, and opposes shareholder resolutions "micromanaging" corporate conduct or requesting release of information that would not help a shareholder evaluate an investment in the corporation as an economic matter. While the Committee is generally supportive of proposals to require corporate disclosure of matters that seem relevant and material to the economic interests of shareholders, the Committee is generally not supportive of proposals to require disclosure of corporate matters for other purposes.

Item 8 - Portfolio Managers of Closed-End Management Investment Companies - as of December 31, 2005.

- (a) (1) Messrs. Vincent J. Costa, CFA and Jonathan Clark and Ms. Debra L. Jelilian are primarily responsible for the day-to-day management of the registrant's portfolio ("Portfolio Managers").

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

Mr. Costa has been a Managing Director of MLIM since 2005 and was a Director of MLIM from 1999 to 2005. He is the Subadviser's Head of Quantitative Investments and has over 19 years' experience in investing and in managing similar investments. He has been a portfolio manager of the Fund since 2004. Mr. Clark has been a Director since 2006 and was a Vice President of MLIM from 1999 to 2006. Mr. Clark has 14 years' experience as a portfolio manager and trader. He has been a portfolio manager of the Fund since 2004. Ms. Jelilian has been a Director of MLIM since 1999. Ms. Jelilian has 13 years' experience in investing and managing index investments. She has been a portfolio manager of the Fund since 2004.

(a) (2) As of December 31, 2005, in Thousands:

(i) Name of Portfolio Manager	(ii) Number of Other Accounts Managed and Assets by Account Type			(iii) Number of Other Accounts Assets for Which Advisory Fee Performance-Based		
	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts	Other Registered Investment Companies	Other Pooled Investment Vehicles	A
Vincent J Costa, CFA	15 \$ 6,666,116	27 \$ 11,986,018	34 \$ 39,080,035	1* \$ 186,423	3 \$ 1,214,547	\$
Jonathan Clark	15 \$ 6,666,116	27 \$ 11,986,018	34 \$ 39,080,035	1* \$ 186,423	3 \$ 1,214,547	\$
Debra L Jelilian	15 \$ 6,666,116	27 \$ 11,986,018	34 \$ 39,080,035	1* \$ 186,423	3 \$ 1,214,547	\$

* A portion of the assets in the master fund of a master-feeder structure is subject to a performance fee.

(iv) Potential Material Conflicts of Interest

Real, potential or apparent conflicts of interest may arise when a portfolio manager has day-to-day portfolio management responsibilities with respect to more than one fund or account, including the following:

Certain investments may be appropriate for the Fund and also for other clients advised by the Adviser and its affiliates, including other client accounts managed by the Fund's portfolio management team. Investment decisions for the Fund and other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. Frequently, a particular security may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, because clients of the Adviser and its affiliates may have differing investment strategies, a particular security may be bought for one or more clients when one or more other clients are selling the security. The investment results for the Fund may differ from the results achieved by other clients of the Adviser

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

and its affiliates. In addition, purchases or sales of the same security may be made for two or more clients on the same day. In such event, such transactions will be allocated among the clients in a manner believed by the Adviser and its affiliates to be equitable to each. The Adviser will not determine allocations based on whether it receives a performance-based fee from the client. In some cases, the allocation procedure could have an adverse effect on the price or amount of the securities purchased or sold by the Fund. Purchase and sale orders for the Fund may be combined with those of other clients of the Adviser and its affiliates in the interest of achieving the most favorable net results to the Fund.

To the extent that the Fund's portfolio management team has responsibilities for managing accounts in addition to the Fund, a portfolio manager will need to divide his or her time and attention among relevant accounts.

In some cases, a real, potential or apparent conflict may also arise where (i) the Adviser may have an incentive, such as a performance-based fee, in managing one account and not with respect to other accounts it manages or (ii) where a member of the Fund's portfolio management team owns an interest in one fund or account he or she manages and not another.

MLIM has adopted policies and procedures designed to address conflicts of interest its portfolio managers may face.

(a) (3) As of December 31, 2005:

Portfolio Manager Compensation

The Portfolio Manager Compensation Program of MLIM and its affiliates is critical to MLIM's ability to attract and retain the most talented asset management professionals. This program ensures that compensation is aligned with maximizing investment returns and it provides a competitive pay opportunity for competitive performance.

Compensation Program

The elements of total compensation for MLIM portfolio managers are base salary, annual performance-based cash and stock compensation (cash and stock bonus) and other benefits. MLIM has balanced these components of pay to provide portfolio managers with a powerful incentive to achieve consistently superior investment performance. By design, portfolio manager compensation levels fluctuate -- both up and down -- with the relative investment performance of the portfolios that they manage.

Base Salary

Under the MLIM approach, like that of many asset management firms, base salaries represent a relatively small portion of a portfolio manager's total compensation. This approach serves to enhance the motivational value of the performance-based (and therefore variable) compensation elements of the compensation program.

Performance-Based Compensation

MLIM believes that the best interests of investors are served by recruiting and retaining exceptional asset management talent and managing their compensation within a consistent and disciplined framework that emphasizes pay

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

for performance in the context of an intensely competitive market for talent. To that end, portfolio manager incentive compensation is derived on a discretionary basis considering such factors as: products they manage, external market conditions, MLIM's investment performance, financial results of MLIM, expense control, profit margins, strategic planning and implementation, quality of client service, market share, corporate reputation, capital allocation, compliance and risk control, leadership, workforce diversity, technology and innovation. MLIM also considers the extent to which individuals exemplify and foster Merrill Lynch's principles of client focus, respect for the individual, teamwork, responsible citizenship and integrity. All factors are considered collectively by MLIM management.

Cash Bonus

Performance-based compensation is distributed to portfolio managers in a combination of cash and stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for portfolio managers.

Stock Bonus

A portion of the dollar value of the total annual performance-based bonus is paid in restricted shares of Merrill Lynch stock. Paying a portion of annual bonuses in stock puts compensation earned by a portfolio manager for a given year "at risk" based on Merrill Lynch's ability to sustain and improve its performance over future periods. The ultimate value of stock bonuses is dependent on future Merrill Lynch stock price performance. As such, the stock bonus aligns each portfolio manager's financial interests with those of Merrill Lynch shareholders and encourages a balance between short-term goals and long-term strategic objectives. MLIM management strongly believes that providing a significant portion of competitive performance-based compensation in stock is in the best interests of investors and shareholders. This approach ensures that portfolio managers participate as shareholders in both the "downside risk" and "upside opportunity" of Merrill Lynch's performance. Portfolio managers therefore have a direct incentive to protect Merrill Lynch's reputation for integrity.

Other Benefits

Portfolio managers are also eligible to participate in broad-based plans offered generally to employees of ML & Co. and its affiliates, including broad-based retirement, 401(k), health, and other employee benefit plans.

- (a) (4) Beneficial Ownership of Securities. As of December 31, 2005, Mr. Costa does not beneficially own any stock issued by the Fund; Mr. Clark does not beneficially own any stock issued by the Fund; and Ms. Jelilian does not beneficially own any stock issued by the Fund.

Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers -

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Max Approx. Shares Purchased Program
--------	---	-------------------------------------	---	--

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

 June 1-30, 2005

July 1-31, 2005

August 1-31, 2005

September 1-30, 2005

October 1-31, 2005

November 1-30, 2005	1,748,809	\$21.45 per Share (1)	1,748,809 (2)
---------------------	-----------	-----------------------	---------------

December 1-31, 2005

Total:	1,748,809	\$21.45 per Share (1)	1,748,809 (2)
--------	-----------	-----------------------	---------------

(1) Subject to a repurchase fee of 0.10% of the net asset value per share.

(2) On September 16, 2005, the repurchase offer was announced to repurchase up to 25% of outstanding shares. The expiration date of the offer was October 19, 2005. The registrant may conduct annual repurchases for between 5% and 25% of its outstanding shares pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended.

Item 10 - Submission of Matters to a Vote of Security Holders - Not Applicable

Item 11 - Controls and Procedures

11(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

11(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the second fiscal half-year of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12 - Exhibits attached hereto

12(a) (1) - Code of Ethics - See Item 2

12(a) (2) - Certifications - Attached hereto

12(a) (3) - Not Applicable

12(b) - Certifications - Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Edgar Filing: S&P 500 GEARED Fund Inc. - Form N-CSR

S&P 500(R) GEARED(SM) Fund Inc.

By: /s/ Mitchell M. Cox

Mitchell M. Cox,
Chief Executive Officer of
S&P 500(R) GEARED(SM) Fund Inc.

Date: February 21, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Mitchell M. Cox

Mitchell M. Cox,
Chief Executive Officer of
S&P 500(R) GEARED(SM) Fund Inc.

Date: February 21, 2006

By: /s/ Donald C. Burke

Donald C. Burke,
Chief Financial Officer of
S&P 500(R) GEARED(SM) Fund Inc.

Date: February 21, 2006