

Stratton Multi-Cap Fund, Inc. – STRGX

Stratton Real Estate Fund, Inc. – STMDX

Stratton Small-Cap Value Fund – STSCX



Prospectus May 1, 2010

STRATTON
M U T U A L F U N D S
Stability • Strategy • Success

The Securities and Exchange Commission has not approved or disapproved these securities or determined if this Prospectus is accurate or complete. It is a criminal offense to state otherwise. An investment in a Fund is not a deposit in the bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

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STRATTON MULTI-CAP FUND SUMMARY SECTION

Investment Objective

The fund seeks long-term growth of capital. The fund also seeks current income from interest and dividends as a secondary objective.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Shareholder Fees: (fees paid directly from your investment)	
Redemption Fee (as a percentage of amount redeemed within 120 days of purchase)	1.50%
Exchange Fee (as a percentage of amount exchanged within 120 days of purchase)	1.50%
Annual Fund Operating Expenses: (expenses that you pay each year as a percentage of the value of your investment)	
Management Fees	0.75%
Distribution (12b-1) Fees	None
Other Expenses	<u>0.44%</u>
Total Fund Operating Expenses	1.19%

Example

This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds.

The example assumes that you invest \$10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$121	\$378	\$654	\$1,443

Portfolio Turnover

The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 30.91% of the average value of its portfolio.

Principal Investment Strategies

The fund invests primarily in common stocks, including dividend-paying stocks, of well-established U.S. companies that the advisor believes are undervalued. These value stocks appear to be under-priced based on traditional measures such as lower price-to-earnings and price-to-book ratios. The advisor believes that undervalued companies with good earnings prospects have superior appreciation potential with reasonable levels of risk. The fund does not limit investments to companies of any particular size, and may invest in securities of companies with small to large capitalizations.

STRATTON MULTI-CAP FUND SUMMARY SECTION

The advisor employs a two-part investment process that combines quantitative and qualitative research methods. Quantitatively, the advisor focuses on valuation, earnings momentum and, as a confirming factor, relative price strength. Fundamental valuation is the largest component of the quantitative aspect of the investment process and focuses on each company's valuation relative to its peers. Qualitatively, the advisor seeks to identify business catalysts which will serve to drive future earnings growth, increase investor interest and expand valuation. The advisor believes that undervalued companies with good earnings prospects have superior appreciation potential with reasonable levels of risk.

All of the above mentioned characteristics are reviewed when eliminating a stock from the portfolio if, when compared to its peers, a stock has unfavorable future prospects. The advisor regularly reviews economic and social conditions in an effort to ensure that the fund's portfolio has the greatest possible potential for capital growth, consistent with reasonable levels of risk. The fund hopes to achieve steady, stable growth of principal and dividend income.

Principal Investment Risks

There are risks involved with any investment, but the risks associated with an investment in this fund include:

- Stock market risk, or the risk that movements in the stock market may cause the price of securities held by the fund to go up or down.
- Real estate market and REIT risk, or the risk that your investment may be affected by conditions in the real estate industry such as declining property values due to increasing vacancies or declining rents resulting from unanticipated economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and as a result of poor management.
- Small-cap stock risk, or the risk that the fund's investment in small-cap stock companies may be subject to greater earnings and price volatility in comparison to larger companies.
- Manager risk, or the risk that the portfolio manager's strategy may fail to produce the intended results.

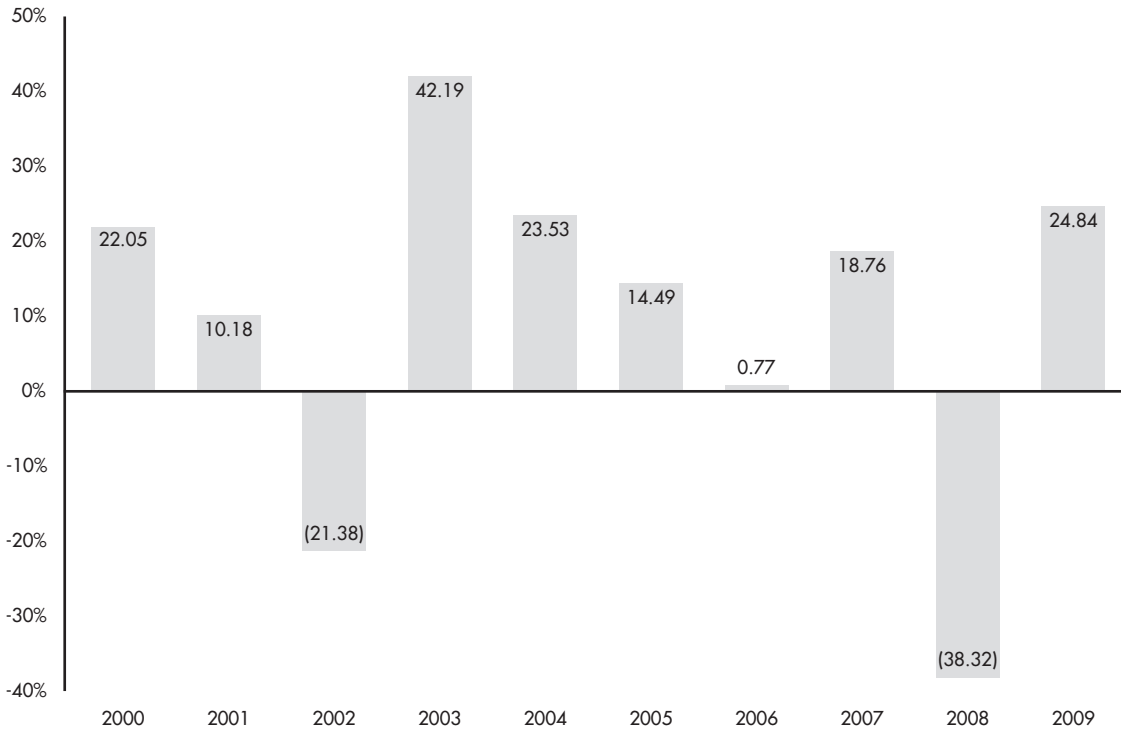
An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. In addition, the value of your investment will go up and down, which means you could lose money when you sell your shares.

STRATTON MULTI-CAP FUND SUMMARY SECTION

Investment Results

The bar chart and table set out below show the fund's historical performance and provide some indication of the risks of investing in the fund by showing changes in the fund's performance from year to year and by showing how the fund's average annual returns for 1, 5 and 10 years compare to those of the S&P 500 Index and the Russell 3000® Value Index. The fund's past performance (before and after taxes) may not be an indication of how the fund will perform in the future. Updated performance information for the fund may be obtained by visiting www.strattonfunds.com or by calling (800) 634-5726.

Calendar Year Total Returns



Highest/Lowest quarterly results during this time period were:

Highest: 21.62% December 31, 2003

Lowest: (21.97%) December 31, 2008

STRATTON MULTI-CAP FUND SUMMARY SECTION

Average Annual Total Returns for Periods Ending December 31, 2009

	1 Year	5 Years	10 Years
Return Before Taxes	24.84%	1.08%	6.96%
Return After Taxes on Distributions	24.73%	0.31%	5.94%
Return After Taxes on Distributions and Sale of Fund Shares	16.29%	1.03%	5.92%
S&P 500 Index (reflects no deduction for fees, expenses or taxes)	26.46%	0.42%	(0.95%)
Russell 3000® Value Index (reflects no deduction for fees, expenses or taxes)	19.76%	(0.24%)	2.88%

After-tax returns are calculated using the actual historical highest individual federal marginal income and relevant capital gains tax rates for each particular year and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

The 5 year average annual return after taxes on distributions and sale of fund shares is higher than the 5 year average annual return after taxes on distributions because of realized losses that would have been sustained upon the sale of fund shares immediately after the relevant periods. The calculation assumes that an investor holds the shares in a taxable account, is in the actual historical highest individual federal marginal income tax bracket for each year and would have been able to immediately utilize the full realized loss to reduce his or her federal tax liability. However, actual individual tax results may vary and investors should consult their tax advisers regarding their personal tax situations.

The S&P 500 Index is a widely recognized, unmanaged index of 500 common stocks that is generally considered to be representative of the U.S. stock market as a whole. The Russell 3000® Value Index is an unmanaged index that measures the performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000® Index is comprised of the 3000 largest companies in the U.S. equity market and represents approximately 98% (as of December 31, 2009) of the investable U.S. equity market.

Management

Investment Advisor

Stratton Management Company.

Portfolio Manager

James W. Stratton and James A. Beers are primarily responsible for the day-to-day investment management of the fund. Mr. Stratton, Chief Investment Officer of the advisor, has managed the fund since its inception in 1972. Mr. Beers, Chief Executive Officer of the advisor, has managed the fund since 2010.

STRATTON MULTI-CAP FUND SUMMARY SECTION

Purchase and Sale of Shares

Your purchase of fund shares is subject to the following minimum investment amounts:

Minimum Investment To Open Account	Non-retirement accounts: \$2,000
	Retirement accounts: No minimum
Minimum Subsequent Investment (Non-Automatic Investment Plan Members)	Non-retirement accounts: \$100
	Retirement accounts: No minimum
Minimum Subsequent Investment (Automatic Investment Plan Members)	Non-retirement accounts: \$100
	Retirement accounts: Not available

You may purchase or redeem fund shares through your financial intermediary or by contacting the fund: (i) by telephone at (800) 634-5726; or (ii) in writing c/o PNC Global Investment Servicing, P.O. Box 9801, Providence, RI 02940-9692, or, if using express delivery, c/o PNC Global Investment Servicing, 101 Sabin Street, Pawtucket, RI 02860-1427.

Tax Information

The fund intends to make distributions that may be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

STRATTON REAL ESTATE FUND* SUMMARY SECTION

Investment Objective

The fund seeks total return through investment in real estate securities. In pursuing total return, the fund will emphasize both capital appreciation and current income.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Shareholder Fees: (fees paid directly from your investment)	
Redemption Fee (as a percentage of amount redeemed within 120 days of purchase)	1.50%
Exchange Fee (as a percentage of amount exchanged within 120 days of purchase)	1.50%
Annual Fund Operating Expenses: (expenses that you pay each year as a percentage of the value of your investment)	
Management Fees	0.625%
Distribution (12b-1) Fees	None
Other Expenses	<u>0.505%</u>
Total Fund Operating Expenses	1.13%

Example

This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds.

The example assumes that you invest \$10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$115	\$359	\$622	\$1,375

Portfolio Turnover

The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 19.08% of the average value of its portfolio.

Principal Investment Strategies

Under normal circumstances, the fund seeks to achieve its objective by investing at least 80% of its assets in securities of real estate and real estate related companies, or in companies which own

* *Stratton Monthly Dividend REIT Shares, Inc. changed its name to Stratton Real Estate Fund, Inc., and changed its investment objective, effective September 30, 2009.*

STRATTON REAL ESTATE FUND SUMMARY SECTION

significant real estate assets at the time of purchase (“real estate companies”) and may include Real Estate Investment Trusts (“REITs”). A real estate company generally derives at least 50% of its revenue from the ownership, construction, financing, management or sale of commercial, industrial, or residential real estate, or has at least 50% of its assets in such real estate. REITs are companies that own interests in real estate or in real estate related loans or other interests, and their revenue primarily consists of rent derived from owned, income producing real estate properties and capital gains from the sale of such properties.

Examples of companies that might be included in the Stratton Real Estate Fund portfolio are, but are not limited to, the following: REITs; real estate operating companies; homebuilders; companies engaged in the construction, distribution, sale and financing of manufactured housing; hotel and hotel management companies; real estate brokerage companies and/or management companies; financial institutions that make or service mortgage loans; manufacturers or distributors of construction materials and/or building supplies; mortgage or title insurance companies; lumber, paper, forest product, timber and mining and oil companies; companies with significant real estate holdings such as supermarkets, restaurant chains and retail chains.

The fund may invest in equity securities of issuers of any size and debt securities of any maturities. The fund may invest in securities of foreign issuers which meet the same criteria for investment as domestic companies, or sponsored and unsponsored depository receipts for such securities.

Principal Investment Risks

There are risks involved with any investment, but the risks associated with an investment in this fund include:

- Stock market risk, or the risk that movements in the stock market may cause the price of securities held by the fund to go up or down.
- Investment category risk, or the risk that the fund’s concentration in REIT securities may produce a greater risk of loss than a non-concentrated mutual fund.
- Real estate market and REIT risk, or the risk that your investment may be affected by conditions in the real estate industry such as declining property values due to increasing vacancies or declining rents resulting from unanticipated economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and as a result of poor management.
- Small-cap stock risk, or the risk that the fund’s investment in small-cap stock companies may be subject to greater earnings and price volatility in comparison to larger companies.
- Foreign securities risk, or the risk that the fund’s investment may be subject to more risks than those associated with U.S. investments, including currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of markets.
- Debt securities risk, or the risk that the value of the debt security will fall if interest rates rise or as a result of other factors including the performance of the issuer, the market perception of the issuer or general economic conditions. Debt securities having longer maturities involve greater risk of fluctuations in value.

STRATTON REAL ESTATE FUND SUMMARY SECTION

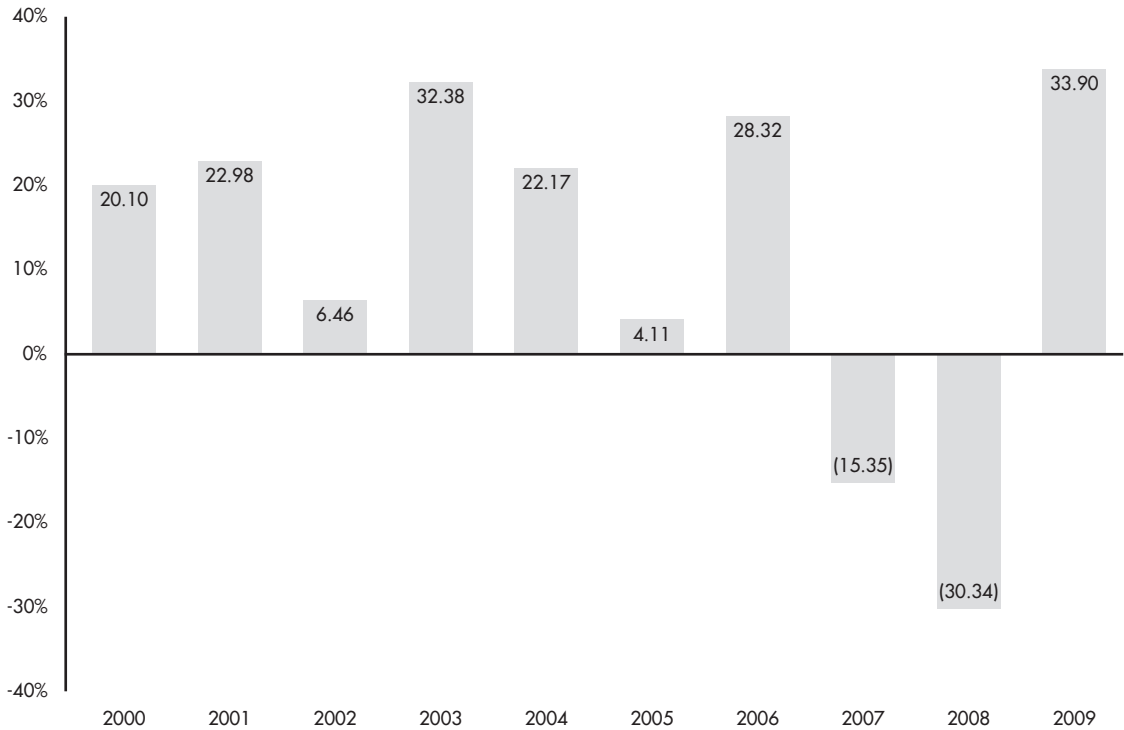
- Manager risk, or the risk that the portfolio manager’s strategy may fail to produce the intended results.

An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. In addition, the value of your investment will go up and down, which means you could lose money when you sell your shares.

Investment Results

The bar chart and table set out below show the fund’s historical performance and provide some indication of the risks of investing in the fund by showing changes in the fund’s performance from year to year and by showing how the fund’s average annual returns for 1, 5 and 10 years compare to those of the S&P 500 Index and the FTSE NAREIT Equity Index. The fund’s past performance (before and after taxes) may not be an indication of how the fund will perform in the future. Updated performance information for the fund may be obtained by visiting www.strattonfunds.com or by calling (800) 634-5726.

Calendar Year Total Returns



Highest/Lowest quarterly results during this time period were:

Highest: 32.87% September 30, 2009
Lowest: (34.19%) December 31, 2008

STRATTON REAL ESTATE FUND SUMMARY SECTION

Average Annual Total Returns for Periods Ending on December 31, 2009

	1 Year	5 Years	10 Years
Return Before Taxes	33.90%	1.07%	10.37%
Return After Taxes on Distributions	31.53%	(1.27%)	7.80%
Return After Taxes on Distributions and Sale of Fund Shares	21.50%	0.38%	8.02%
S&P 500 Index (reflects no deduction for fees, expenses or taxes)	26.46%	0.42%	(0.95%)
FTSE NAREIT Equity Index (reflects no deduction for fees, expenses or taxes)	27.99%	0.36%	10.63%

After-tax returns are calculated using the actual historical highest individual federal marginal income and relevant capital gains tax rates for each particular year and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

The 5 and 10 year average annual returns after taxes on distributions and sale of fund shares are higher than the 5 and 10 year average annual returns after taxes on distributions because of realized losses that would have been sustained upon the sale of fund shares immediately after the relevant periods. The calculations assume that an investor holds the shares in a taxable account, is in the actual historical highest individual federal marginal income tax bracket for each year and would have been able to immediately utilize the full realized loss to reduce his or her federal tax liability. However, actual individual tax results may vary and investors should consult their tax advisers regarding their personal tax situations.

The S&P 500 Index is a widely recognized, unmanaged index of 500 common stocks that is generally considered to be representative of the U.S. stock market as a whole. The FTSE NAREIT Equity Index is an unmanaged market-capitalization-weighted index of all tax-qualified equity REITs listed on the NYSE, AMEX and NASDAQ that have 75% or more of their gross invested book assets invested directly or indirectly in the equity ownership of real estate. As of December 31, 2009, the FTSE NAREIT Equity Index was comprised of 115 REITs.

Management

Investment Advisor

Stratton Management Company.

Portfolio Manager

The final selection of stocks for the fund's portfolio is made by James A. Beers, Chief Executive Officer of the advisor. Mr. Beers has managed the fund since 2000.

STRATTON REAL ESTATE FUND SUMMARY SECTION

Purchase and Sale of Shares

Your purchase of fund shares is subject to the following minimum investment amounts:

Minimum Investment To Open Account	Non-retirement accounts: \$2,000
	Retirement accounts: No minimum
Minimum Subsequent Investment (Non-Automatic Investment Plan Members)	Non-retirement accounts: \$100
	Retirement accounts: No minimum
Minimum Subsequent Investment (Automatic Investment Plan Members)	Non-retirement accounts: \$100
	Retirement accounts: Not available

You may purchase or redeem fund shares through your financial intermediary or by contacting the fund: (i) by telephone at (800) 634-5726; or (ii) in writing c/o PNC Global Investment Servicing, P.O. Box 9801, Providence, RI 02940-9692, or, if using express delivery, c/o PNC Global Investment Servicing, 101 Sabin Street, Pawtucket, RI 02860-1427.

Tax Information

The fund intends to make distributions that may be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

STRATTON SMALL-CAP VALUE FUND SUMMARY SECTION

Investment Objective

The fund seeks long-term capital appreciation.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Shareholder Fees: (fees paid directly from your investment)	
Redemption Fee (as a percentage of amount redeemed within 120 days of purchase)	1.50%
Exchange Fee (as a percentage of amount exchanged within 120 days of purchase)	1.50%
Annual Fund Operating Expenses: (expenses that you pay each year as a percentage of the value of your investment)	
Management Fees	0.90%
Distribution (12b-1) Fees	None
Other Expenses	<u>0.38%</u>
Total Fund Operating Expenses	1.28%

Example

This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds.

The example assumes that you invest \$10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$130	\$406	\$702	\$1,545

Portfolio Turnover

The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 23.53% of the average value of its portfolio.

Principal Investment Strategies

The fund invests, under normal circumstances, at least 80% of its assets (measured at the time of purchase) in common stock and securities convertible into common stock of small-capitalization

STRATTON SMALL-CAP VALUE FUND SUMMARY SECTION

companies. Small-cap companies include companies with market capitalizations, at the time of purchase, that are below the market capitalization of the largest company in the Russell 2000® Index. These common stocks are of well-established U.S. companies that the advisor believes are under-priced based on traditional measures of valuation such as price-to-cash flow and price-to-earnings ratios.

Generally, small company stocks are considered more volatile than large company stocks because small companies have limited product lines and financial resources. Stocks of these companies may experience more abrupt price movements than larger cap stocks.

The advisor employs a two-part investment process that combines quantitative and qualitative research methods. Quantitatively, the advisor focuses on valuation, earnings momentum and, as a confirming factor, relative price strength. Fundamental valuation is the largest component of the quantitative aspect of the investment process and focuses on each company's valuation relative to its peers. Qualitatively, the advisor seeks to identify business catalysts which will serve to drive future earnings growth, increase investor interest and expand valuation. The advisor believes that undervalued companies with good earnings prospects have superior appreciation potential with reasonable levels of risk.

Securities in the portfolio that the advisor may sell are those stocks with either excessive valuation relative to their peers or stocks that have poor earnings prospects relative to their peers.

Principal Investment Risks

There are risks involved with any investment, but the risks associated with an investment in this fund include:

- Stock market risk, or the risk that movements in the stock market may cause the price of securities held by the fund to go up or down.
- Investment category risk, or the risk that the fund's concentration in small-cap securities may produce a greater risk of loss than a non-concentrated mutual fund.
- Small-cap stock risk, or the risk that the fund's investment in small-cap stock companies may be subject to greater earnings and price volatility in comparison to large companies.
- Real estate market and REIT risk, or the risk that your investment may be affected by conditions in the real estate industry such as declining property values due to increasing vacancies or declining rents resulting from unanticipated economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and as a result of poor management.
- Manager risk, or the risk that the portfolio manager's strategy may fail to produce the intended results.

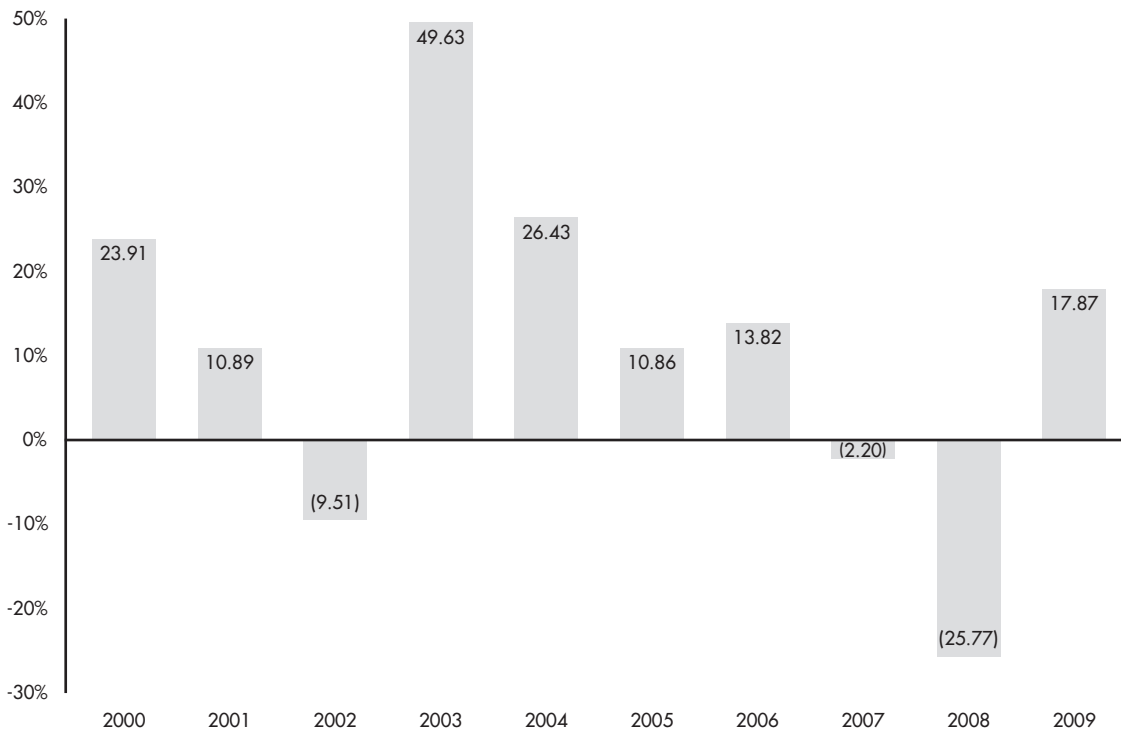
An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. In addition, the value of your investment will go up and down, which means you could lose money when you sell your shares.

STRATTON SMALL-CAP VALUE FUND SUMMARY SECTION

Investment Results

The bar chart and table set out below show the fund's historical performance and provide some indication of the risks of investing in the fund by showing changes in the fund's performance from year to year and by showing how the fund's average annual returns for 1, 5 and 10 years compare to those of the Russell 2000® Index and the Russell 2000® Value Index. The fund's past performance (before and after taxes) may not be an indication of how the fund will perform in the future. Updated performance information for the fund may be obtained by visiting www.strattonfunds.com or by calling (800) 634-5726.

Calendar Year Total Returns



Highest/Lowest quarterly results during this time period were:

Highest: 21.26% June 30, 2003
Lowest: (21.73%) December 31, 2008

STRATTON SMALL-CAP VALUE FUND SUMMARY SECTION

Average Annual Total Returns for Periods Ending on December 31, 2009

	1 Year	5 Years	10 Years
Return Before Taxes	17.87%	1.55%	9.77%
Return After Taxes on Distributions	17.87%	1.31%	9.39%
Return After Taxes on Distributions and Sale of Fund Shares	11.61%	1.34%	8.62%
Russell 2000® Index (reflects no deduction for fees, expenses or taxes)	27.17%	0.51%	3.51%
Russell 2000® Value Index (reflects no deduction for fees, expenses or taxes)	20.58%	(0.01%)	8.27%

After-tax returns are calculated using the actual historical highest individual federal marginal income and relevant capital gains tax rates for each particular year and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

The 5 year average annual return after taxes on distributions and sale of fund shares is higher than the 5 year average annual return after taxes on distributions because of realized losses that would have been sustained upon the sale of fund shares immediately after the relevant periods. The calculation assumes that an investor holds the shares in a taxable account, is in the actual historical highest individual federal marginal income tax bracket for each year and would have been able to immediately utilize the full realized loss to reduce his or her federal tax liability. However, actual individual tax results may vary and investors should consult their tax advisers regarding their personal tax situations.

The Russell 2000® Index is an unmanaged index comprised of the smallest 2000 companies in the Russell 3000® Index, representing approximately 8% of the Russell 3000® Index total market capitalization. The Russell 3000® Index represents approximately 98% (as of December 31, 2009) of the investable U.S. equity market. The Russell 2000® Value Index measures the performance of those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values.

Management

Investment Advisor

Stratton Management Company.

Portfolio Manager

The final selection of stocks for the fund's portfolio is made by Gerald M. Van Horn, CFA, Portfolio Manager and Senior Vice President of the advisor. Mr. Van Horn has managed the fund since 2000.

STRATTON SMALL-CAP VALUE FUND SUMMARY SECTION

Purchase and Sale of Shares

Your purchase of fund shares is subject to the following minimum investment amounts:

Minimum Investment To Open Account	Non-retirement accounts: \$2,000
	Retirement accounts: No minimum
Minimum Subsequent Investment (Non-Automatic Investment Plan Members)	Non-retirement accounts: \$100
	Retirement accounts: No minimum
Minimum Subsequent Investment (Automatic Investment Plan Members)	Non-retirement accounts: \$100
	Retirement accounts: Not available

You may purchase or redeem fund shares through your financial intermediary or by contacting the fund: (i) by telephone at (800) 634-5726; or (ii) in writing c/o PNC Global Investment Servicing, P.O. Box 9801, Providence, RI 02940-9692, or, if using express delivery, c/o PNC Global Investment Servicing, 101 Sabin Street, Pawtucket, RI 02860-1427.

Tax Information

The fund intends to make distributions that may be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

FINANCIAL HIGHLIGHTS

The financial highlights tables are intended to help you understand each fund's financial performance during the past five years. Certain information reflects financial results for a single fund share. The total returns represent how much your investment in a fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. This information has been audited by Tait, Weller & Baker LLP, Independent Registered Public Accounting Firm, whose report, along with the funds' financial statements, is incorporated by reference into the statement of additional information and is included in the funds' Annual Report to Shareholders dated December 31, 2009 which may be obtained free of charge by calling (800) 634-5726.

Stratton Multi-Cap Fund

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$ 26.70	\$ 44.64	\$ 41.82	\$ 44.35	\$ 40.69
Income From Investment Operations					
Net investment income	0.17	0.11	0.27	0.21	0.07
Redemption fees	— ¹	0.09	— ¹	0.07	0.02
Net gains (losses) on securities (both realized and unrealized)	6.46	(16.85)	7.47	0.06	5.71
Total From Investment Operations	6.63	(16.65)	7.74	0.34	5.80
Less Distributions					
Dividends (from net investment income)	(0.17)	(0.19)	(0.19)	(0.21)	(0.07)
Distributions (from capital gains)	—	(1.07)	(4.73)	(2.66)	(2.07)
Distributions (in excess of net investment income)	(0.03)	—	—	—	—
Distributions (in excess of capital gains)	—	(0.03)	—	—	—
Total Distributions	(0.20)	(1.29)	(4.92)	(2.87)	(2.14)
Net Asset Value, End of Year	\$ 33.13	\$ 26.70	\$ 44.64	\$ 41.82	\$ 44.35
Total Return	24.84%	(38.32%)	18.76%	0.77%	14.49%
Ratios/Supplemental Data					
Net assets, end of year (in 000's)	\$73,020	\$74,765	\$101,169	\$99,532	\$173,405
Ratio of expenses to average net assets	1.19%	1.07%	1.06%	1.06%	1.08%
Ratio of net investment income to average net assets	0.54%	0.35%	0.42%	0.40%	0.17%
Portfolio turnover rate	30.91%	70.49%	25.68%	31.04%	29.22%

¹ Amount represents less than \$0.01 per share.

Stratton Real Estate Fund

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$ 17.19	\$ 28.57	\$ 38.86	\$ 34.35	\$ 36.86
Income From Investment Operations					
Net investment income	0.59	0.97	0.95	0.89	0.94
Redemption fees	0.01	— ¹	— ¹	— ¹	0.01
Net gains (losses) on securities (both realized and unrealized) ...	4.83	(8.57)	(6.36)	8.47	0.52
Total From Investment Operations	<u>5.43</u>	<u>(7.60)</u>	<u>(5.41)</u>	<u>9.36</u>	<u>1.47</u>
Less Distributions					
Dividends (from net investment income)	(0.59)	(0.97)	(0.95)	(0.89)	(0.94)
Distributions (from capital gains)	—	(2.79)	(3.93)	(3.96)	(3.04)
Return of capital	(0.16)	(0.02)	—	—	—
Total Distributions	<u>(0.75)</u>	<u>(3.78)</u>	<u>(4.88)</u>	<u>(4.85)</u>	<u>(3.98)</u>
Net Asset Value, End of Year	<u>\$ 21.87</u>	<u>\$ 17.19</u>	<u>\$ 28.57</u>	<u>\$ 38.86</u>	<u>\$ 34.35</u>
Total Return	33.90%	(30.34%)	(15.35%)	28.32%	4.11%
Ratios/Supplemental Data					
Net assets, end of year (in 000's)	\$74,307	\$68,060	\$104,574	\$165,451	\$153,344
Ratio of expenses to average net assets	1.13%	1.00%	0.92%	0.91%	0.95%
Ratio of net investment income to average net assets	3.61%	3.64%	2.75%	2.36%	2.49%
Portfolio turnover rate	19.08%	17.54%	16.85%	20.20%	5.36%

¹ Amount represents less than \$0.01 per share.

Stratton Small-Cap Value Fund

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$ 34.25	\$ 46.14	\$ 48.43	\$ 43.28	\$ 40.33
Income From Investment Operations					
Net investment income (loss)	(0.04)	(0.05)	0.11	(0.02)	(0.07)
Redemption fees	0.01	0.01	0.01	0.01	0.02
Net gains (losses) on securities (both realized and unrealized) ...	6.15	(11.85)	(1.10)	5.97	4.43
Total From Investment Operations	<u>6.12</u>	<u>(11.89)</u>	<u>(0.98)</u>	<u>5.96</u>	<u>4.38</u>
Less Distributions					
Dividends (from net investment income)	—	—	(0.10)	—	—
Distributions (from capital gains)	—	—	(1.21)	(0.81)	(1.43)
Total Distributions	<u>—</u>	<u>—</u>	<u>(1.31)</u>	<u>(0.81)</u>	<u>(1.43)</u>
Net Asset Value, End of Year	<u>\$ 40.37</u>	<u>\$ 34.25</u>	<u>\$ 46.14</u>	<u>\$ 48.43</u>	<u>\$ 43.28</u>
Total Return	17.87%	(25.77%)	(2.20%)	13.82%	10.86%
Ratios/Supplemental Data					
Net assets, end of year (in 000's)	\$855,576	\$664,594	\$712,132	\$736,934	\$355,413
Ratio of expenses to average net assets	1.28%	1.22%	0.87%	1.21%	1.28%
Ratio of net investment income (loss) to average net assets	(0.12%)	(0.12%)	0.21%	(0.06%)	(0.25%)
Portfolio turnover rate	23.53%	26.14%	19.07%	29.41%	15.49%

INVESTMENT POLICIES and RISK CONSIDERATIONS

This prospectus offers shares of the following Stratton mutual funds: Multi-Cap Fund, Inc., Real Estate Fund, Inc. and Small-Cap Value Fund, a separate series of The Stratton Funds, Inc. (each a “fund” and together, the “funds”). Shareholders should be aware that, by combining the prospectus of each fund into this one document, there is the possibility that one fund may become liable for any misstatements in the prospectus about another fund. To the extent that a fund incurs such liability, a shareholder’s investment in such fund could be adversely affected.

The investment objective of the Multi-Cap Fund is fundamental, which means it cannot be changed without the vote of a majority of the fund’s shares. The investment objectives of the Real Estate and Small-Cap Value Funds are not fundamental, which means they can be changed by each fund’s Board of Directors.

Unless otherwise stated in this prospectus or the statement of additional information, each fund’s investment policies are not fundamental. However, the funds intend to notify shareholders before making any material change in policy or restriction, with at least 60 days notice before changing the 80% investment policy with respect to the Real Estate and Small-Cap Value Funds.

Each fund’s fundamental investment restrictions are listed in the statement of additional information.

Risk Considerations

Some of the risks of investing in the funds are set forth below. Additional risk considerations are disclosed in the statement of additional information.

Stock Market Risk

Since the funds purchase equity securities, they are subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of a fund’s equity securities may fluctuate drastically from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of these companies’ securities may decline in response. These factors contribute to price volatility. In addition, many of the equity securities purchased by the funds are common stocks. Common stocks represent a share of ownership in a company, and rank after bonds and preferred stock in their claim on the company’s assets in the event of liquidation.

Manager Risk

Each fund invests in securities that the advisor believes have strong potential to meet that fund’s investment objective. The advisor’s investment approach for a fund may be out of favor at times, causing a fund to underperform other mutual funds that also seek the same investment objective but use different approaches to the stock selection and portfolio construction process.

Small-Cap Stock Risk

The funds may, from time to time, in accordance with their respective investment policies, invest in small-cap companies. The Small-Cap Value Fund focuses its investments in small-cap companies and, as a result, developments affecting companies with small capitalizations will likely have a magnified

effect on the Small-Cap Value Fund's net asset value and total return. Investments in small-cap companies have certain risks associated with them. First and foremost is their greater earnings and price volatility in comparison to large companies. Earnings risk is partially due to the more concentrated nature of small company business lines.

The Small-Cap Value Fund attempts to counteract these concerns about investing in small-cap companies by using strict purchase criteria. In order to be considered a buy candidate, companies must be characterized as being undervalued relative to their industry peers. Historically, undervalued small companies have had a lower risk profile than the overall small-capitalization market.

REIT Risk

The funds may, from time to time, in accordance with their respective investment policies, invest in REITs. Equity REITs invest directly in real property while mortgage REITs invest in mortgages on real property. REITs may be subject to certain risks associated with the direct ownership of real estate including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, and variations in rental income. Generally, increases in interest rates will decrease the value of high yielding securities and increase the costs of obtaining financing, which could decrease the value of the portfolio's investments. In addition, equity REITs may be affected by changes in the value of the underlying property owned by the trusts, while mortgage REITs may be affected by the quality of credit extended or by changes in interest rates. Equity and mortgage REITs are dependent upon management skill, are not diversified and are subject to the risks of financing projects. REITs are also subject to heavy cash flow dependency, defaults by borrowers, self-liquidation and the possibility of failing to qualify for tax-free pass-through of income under the Internal Revenue Code and to maintain exemption from the Investment Company Act of 1940, as amended.

REITs pay dividends to their shareholders based upon available funds from operations. It is quite common for these dividends to exceed the REIT's taxable earnings and profits resulting in the excess portion of such dividends being designated as a return of capital. Each fund intends to include the gross dividends from such REITs in its distributions to shareholders and, accordingly, a portion of the funds' distributions may also be designated as a return of capital. For more information, please see the discussion under "Tax Treatment."

Debt Securities Risk

The funds may, from time to time, in accordance with their respective investment policies, invest in debt securities. Investments in debt securities pose different risks than investments in equity securities. The value of fixed income securities generally will fall if interest rates rise. The value of these securities may also fall as a result of other factors such as the performance of the issuer, the market perception of the issuer or general economic conditions. These investments also involve a risk that the issuer may not be able to meet its principal and interest payment obligations. Fixed income securities having longer maturities involve greater risk of fluctuations in value.

Investments in debt securities rated below investment grade, *i.e.*, junk bonds, and unrated securities of comparable quality are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate or municipal developments, interest rate sensitivity, negative perceptions of the junk bond markets generally and less secondary market liquidity.

Foreign Securities Risk

The funds may, from time to time, in accordance with their respective investment policies, invest in foreign securities. Investments in foreign securities denominated in foreign currencies and/or traded outside of the United States require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, United States and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations. There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of United States companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these foreign markets are less liquid and their prices more volatile than securities of comparable United States companies. In addition, settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in particular countries than in the United States.

Temporary Investments

Although each fund normally seeks to remain fully invested in equity securities and, with respect to the Real Estate and Small-Cap Value Funds, to otherwise meet its 80% investment policy requirement, each fund may invest temporarily up to 100% of its assets in certain short-term fixed income securities. Such securities may be used, among other reasons, to invest uncommitted cash balances temporarily, to maintain liquidity to meet shareholder redemptions, or as a defensive measure to attempt to protect capital. These securities include, but are not limited to, obligations of the U.S. government, its agencies and instrumentalities, commercial paper, certificates of deposit, bankers acceptances, repurchase agreements and money market instruments. When a fund invests for defensive purposes, the fund may not achieve its investment objective.

For temporary defensive purposes, the funds may invest, without limitation, in non-convertible preferred stocks, debt securities and domestic corporate and government fixed income obligations. To the extent such investments are made, the funds may not achieve their investment objectives.

Disclosure of Portfolio Holdings

A description of the funds' policies regarding the disclosure of the funds' portfolio holdings can be found in the statement of additional information. The funds publish on their website, www.strattonfunds.com, a complete list of each fund's month-end portfolio holdings, top five industry categories, total net assets, and the total number of portfolio holdings by the fifth business day of the following month. This information will be available on the website until the date on which a fund files its next portfolio holdings report on either Form N-CSR or Form N-Q with the Securities and Exchange Commission ("SEC").

ADVISOR

Stratton Management Company is an investment advisor registered with the SEC located at Plymouth Meeting Executive Campus, 610 W. Germantown Pike, Suite 300, Plymouth Meeting, PA 19462-1050. The advisor provides investment advisory services for a variety of individuals and institutions, and had approximately \$2.2 billion in assets under management as of December 31, 2009.

James W. Stratton and James A. Beers co-manage the Multi-Cap Fund. Mr. Stratton, Chief Investment Officer of the advisor and Chairman of the Board of Directors of Stratton Mutual Funds, has been responsible for the day-to-day investment management of the Multi-Cap Fund since its inception in 1972. Mr. Beers has managed the fund since 2010. He has been Chief Executive Officer of the advisor since 2008, President of the advisor from 2006 to 2008 and Vice President of the advisor from 1997 to 2006. Effective July 31, 2010, Mr. Stratton will retire from Stratton Management Company. Mr. Beers will be primarily responsible for the management of the Multi-Cap Fund.

The final selection of stocks for the Real Estate Fund portfolio is made by James A. Beers, President of the Real Estate Fund. He has managed the fund since 2000.

The final selection of stocks for the Small-Cap Value Fund portfolio is made by Gerald M. Van Horn, CFA, President of the Small-Cap Value Fund. Mr. Van Horn has managed the fund since 2000. He has served as a Portfolio Manager of the advisor since 2000 and as Senior Vice President of the advisor since 2008.

The statement of additional information provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in each fund.

The Investment Advisory Agreements between each fund and the advisor were approved by the funds' Board of Directors on June 10, 2009. A discussion regarding the basis for the Board of Directors' approval of the Investment Advisory Agreements between each fund and the advisor is available in the funds' Semi-Annual Report to Shareholders for the semi-annual period June 30, 2009.

Advisory Fee

Pursuant to Investment Advisory Agreements, the advisor provides an investment program in accordance with each fund's investment policies, limitations and restrictions. Each fund pays the advisor a management fee which is calculated daily and paid monthly. Each fund's Investment Advisory Agreement spells out the management fee and other expenses that the fund must pay. For the fiscal year ended December 31, 2009, the Multi-Cap Fund, Real Estate Fund and Small-Cap Value Fund paid the advisor a management fee of 0.75%, 0.625% and 0.90% of each fund's respective average daily net assets.

PRICING FUND SHARES

Fund share pricing is based upon net asset value ("NAV"). The NAV per share of each fund is determined once each business day as of the close of regular trading hours (normally 4:00 p.m. Eastern time) on the New York Stock Exchange ("NYSE"). Such determination will be made by dividing the value of all securities and other assets (including dividends accrued but not collected) less any liabilities (including accrued expenses) by the total number of shares outstanding.

Securities listed or admitted to trading on any national securities exchange are valued at their last sale price on the exchange where the securities are principally traded or, if there has been no sale on that date, at the mean between the last reported bid and asked prices.

Securities traded in the over-the-counter market are valued at the official closing price if carried in the National Market Issues section by NASDAQ; other over-the-counter securities are valued at the mean between the closing bid and asked prices obtained from a principal market maker.

Securities for which market quotations are not readily available will be valued at their “fair value” in good faith. For these purposes “fair value” means the price that the advisor reasonably expects the funds could receive from an arm’s-length buyer upon the current sale of the securities within 7 days, after considering all appropriate factors and indications of value available to them. The advisor will monitor on a daily basis market changes that may affect such valuation. In the event the fair value of a portfolio security is determined, such action will be promptly reported to the Valuation Committee of the Board of Directors. The reports include the basis for the pricing determinations made by the advisor. The Valuation Committee is authorized to take such further actions as it deems appropriate in the interest of the funds and their respective shareholders in light of the information it receives. The advisor will regularly test the accuracy of the fair value price of a security by comparing the price with values that are available from other sources, including actual trade prices and quotations from pricing services and dealers. The advisor will exercise reasonable diligence to obtain market quotations before concluding that market quotations are not readily available. The advisor may not fair value price securities when market quotations are readily available. The advisor may determine to fair value price securities to make an adjustment to the previous closing prices of either domestic or foreign securities in light of significant events, to reflect what it believes to be the fair value of the securities at the time of determining a fund’s NAV. Situations involving significant events include, but are not limited to, if a security’s trading has been halted or suspended; the security has been de-listed from a national exchange; or the security has not been traded for an extended period of time. One effect of using fair valuation may be to reduce stale pricing arbitrage opportunities presented by the pricing of fund shares. However, it involves the risk that the values used by the funds to price their investments may be different from those used by other investment companies and investors to price the same investments.

Determination of the NAV may be suspended when the right of redemption is suspended as provided under “How to Redeem Fund Shares.”

HOW to BUY FUND SHARES

You pay no sales charge to invest in any of the funds. Shares of all funds are sold at the net asset value per share next determined after receipt of a purchase in good order by the funds’ transfer agent, PNC Global Investment Servicing (U.S.) Inc. (“PNC” or “Transfer Agent”).

Customer Identification Program

Federal regulations require the funds to obtain specific information when you open an account. This information includes your name, date of birth, social security number or employer identification number or other government-issued identification number, mailing address and, if different, residency address. Additional information may be required in certain circumstances. Purchase applications without such information will not be accepted. To the extent permitted by applicable law, the funds reserve the right to place limits on transactions in your account until your identity is verified.

Timing of Requests

All requests received by PNC before the close of the NYSE, typically 4:00 p.m. Eastern time, will be executed the same day, at that day's closing share price. Orders received after 4:00 p.m. Eastern time will be executed the next day that the NYSE is open, at that day's closing share price. Shares will not be priced on days when the NYSE is closed.

Shares of the funds will not be priced and are not available for purchase on the following days on which the NYSE is closed for trading: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day, or any other day that the NYSE is closed for trading.

General Information

Please note that if you sell or exchange your shares within 120 days of the day you bought them, you may be required to pay a redemption fee of 1.50% which will be deducted from your proceeds. See "How to Redeem Fund Shares — Redemption Fee". This fee is retained by the funds to compensate the funds for the extra expense they incur as a result of short-term trading. For purposes of determining whether the redemption fee applies, the shares that have been held the longest will be redeemed first. The fee may not apply in certain circumstances as discussed below.

The redemption fee will be waived in the event of a redemption following the death or disability of a shareholder as defined in Section 72(m)(7) of the Internal Revenue Code, as amended. The redemption fee will also be waived for required minimum distributions from any retirement account or shares purchased through reinvested dividends or capital gains. For a listing of the circumstances in which the funds will waive the redemption fee, see "How to Redeem Fund Shares — Redemption Fee".

Shares of a fund may be purchased or redeemed through broker/dealers who may charge a transaction fee. This fee would not otherwise be charged if the shares were purchased directly from a fund. The funds may accept wire purchase orders from broker/dealers and institutions that previously have been approved by a fund. The funds will not be responsible for the consequences of delays, including delays in the banking or Federal Reserve wire systems. The funds reserve the right to reject any purchase order. The funds do not routinely issue share certificates. Share certificates are issued only upon written shareholder request.

The funds will only accept checks drawn on U.S. currency on domestic banks. Please make your check payable to **Stratton Mutual Funds**. Third-party checks, starter checks, credit cards, credit card checks and cash and cash equivalents — such as traveler's checks, cashier's checks, certified checks and money orders — cannot be accepted to purchase shares.

The funds reserve the right to reject a redemption request until the purchase check has cleared. The Transfer Agent may charge a fee for any purchase check returned to the custodian and for stop payment orders. The funds have the right to redeem your shares at current NAV at any time and without prior notice if and to the extent that such redemption is necessary to reimburse a fund for any loss sustained by reason of your failure to make full payment for shares of the fund you previously purchased or subscribed for.

The funds may authorize certain financial intermediaries to accept, on behalf of the funds, purchase, redemption and exchange orders placed by or on behalf of their customers and to designate other

intermediaries to accept such orders. In these cases, a fund will be deemed to have received an order that is in proper form when the order is accepted by the financial intermediary on a business day, and the order will be priced at the fund's NAV next determined after such acceptance. Your financial intermediary is responsible for transmitting accepted orders to the funds within the time period agreed upon.

The advisor and/or its affiliates may pay affiliated and unaffiliated service organizations compensation for the sale and distribution of shares of the funds or for other services to the funds and shareholders. These payments ("Additional Payments") would be in addition to fund payments described in this prospectus and may, without limitation, be a fixed dollar amount, may be based on the number of customer accounts maintained by the service organization, or may be based on a percentage of the value of shares sold to, or held by, customers of the service organization. The aggregate amount of Additional Payments may be substantial. The Additional Payments include amounts that are sometimes referred to as "revenue sharing" payments. In some circumstances, these revenue sharing payments may create an incentive for a service organization, its employees or associated persons to recommend or sell shares of a fund to you. Please contact your service organization for details about Additional Payments it may receive. For more information on Additional Payments, see the funds' statement of additional information. The advisor does not direct portfolio transactions to broker-dealers in exchange for sales of fund shares or to receive preferential marketing treatment. A fund may reimburse the advisor for and/or pay directly Additional Payments.

Shareholder inquiries should be directed to a specific fund c/o PNC Global Investment Servicing (U.S.) Inc., P.O. Box 9801, Providence, RI 02940, or by calling toll-free (800) 472-4266. Certain special shareholder services, such as a request for a historical transcript of your account, may involve an additional fee.

Shareholders of each fund can obtain toll-free access to account information, as well as some transactions, by calling (800) 472-4266. Integrated Voice Response System provides share price and price change for the funds, gives account balances and history (i.e., last transaction, latest dividend distribution, redemptions by check during the last three months) and allows exchanges of shares.

In-Kind Purchases

In certain situations, fund shares may be purchased by tendering payment in-kind in the form of securities. Any securities used to buy fund shares must be readily marketable, their acquisition consistent with the fund's objective and otherwise acceptable to the advisor. Prior to making such a purchase, you should call the advisor to determine if the securities you wish to use to make a purchase are appropriate. The funds reserve the right to reject the offer of any payment in-kind.

How to buy shares

To open an account

By Mail

Complete the application.

Minimum initial investment for the funds:

\$2,000 for non-retirement accounts

No minimum for retirement accounts

Please make check payable to the name of the fund you wish to invest in, or to Stratton Mutual Funds if investing in more than one Fund.

If using regular first-class mail, send to:

STRATTON MUTUAL FUNDS

c/o PNC Global Investment Servicing

P.O. Box 9801

Providence, RI 02940

If using express delivery, registered or certified mail, send to:

STRATTON MUTUAL FUNDS

c/o PNC Global Investment Servicing

101 Sabin Street

Pawtucket, RI 02860-1427

By Wire

Call (800) 472-4266 to have an account number assigned to you.

Minimum initial investment for the funds:

\$2,000 for non-retirement accounts

No minimum for retirement accounts

Call your bank with instructions to transmit federal funds to:

- PNC Bank NA — Pittsburgh, PA
- ABA#: 031000053
- Credit: The fund name
- Acct#: 8606906145
- FBO: name(s) on account registration, Fund# and Acct# assigned to you

Your bank may charge a wire fee.

Mail a completed application to PNC Global Investment Servicing at the address above.

To add to an account

By Mail

Minimum additional investments for the funds:

\$100 for non-retirement accounts

No minimum for retirement accounts

Please make check payable to the name of the fund you are investing in and write your account number on the check. Mail your check and the stub from your last account statement to the funds.

If using regular first-class mail, send to:

STRATTON MUTUAL FUNDS

c/o PNC Global Investment Servicing

P.O. Box 9801

Providence, RI 02940

If using express delivery, registered or certified mail, send to:

STRATTON MUTUAL FUNDS

c/o PNC Global Investment Servicing

101 Sabin Street

Pawtucket, RI 02860-1427

By Wire

Minimum additional investments for the funds:

\$100 for non-retirement accounts

No minimum for retirement accounts

Call your bank with instructions to transmit federal funds to:

- PNC Bank NA — Pittsburgh, PA
- ABA#: 031000053
- Credit: The fund name
- Acct#: 8606906145
- FBO: name(s) on account registration, Fund# and Acct# assigned to you

Your bank may charge a wire fee.

By Automatic Investment

Complete the applicable sections on the application. Non-retirement accounts require a \$2,000 initial minimum balance in order to participate. Subsequent investments will be drawn from your bank account and invested into the fund(s). The minimum monthly investment is \$100.

Please note that purchases made by ACH (Automated Clearing House) may take up to 3 business days to be received from your bank. Your purchase will be credited to your account on the day monies are received at the next determined NAV after receipt of your monies by the Transfer Agent.

HOW to REDEEM FUND SHARES

Timing of Requests

Shares are redeemed at the net asset value next determined at the close of regular trading hours on the NYSE after receipt of a request for redemption in the form described below, and the certificates (if any) evidencing the shares to be redeemed. A redemption fee may apply; see "Redemption Fee" below. The transfer agent may charge a fee for wiring redemption proceeds. Payment for shares redeemed is made by mailing a check to your address of record within five business days, or such shorter time period as may be required by applicable SEC rules, after receipt of the redemption request and certificates (if issued).

Frequent Purchases and Redemptions of Fund Shares

Fund investors may attempt to profit through a practice called market timing or short-term trading in fund shares. This might be achieved by the purchase and redemption of fund shares within a short time period. Frequent short-term trading of shares can harm shareholders in various ways, including reducing the returns of long-term shareholders by increasing costs to the fund, such as brokerage commissions, disrupting portfolio management strategies, and diluting the value of the shares of long-term shareholders in cases in which fluctuations in markets are not fully priced in the funds' NAV. The funds' Board of Directors has adopted policies and procedures with respect to frequent purchases and redemptions of fund shares by shareholders. See "Redemption Fee" below. The funds receive reports from their service providers through which they monitor activity, which may be construed to be short-term trading. When such activity appears to be taking place, the fund issues instructions to its service provider so as to place restrictions on the shareholder's purchase or exchange activity. From time to time the funds may put in place additional procedures or practices to detect and/or discourage market timing by investors. However, investors should be aware that the funds' procedures, while designed to discourage disruptive trading practices, may not entirely eliminate the possibility that such activity may take place.

Redemption Fee

If you sell or exchange your shares within 120 days after the purchase date, you may be charged a redemption fee of 1.50% of the total redemption amount. This fee is retained by the funds to offset the brokerage commissions, market impact and other costs associated with fluctuations in fund asset levels and cash flow caused by short-term trading. For purposes of determining whether the redemption fee applies, the shares that have been held the longest will be redeemed first.

The funds, in their discretion, are authorized to waive the redemption fee for the following transactions:

- Redemptions from omnibus accounts, fee-based programs and employer-sponsored defined contribution plans maintained by financial intermediaries that they are unable to impose a redemption fee on their underlying customer accounts;
- Redemptions effected pursuant to asset allocation programs, wrap fee programs and other investment programs offered by financial institutions where investment decisions are made on a discretionary basis by investment professionals;
- Redemptions pursuant to systematic withdrawal plans and automatic exchange plans;
- Redemptions of shares acquired by reinvestment of dividends, distributions or other payments from the funds;
- Redemptions due to death or the post-purchase disability of the shareholder of the account;
- Redemptions to satisfy minimum required distributions from retirement accounts;
- Redemptions representing the return of excess contributions in retirement accounts; and
- Redemptions initiated by the funds.

In addition to the circumstances noted above, the funds reserve the right to waive the redemption fee in their discretion where they believe such waiver is consistent with the best interests of the funds, to the extent permitted by law.

Telephone Redemptions

Neither the funds nor any of their service contractors will be liable for any loss or expense or cost in acting upon any telephone instructions that are reasonably believed to be genuine. To the extent that a fund fails to use reasonable procedures to verify the genuineness of telephone instructions, it and/or its service contractors may be liable for any such instructions that prove to be fraudulent or unauthorized. During periods of unusual economic or market changes, telephone redemptions may be difficult to implement.

Redeeming Recently Purchased Shares

If you wish to redeem shares that were recently purchased by check, the funds may reject your redemption request until the purchase check has cleared. You would then need to resubmit your redemption request and this would delay the receipt of your proceeds. If you are considering redeeming shares soon after purchase, you should purchase by bank wire to avoid delay.

Medallion Signature Guarantees

The funds may require additional documentation or medallion signature guarantees on any redemptions if proceeds are to be paid to someone other than the account holder, when redemption proceeds are to be wired to a bank, requests are made to transfer share registration, on redemptions over \$100,000 or when redemption proceeds are to be sent to an address other than that of the account holder. For your protection, the funds require a medallion signature guarantee if the account address has been changed within 30 days of the redemption request. A medallion signature

guarantee helps protect against fraud. You can obtain one from a domestic bank or trust company, broker, dealer, clearing agency, savings association, or other financial institution which is participating in a medallion program recognized by the Securities Transfer Association. The three recognized medallion programs are Securities Transfer Agents Medallion Program, Stock Exchanges Medallion Program and Medallion Signature Program. Signature guarantees from financial institutions which are not participating in one of these programs will not be accepted. Please call (800) 472-4266 with any questions about obtaining a medallion signature guarantee.

Accounts with Low Balances

Due to the expense of maintaining accounts with low balances, if your account falls below \$500, the fund may ask you to increase your balance. If your balance is still below \$500 after 60 days, the fund may close your account and send you the proceeds.

General Information

The funds reserve the right to suspend redemptions or postpone payments when the NYSE is closed for any reason other than its usual weekend or holiday closings, when trading is restricted on the NYSE, the SEC declares an emergency, or for other reasons as permitted by the SEC. The funds also reserve the right to delay sending out redemption proceeds for up to seven days. This generally only applies to very large redemptions without notice, excessive trading, or during unusual market conditions. The funds also reserve the right to redeem shares in-kind, i.e., by delivering securities held in a fund's portfolio in lieu of cash.

How to redeem shares

By Mail

Write a letter of instruction that includes:

- the fund name, your account number, the name(s) in which the account is registered and the dollar value or number of shares you wish to sell; and
- all signatures and any additional documents that may be required

Mail your letter and any applicable stock certificates you hold to:

If using regular first-class mail:

STRATTON MUTUAL FUNDS
c/o PNC Global Investment Servicing
P.O. Box 9801
Providence, RI 02940

If using express delivery, registered or certified mail:

STRATTON MUTUAL FUNDS
c/o PNC Global Investment Servicing
101 Sabin Street
Pawtucket, RI 02860-1427

A check will be mailed to the name(s) and address in which the account is registered. A redemption fee may apply if you redeem your shares within 120 days after the purchase date.

By Exchange

Call (800) 472-4266 to request an exchange of shares into another Stratton Mutual Fund. An exchange fee may apply if you exchange your shares within 120 days after the purchase date.

By Telephone

Call (800) 472-4266 to request a redemption of your fund shares. Requests made before 4:00 p.m. Eastern time will be executed the same day, at that day's closing share price. Calls received after 4:00 p.m. Eastern time will be executed the following day, at that day's closing share price.

The funds may require additional documentation or a medallion signature guarantee on any redemptions in amounts over \$100,000.

Telephone redemption requests to send proceeds to a bank may be accepted if the appropriate wiring instructions are on file prior to the request. **Requests to send proceeds to an address other than the address of record must be in writing and include the appropriate medallion signature guarantees.**

By Automated Clearing House

Redemption proceeds may be transferred to banks that are on-line members of ACH, without a service fee. Written ACH redemption requests should be sent to PNC at the applicable address under "By Mail." ACH redemptions are sent the day following receipt of your request and funds are typically available two days later.

Please note that for redemptions made by ACH, a fund's NAV will be determined at the next determined NAV after receipt of your redemption request by PNC.

By Systematic Cash Withdrawal Plan

To participate in this plan, you must either own or purchase shares having a minimum value of \$10,000. Call (800) 472-4266 to request this plan. There is a \$50 monthly minimum.

EXCHANGE PRIVILEGE

You can exchange fund shares for shares of the other Stratton funds. Each fund has a distinct investment objective, which should be reviewed before executing any exchange of shares. You should also read the additional information about a fund, including its expenses, before seeking any such exchange. Shares may be exchanged by written or telephonic request. If you exchange your shares within 120 days after the purchase date, a redemption fee of 1.50% may be charged on the amount exchanged.

Please Note: Shareholders who have certificated shares must surrender these certificates to the transfer agent to be held on account in unissued form before taking advantage of the exchange privilege. When returning certificates for this purpose only, signature(s) need not be guaranteed. There are no sales charges involved. Shareholders who engage in frequent exchange transactions may be prohibited from further exchanges or otherwise restricted in placing future orders. The funds reserve the right to terminate or change the terms of the exchange privilege at any time. The funds will give shareholders at least 60 days notice before terminating or materially amending the exchange privilege. An exchange for tax purposes constitutes the sale of one fund and the purchase of another. Consequently, the sale may involve either a capital gain or capital loss to the shareholder for federal income tax purposes.

RETIREMENT and EDUCATION PLANS

Shares of the funds are available for purchase through individual retirement accounts ("IRAs"), other retirement plans and education savings accounts. Applications for these accounts and further details about procedures to be followed are available by calling (800) 634-5726, or visiting the funds' website at www.strattonfunds.com.

DELIVERY of SHAREHOLDER DOCUMENTS

The SEC has adopted rules that permit investment companies and financial intermediaries (e.g., brokers) to satisfy the delivery requirements for shareholder documents with respect to two or more shareholders sharing the same address by delivering a single document addressed to those shareholders. This process is commonly referred to as "householding." If, at any time, you no longer wish to participate in "householding" and would prefer to receive individual copies of these documents, please call toll-free (800) 472-4266 or, if your shares are held through a financial intermediary, please contact the institution directly. The funds will begin mailing separate prospectuses and shareholder reports to you within 30 days after receiving your notice.

TAX TREATMENT

The following is only a summary of certain tax considerations under current law, which may be subject to change in the future. The summary assumes you are a U.S. citizen or resident or otherwise subject to U.S. federal income taxes. You should consult your tax adviser for further information regarding federal, state, local and/or foreign tax consequences relevant to your specific situation.

Fund Distributions

Each fund expects to declare as dividends each year all or substantially all of its net investment income, including its net capital gain (the excess of net long-term capital gain over net short-term

capital loss). Distributions attributable to the net capital gain of a fund will be taxable to you as long-term capital gain, regardless of how long you have held your shares. Fund distributions attributable to short-term capital gains and investment company taxable income are taxable to you as ordinary income. However, if a fund's distributions exceed its net income and gain — as may be the case particularly for the Real Estate Fund, because REIT distributions often include a nontaxable return of capital — that excess will generally result in a nontaxable return of capital to you. Under current provisions of the Internal Revenue Code, the maximum long-term capital gain tax rate applicable to individuals, estates, and trusts is reduced to 15%. Fund distributions to noncorporate shareholders attributable to dividends received by the funds from U.S. and certain “qualified” foreign corporations will generally be taxed at the long-term capital gain rate, as long as certain other requirements are met. For these lower rates to apply, the noncorporate shareholders must have owned their fund shares for at least 61 days during the 121-day period beginning 60 days before the fund's ex-dividend date. The amount of a fund's distributions that otherwise qualify for this favorable tax treatment may be reduced as a result of a fund's securities lending activities, or by a high portfolio turnover rate. Dividends received from REITs will generally not be considered qualifying dividends and thus not eligible for the reduced 15% rate.

The tax treatment of fund distributions will be the same for you whether they are paid in cash or reinvested in additional shares. Any dividends declared in October, November or December and paid in January will be deemed for tax purposes to have been paid to you on December 31. You will be notified annually of the amount and tax status of all distributions paid to you.

REITs often do not provide complete tax information to the funds until after the calendar year-end. Consequently, because of the delay, it may be necessary for the funds to request permission to extend the deadline for issuance of Forms 1099-DIV beyond January 31. Therefore, Forms 1099-DIV for the Real Estate Fund may not be available until March.

A percentage of the dividends paid to shareholders that are corporations may be eligible for the dividends-received deduction to the extent the dividends are attributable to qualifying dividends received by the fund from domestic corporations. This percentage may, however, be reduced by a high portfolio turnover rate or a fund's securities lending activities. Generally, dividends received from REITs are not considered to be qualifying dividends for purposes of the dividends-received deduction.

You should note that if you purchase shares shortly before a taxable distribution, the purchase price will reflect the amount of the upcoming distribution, but you will be taxed on the entire amount of the distribution received, even though, as an economic matter, the distribution simply constitutes a return of capital. This adverse tax result is known as “buying into a dividend.”

Sales and Exchanges

You will recognize a taxable gain or loss on a sale, exchange or redemption of your shares, including an exchange for shares of another fund, based on the difference between your tax basis in the shares and the amount you receive for them. (To aid in computing your tax basis, you should retain your account statements for the periods during which you held shares.) Generally, your gain or loss will be long-term or short-term depending on whether your holding period for the shares exceeds 12 months, except that any loss realized on shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends that were received on the shares. Additionally, any loss realized on a sale, exchange or redemption of shares of a fund may be disallowed under “wash sale” rules to the extent the shares disposed of are replaced with other shares of the fund within a period of

61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to a dividend reinvestment in shares of a fund. If disallowed, the loss will be reflected in an upward adjustment to the basis of the shares acquired.

State and Local Taxes

You will also generally be subject to any applicable state and local income taxes on fund distributions and redemptions. State income taxes generally will not apply, however, to fund distributions attributable to interest on certain U.S. government securities, if any.

IRS or Other Tax-Qualified Plans

The one major exception to this summary tax discussion is that income on, and sales, exchanges and redemptions of, shares held in an IRA (or other tax-qualified plan) will not be currently taxable.

Back-Up Withholding

In order to avoid backup withholding of 28% of the reportable payments (which may include dividends, capital gains distributions, and redemptions) paid to you, you must certify by signature on your application, or on a separate W-9 Form supplied by the transfer agent, that your Social Security or Taxpayer Identification Number is correct (or you are waiting for a number to be issued to you), and that you are currently not subject to backup withholding, or you are exempt from backup withholding.

U.S. Tax Treatment of Foreign Shareholders

For nonresident aliens, foreign corporations and other foreign investors, fund distributions attributable to net long-term capital gains of a fund will generally be exempt from U.S. tax, but all other fund distributions will generally be subject to a 30% withholding tax. The withholding tax may, however, be reduced (and, in some cases, eliminated) under an applicable tax treaty between the United States and a shareholder's country of residence or incorporation, provided that the shareholder furnishes the fund with a properly completed Form W-8BEN to establish entitlement for these treaty benefits.

Foreign shareholders will generally not be subject to U.S. tax on gains realized on sale, exchange or redemption of shares in a fund.

Different U.S. tax rules may apply to a foreign shareholder, however, if the investment in a fund is connected to a trade or business of the shareholder in the United States or the investor is present in the United States for 183 days or more in a year.

All foreign investors should consult their own tax advisors regarding the tax consequences in their country of residence of an investment in a fund.

Sunset of Tax Provisions

Some of the tax provisions described above are subject to sunset provisions. Specifically, a sunset provision provides that the 15% long-term capital gain rate will increase to 20% and the taxation of qualifying dividends at the long-term capital gain rate will end for taxable years after 2010.

More information about taxes is contained in the statement of additional information.

DIVIDENDS and DISTRIBUTIONS

The shareholders of each fund are entitled to dividends and distributions arising from the net investment income and net realized gains, if any, earned on investments held by the fund involved, when declared by the Board of Directors of such fund. The Real Estate Fund generally declares and pays dividends, if any, on a semi-annual basis; however it may declare and pay dividends more frequently. The Multi-Cap and Small-Cap Value Funds declare and pay dividends, if any, from net investment income semi-annually and annually, respectively. Each fund will make distributions from net realized gains, if any, once a year, but may make distributions on a more frequent basis so as to avoid incurring any fund level income or excise taxes, or for other reasons. Any distribution paid necessarily reduces a fund's NAV per share by the amount of the distribution. Unless a shareholder elects to receive distributions in cash, distributions will be reinvested in additional shares of such fund.

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You can request other information, including a Statement of Additional Information, Annual Report or Semi-Annual Report, free of charge by contacting the Stratton Mutual Funds at (800) 634-5726. The Funds' Statement of Additional Information and most recent Report are also available on www.strattonfunds.com. In the Funds' Annual and Semi-Annual Reports, you will find a discussion of the market conditions and investment strategies that significantly affected each Fund's performance during its last fiscal year.

The Statement of Additional Information provides detailed information about the Funds and is incorporated into this Prospectus by reference. You may review and copy information about the Funds (including the Funds' Statement of Additional Information) at the SEC's Public Reference Room or get text only copies, after paying a duplicating fee, by sending an electronic request by e-mail to publicinfo@sec.gov or by writing to or calling the Public Reference Room, Washington, D.C. 20549-1520, (202) 551-8090. You may also obtain reports and other information about the Funds from the Electronic Data Gathering Analysis and Retrieval (EDGAR) Database on the SEC's Internet site at www.sec.gov.

SEC file nos.: Stratton Multi-Cap Fund, Inc. 811-2297
 Stratton Real Estate Fund, Inc. 811-2240
 The Stratton Funds, Inc. 811-7434

Visit the Stratton Mutual Funds
website at www.strattonfunds.com

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