

FIRST OPPORTUNITY FUND INC  
Form N-Q  
February 26, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number: 811-04605

First Opportunity Fund, Inc.

(Exact name of registrant as specified in charter)

2344 Spruce Street, Suite A, Boulder, CO 80302

(Address of principal executive offices) (Zip code)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Name and address of agent for service)

Registrant's telephone number, including area code: (303) 444-5483

Date of fiscal year end: March 31

Date of reporting period: December 31, 2013

**Item 1 Schedule of Investments.**

The Schedule of Investments is included herewith.

**Consolidated Portfolio of Investments as of December 31, 2013 (Unaudited)****FIRST OPPORTUNITY FUND, INC.**

Shares	Description	Value (Note 1)
<b>LONG TERM INVESTMENTS (100.6%)</b>		
<b>DOMESTIC COMMON STOCKS (57.4%)</b>		
<b><i>Banks &amp; Thrifts (12.9%)</i></b>		
29,289	Bank of Commerce Holdings	\$167,240
35,498	Carolina Trust Bank*	122,823
43,644	Central Valley Community Bancorp	490,995
12,300	Citizens & Northern Corp.	253,749
60,000	Community Bank <sup>*(a)(b)(c)</sup>	7,999,800
77,436	Eastern Virginia Bankshares, Inc.*	542,052
39,700	First American International <sup>*(a)(b)(c)</sup>	1,241,419
116,276	First Capital Bancorp, Inc.*	508,126
26,549	First Merchants Corp.	604,255
66,726	First Southern Bancorp, Inc. - Class B*	343,506
193,261	Florida Capital Group <sup>*(a)(b)(c)</sup>	8,948
126,100	Metro Bancorp, Inc.*	2,716,194
48,450	National Bancshares, Inc. Escrow <sup>*(a)(b)(c)</sup>	15,848
4,000	North Dallas Bank & Trust Co.	197,000
30,400	Oak Ridge Financial Services, Inc.*	201,856
1,900	Old Point Financial Corp.	24,358
44,300	OmniAmerican Bancorp, Inc.*	947,134
190,540	Republic First Bancorp, Inc.*	567,809
55,000	San Diego Private Bank*	638,000
92,195	Southern First Bancshares, Inc.*	1,229,881
79,900	Southern National Bancorp of Virginia, Inc.	799,799
302,900	Square 1 Financial, Inc. <sup>*(a)(b)(c)</sup>	3,689,322
62,746	Square 1 Financial, Inc. - Class A <sup>*(a)(b)(c)</sup>	764,246
41,122	Valley Commerce Bancorp	559,259
419,789	Wells Fargo & Co.	19,058,421
12,404	Xenith Bankshares, Inc.*	73,060
		43,765,100
<b><i>Construction Machinery (0.9%)</i></b>		
35,200	Caterpillar, Inc.	3,196,512
<b><i>Diversified Financial Services (6.7%)</i></b>		
60,000	Independence Financial Group, Inc. <sup>*(a)(b)(c)</sup>	677,400
303,800	JPMorgan Chase & Co.	17,766,224

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125,890	Mackinac Financial Corp.	1,246,311
455,100	Ocwen Structured Investments, LLC <sup>*(a)(b)(c)</sup>	273,060
25,000	South Street Securities Holdings, Inc. <sup>*(a)(c)(d)</sup>	1,943,500
47,960	Tiptree Financial <sup>*(a)(c)(d)</sup>	982,221

22,888,716

***Environmental Control (0.3%)***

30,000	Republic Services, Inc.	996,000
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***Healthcare Products & Services (1.9%)***

70,900	Johnson & Johnson	6,493,731
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***Insurance (2.3%)***

19,678	Forethought Financial Group, Inc. - Class A <sup>*(a)(b)(c)</sup>	7,871,200
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***Mining (4.7%)***

425,300	Freeport-McMoRan Copper & Gold, Inc.	16,050,822
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Shares	Description	Value (Note 1)
<b><i>Mortgages &amp; REITS (0.0%)</i></b>		
155,504	Newcastle Investment Holdings Corp., REIT <sup>(c)</sup>	\$0
<b><i>Oil &amp; Gas (3.6%)</i></b>		
97,300	Chevron Corp.	12,153,743
<b><i>Pharmaceuticals (0.3%)</i></b>		
20,447	Merck & Co., Inc.	1,023,372
<b><i>Registered Investment Companies (RICs) (0.3%)</i></b>		
40,000	Cohen & Steers Infrastructure Fund, Inc.	824,000
18,727	RMR Real Estate Income Fund	316,674
		1,140,674
<b><i>Retail (4.5%)</i></b>		
253,700	Kohl's Corp.	14,397,475
10,000	Wal-Mart Stores, Inc.	786,900
		15,184,375
<b><i>Savings &amp; Loans (7.3%)</i></b>		
10,000	Auburn Bancorp, Inc.*	60,500
33,500	Eagle Bancorp	367,830
31,254	Georgetown Bancorp, Inc.	464,122
84,989	Hampden Bancorp, Inc.	1,394,669
22,030	HF Financial Corp.	285,289
47,216	Home Bancorp, Inc.*	890,022
88,948	Home Federal Bancorp, Inc.	1,325,325
42,000	Liberty Bancorp, Inc.	520,800
16,122	Malvern Bancorp, Inc.*	176,697
310,300	MidCountry Financial Corp.* <sup>(a)(b)(c)</sup>	4,468,320
106,998	Ocean Shore Holding Co.	1,461,593
29,100	Old Line Bancshares, Inc.	421,950
168,810	Pacific Premier Bancorp, Inc.*	2,657,069
165,930	Perpetual Federal Savings Bank <sup>(e)</sup>	3,152,670
40,650	Redwood Financial, Inc. <sup>(e)</sup>	843,488
89,993	River Valley Bancorp <sup>(e)</sup>	2,339,818
6,300	Royal Financial, Inc.*	42,525
276,588	SI Financial Group, Inc.	3,332,885
110,500	Third Century Bancorp <sup>(e)</sup>	707,200
		24,912,772

**Software & Services (6.2%)**

57,000	International Business Machines Corp.	10,691,490
266,300	Oracle Corp.	10,188,638
		20,880,128

**Technology, Hardware & Equipment (4.7%)**

638,825	Cisco Systems, Inc.	14,341,621
23,000	Harris Corp.	1,605,630
		15,947,251

**Tobacco Products (0.8%)**

42,000	Altria Group, Inc.	1,612,380
11,000	Philip Morris International, Inc.	958,430
		2,570,810

**TOTAL DOMESTIC COMMON STOCKS**

(Cost \$154,173,525) 195,075,206

		Value
Shares	Description	(Note 1)
<b>LIMITED PARTNERSHIPS (0.9%)</b>		
30,000	Linn Energy LLC	\$923,700
33,250	Enterprise Products Partners LP	2,204,475
		3,128,175
TOTAL LIMITED PARTNERSHIPS (Cost \$2,724,257)		3,128,175
<b>FOREIGN COMMON STOCKS (7.9%)</b>		
<i><b>Banks &amp; Thrifts (0.2%)</b></i>		
5,490	Gronlandsbanken AB	670,210
<i><b>Insurance (0.4%)</b></i>		
6,700	Muenchener Rueckversicherungs AG	1,476,138
<i><b>Iron/Steel (1.7%)</b></i>		
72,000	POSCO, ADR	5,616,000
<i><b>National Stock Exchange (0.4%)</b></i>		
17,776	NSE India, Ltd. <sup>(a)(b)(c)</sup>	1,521,543
<i><b>Oil &amp; Gas (0.8%)</b></i>		
18,000	Total SA, Sponsored ADR	1,102,860
30,200	Transocean, Ltd.	1,492,484
		2,595,344
<i><b>Pharmaceuticals (3.6%)</b></i>		
24,000	Sanofi	2,546,265
180,300	Sanofi, ADR	9,669,489
		12,215,754
<i><b>Real Estate (0.8%)</b></i>		
98,000	Cheung Kong Holdings, Ltd.	1,546,910
2,490,000	Midland Holdings, Ltd.	1,197,748
		2,744,658
TOTAL FOREIGN COMMON STOCKS		26,839,647

(Cost \$22,862,615)

**DOMESTIC HEDGE FUNDS (16.9%)**

Bay Pond Partners, LP<sup>\*(a)(b)(c)</sup>

57,602,516

**TOTAL DOMESTIC HEDGE FUNDS**

(Cost \$39,387,185)

57,602,516

**FOREIGN HEDGE FUNDS (16.9%)**

Wolf Creek Investors (Bermuda), LP, a Wellington Management Investors (Bermuda), Ltd.  
share class<sup>\*(a)(b)(c)</sup>

57,562,444

**TOTAL FOREIGN HEDGE FUNDS**

(Cost \$40,043,650)

57,562,444

**DOMESTIC PREFERRED STOCKS (0.5%)**

1,600 Maiden Holdings, Ltd., Series C, 14.00%<sup>(a)(c)(d)</sup>

1,657,760

**TOTAL DOMESTIC PREFERRED STOCKS**

(Cost \$1,600,000)

1,657,760



Shares	Description	Value
	(Note 1)	
<b>DOMESTIC WARRANTS (0.1%)</b>		
116,276	First Capital Bancorp, Inc., Warrant, strike price \$1.00, Expires 2/8/2022 <sup>*(c)</sup>	\$146,421
26,230	Flagstar Bancorp, Warrant, strike price \$10.00, Expires 1/30/2019 <sup>*(c)</sup>	254,125
		400,546
<b>TOTAL DOMESTIC WARRANTS</b>		
(Cost \$0)		400,546
<b>TOTAL LONG TERM INVESTMENTS</b>		
(Cost \$260,791,232)		342,266,294
<b>SHORT TERM INVESTMENTS (1.6%)</b>		
<b>Money Market Funds (1.6%)</b>		
2,317,758	Dreyfus Treasury & Agency Cash Management Money Market Fund, Institutional Class (7 day Yield 0.013%)	2,317,758
3,000,000	JPMorgan Prime Money Market Fund (7 day Yield 0.041%)	3,000,000
<b>TOTAL SHORT TERM INVESTMENTS</b>		
(Cost \$5,317,758)		5,317,758
<b>TOTAL INVESTMENTS (102.2%)</b>		
(Cost \$266,108,990)		347,584,052
<b>TOTAL LIABILITIES LESS OTHER ASSETS (-2.2%)</b>		(7,593,292)
<b>TOTAL NET ASSETS (100.0%)</b>		\$339,990,760

\*Non-income producing security.

<sup>(a)</sup>Indicates a security which is considered restricted. Also see Notes to Quarterly Consolidated Portfolio of Investments.

<sup>(b)</sup>Private Placement: these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of December 31, 2013, these securities had a total value of \$143,696,066 or 42.26% of Total Net Assets Available to Common Stockholders.

<sup>(c)</sup>Fair valued security under procedures established by the Fund's Board of Directors. Total value of fair valued securities as of December 31, 2013 was \$148,680,093 or 43.73% of Total Net Assets Available to Common Stockholders.

<sup>(d)</sup>Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of December 31, 2013 these securities had a total value of \$4,583,481 or 1.35% of Total Net Assets Available to Common Stockholders.

<sup>(e)</sup>Affiliated Company. See accompanying Notes to Quarterly Consolidated Portfolio of Investments.

**Common Abbreviations:**

*AB - Aktiebolag is the Swedish equivalent of the term corporation*

*ADR - American Depositary Receipt*

*AG - Aktiengesellschaft is a German term that refers to a corporation that is limited by shares, i.e., owned by shareholders*

*LLC - Limited Liability Company*

*LP - Limited Partnership*

*Ltd. - Limited*

*REIT - Real Estate Investment Trust*

*SA - Generally designates corporations in various countries, mostly those employing the civil law. This translates literally in all languages mentioned as anonymous company.*

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**Regional Breakdown as a % of Total Net Assets**

United States	77.4
Bermuda	16.9
France	3.9
South Korea	1.7
Hong Kong	0.8
Switzerland	0.5
India	0.4
Germany	0.4
Denmark	0.2
Other Assets and Liabilities	(2.2)

*See Accompanying Notes to Quarterly Consolidated Portfolio of Investments.*

**Notes to Quarterly Consolidated Portfolio of Investments**

**December 31, 2013 (Unaudited)**

**Note 1. Valuation and Investment Practices**

*Basis for Consolidation:* The First Opportunity Fund, Inc. (the Fund) invests a significant portion of its investments (the Hedge Fund Portfolio) in private investment partnerships and similar investment vehicles, typically referred to as hedge funds (Hedge Funds). In addition, a portion of the Fund's assets are invested primarily in equity securities issued by financial services companies (the Legacy Portfolio). The accompanying Consolidated Portfolio of Investments includes the investment positions of FOFI 1, Ltd. and FOFI 2, Ltd. (the Subsidiaries), each a wholly-owned subsidiary of the Fund, organized under the laws of the Cayman Islands. FOFI 1, Ltd. invests in Bay Pond Partners, LP, and FOFI 2, Ltd. contains cash and accruals for expenses related to the subsidiary. The Fund may invest up to 25% of its total assets in the Subsidiaries. The aggregated net assets of the Subsidiaries as of December 31, 2013 were \$57,484,179 or 16.9% of the Fund's consolidated total net assets. The Consolidated Portfolio of Investments includes positions of the Fund and of the Subsidiaries. The Subsidiaries price their portfolio investments pursuant to the same pricing and valuation methodologies used by the Fund.

*Securities Valuation:* Equity securities for which market quotations are readily available (including securities listed on national securities exchanges and those traded over-the-counter) are valued based on the last sales price at the close of the applicable exchange. If such equity securities were not traded on the valuation date, but market quotations are readily available, they are valued at the bid price provided by an independent pricing service or by principal market makers. Equity securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price. Debt securities are valued at the mean between the closing bid and asked prices, or based on a matrix system which utilizes information (such as credit ratings, yields and maturities) from independent pricing services, principal market makers or other independent sources. Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost, which approximates fair value.

The Fund's Board of Directors (the Board) has delegated to the advisers, through approval of the appointment of the members of the advisers' Valuation Committee, the responsibility of determining fair value of any security or financial instrument owned by the Fund for which market quotations are not readily available or where the pricing agent or market maker does not provide a valuation or methodology, or provides a valuation or methodology that, in the judgment of the advisers, does not represent fair value (Fair Value Securities). The advisers use a third party pricing consultant to assist the advisers in analyzing, developing, applying and documenting a methodology with respect to certain Fair Value Securities. The advisers and their valuation consultant, as appropriate, use valuation techniques that utilize both observable and unobservable inputs including discount for lack of marketability, future cash distribution, price to tangible book value multiple, transaction price, book value multiple, spread, and price to earnings multiple. In such circumstances, the advisers are responsible for (i) identifying Fair Value Securities, (ii) analyzing the Fair Value Security and developing, applying and documenting a methodology for valuing Fair Value Securities, and (iii) periodically reviewing the appropriateness and accuracy of the methods used in valuing Fair Value Securities. The appointment of any officer or employee of the advisers to the Valuation Committee shall be promptly reported to the Board and ratified by the Board at its next regularly scheduled meeting. The advisers are responsible for reporting to the Board, on a quarterly basis, valuations and certain findings with respect to the Fair Value Securities. Such valuations and findings are reviewed by the entire Board on a quarterly basis.

The Fund's investments in Hedge Funds are valued, as a practical expedient, at the most recent estimated net asset value periodically determined by the respective Hedge Fund manager according to such manager's policies and procedures based on valuation information reasonably available to the Hedge Fund manager at that time (adjusted for estimated expenses and fees accrued to the Fund since the last valuation date); provided, however,

that the advisers may consider whether it is appropriate, in light of relevant circumstances, to adjust such valuation in accordance with the Fund's valuation procedures. If a Hedge Fund does not report a value to the Fund on a timely basis, the fair value of such Hedge Fund shall be based on the most recent value reported by the Hedge Fund, as well as any other relevant information available at the time the Fund values its portfolio. The frequency and timing of receiving valuations for Hedge Fund investments is subject to change at any time, without notice to investors, at the discretion of the Hedge Fund manager or the Fund.

The Consolidated Portfolio of Investments includes investments valued at \$148,680,093 (43.73% of total net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Due to the inherent uncertainty of the valuation of these investments, these values may differ from the values that would have been used had a ready market for these investments existed and the differences could be material.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under the circumstances described below. If the Fund determines that developments between the close of a foreign market and the close of the New York Stock Exchange ( NYSE ) will, in its judgment, materially affect the value of some or all of its portfolio securities, the Fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust closing prices to reflect fair value, the Fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The Fund may also fair value securities in other situations, such as when a particular foreign market is closed but the U.S. market is open. The Fund uses outside pricing services to provide it with closing prices. The advisers may consider whether it is appropriate, in light of relevant circumstances, to adjust such valuation in accordance with the Fund's valuation procedures. The Fund cannot predict how often it will use closing prices and how often it will determine it necessary to adjust those prices to reflect fair value. If the Fund uses adjusted prices, the Fund will periodically compare closing prices, the next day's opening prices in the same markets and those adjusted prices as a means of evaluating its security valuation process.

Various inputs are used to determine the value of the Fund's investments. Observable inputs are inputs that reflect the assumptions market participants would use based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions based on the best information available in the circumstances.

These inputs are summarized in the three broad levels listed below.

- Level 1 Unadjusted quoted prices in active markets for identical investments
- Level 2 Significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used as of December 31, 2013 in valuing the Fund's investments carried at value:

Investments in Securities at Value	Valuation Inputs			Total
	Level 1	Level 2	Level 3	
Banks & Thrifts	\$ 28,651,258	\$ 1,394,259	\$ 13,719,583	\$ 43,765,100
Construction Machinery	3,196,512			3,196,512

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Diversified Financial Services	19,012,535	3,876,181	22,888,716
Environmental Control	996,000		996,000
Healthcare Products & Services	6,493,731		6,493,731

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Insurance	7,871,200	7,871,200
Mining	16,050,822	16,050,822
Mortgages & REITS	0	0
Oil & Gas	12,153,743	12,153,743
Pharmaceuticals	1,023,372	1,023,372
Registered Investment Companies (RICs)	1,140,674	1,140,674
Retail		