MATTHEW 25 FUND, INC

SEMI-ANNUAL REPORT

June 30, 2007
< unaudited >

Matthew 25 Fund, Inc.
607 West Avenue
Jenkintown, PA 19046
1-888-M25-FUND

Fund Symbol: MXXVX
Website: www.matthew25fund.com

Dear Matthew 25 Fund Shareholders,

Our Fund gained 6.89% for the first six months of 2007. From its inception on 10/16/1995 through 6/30/2007 our Fund has gained 353.97%. In other words, a $10,000 investment at the inception of our Matthew 25 Fund would have grown to $45,397. This is a compounded annual growth rate of 13.78% for a period covering 11.71 years.

There are two natures or aspects of stocks that I call "Commodity and Business." The commodity component is the regular trading of a stock and is represented by the stock's symbol and price action. Stock trading is attuned to price momentum, technical analysis, quarterly earnings and other corporate or economic announcements. Traders try to profit by reacting quickly to actual or perceived changes. The business element on the other hand is represented by the underlying operating business and its people; each share of stock is a fractional ownership of this enterprise while each dollar of debt is a legal claim against this same entity. Fundamental analysis is the primary tool to evaluate the business component of a stock. Valuing a business includes not just evaluating the growth of earnings but how the earnings of a company are allocated. Investors in a business try to profit by purchasing the stock of a business at or below its fair value and benefiting from dividends, buybacks and increases in the business' intrinsic value over time. While there is some interrelation between the commodity and business aspects of a stock, as in a Venn diagram, there remain considerable differences in each component.

There are two significant forces affecting the commodity and business aspects of stocks. The first group is comprised of the hedge funds that are more focused on the trading feature of stocks. These funds have been a large factor in the increased buying and selling in the stock market. In 2006 the average time that a stock listed on New York and American Stock Exchanges was held before being sold again was 6 months. This holding period has declined from nearly 1 year in 1999. (Justin Lahart, *Wrong Way? Street Signs Point to Speed,* WSJ 2/28/07.) In other words, portfolio turnover for all exchange listed stocks has doubled in the past 7 years to 200%. This means that an average portfolio completely changes its holdings twice in a year!

The second group participating in the stock market is the private equity funds. These funds are more attuned to a stock's business attributes and their only concern about stock prices is that the lower the price is below the business' fair value then the more interested they are. Merger volume in the first half of 2007 was $1.005 trillion up 36% over the first 6 months of 2006 and last year was a record year at $1.49 trillion. Four of the five largest deals were leveraged buyouts by the private equity funds. (*Merger volume hits* record, CNNMoney.com 6/26/07.) These funds invest longer term and base their transactions on fundamental analysis and availability.

So how are these two groups affecting the market? As the pools of trading money have increased, the turnover has risen, and I believe volatility in prices will continue to rise for a larger universe of stocks. In addition, on July 3rd the SEC rescinded the "up tick rule" which had previously put price restrictions on short-sellers. This rule had been in effect since 1934 and acted as a restraint on selling short. It will take time to see the results of this rule change but my suspicions are that it will make the price declines more drastic and quicker. Overall the increased trading does help with liquidity especially in the small and mid cap stocks, but the exacerbation of the price swings on real or perceived information will harm many investors. The net result of the increased trading is some good and some bad.

The private equity groups, on the other hand, provide many benefits to the stock market. First: the higher price paid on a takeover stock is an economical and emotional benefit to the selling shareholders. Everyone likes to make money. Second: some if not all of the cash from the buyout will go toward other stocks. This money represents stable or potentially increasing demand for stocks. Third: every buyout for cash removes one company's stock from the market thus reducing the overall supply of stocks. Supply down and demand steady or up will lead to higher prices is one rule economists can all agree upon. The fourth benefit may be more theoretical but is worth considering. It is that the actions of all these buyouts change the market's perception of fair value of a stock. Should a public company sell for greater, lesser or equal to its private value? Due to time and space I will not present all sides of this argument, but I will profess that I believe that a public company should sell at a price equal to or slightly greater than its private value. In fact, I believe that market cycles to some degree are based on periods of broad under and over valuation of stocks as compared to the underlying private values. This is a time in the market of undervaluation and the action of the private equity buyouts will eventually influence the thinking of investors and analysts to raise the price level of many stocks closer to their private value levels. Please remember, even at market bottoms there are some overpriced stocks and at market tops some stocks remain underpriced.

How does the increased trading and buyouts affect my stock selection and investment process for our Matthew 25 Fund? I believe that the higher trading will make our portfolio more volatile. On market down swings, I will try to make purchases of our most undervalued stocks, and I will continue to manage our Fund for long-term investing. The selection of potential takeover candidates will be a factor to consider on every investment decision but will not be the primary consideration. My stock selection will continue to be a limited holding of the best investment ideas after viewing a broad universe of stocks. The best ideas will be based on my analysis and balancing the risks versus the rewards. In other words, weighing two questions for each investment selection of: "How much can we make compared to how much can we lose?" A potential takeover may be one of the ways that we may make money on a stock, but the overriding decisions will be based on the quality of the business, management, financial condition and price of the security.

Now I would like to relate this to our holdings. The *Schedule of Investments in Securities,* within the financial statements, will show you the stocks that we own through our Fund. It also shows the value of each stock and the profit or loss of this ownership from purchase date until June 30, 2007. The table below lists our stockholdings followed by four grading points based on the quality of the company's business, management, financial shape and stock price. The grades are the same as in academia, with an "A" for outstanding, a "B" for very good, a "C" for average, a "D" for poor, and an "F" for failure. I will even throw in a "+" or "-" to complicate matters. Ideally, I am looking for all four grades above average but I will make concessions for one or more exceptional grades. The grades are as follows:

Security	Business	Management	Financial	Price
Abington Community Bancorp	C	B	A	A+
Advanta Inc.	B	A	C	B
ASV Inc.	A	B	A	A
Black & Decker	B	A	A	B
Berkshire Hathaway	A	A	A	A
Cabelas Inc.	A	A	B	A
El Paso Corp.	B	B	B	C
Farmer Mac	A	B	A	A
Fremont General	C	A	C	A
Goldman Sachs	A	A	C	A
MBIA Inc.	A	A	A	A
Polaris Industries	A	A	A	B

Security	Business	Management	Financial	Price
St. Joe Company	A	B	B	A
TD Ameritrade Holding	B	A	B	B
Willow Financial Bancorp	B	B	B	B

My hope is that this letter and the following financial statements will update you and provide greater insight on our Matthew 25 Fund. Please call me or write to me if you have questions about our Fund. Thank you for allowing us to work for you.

Good fortune to you,

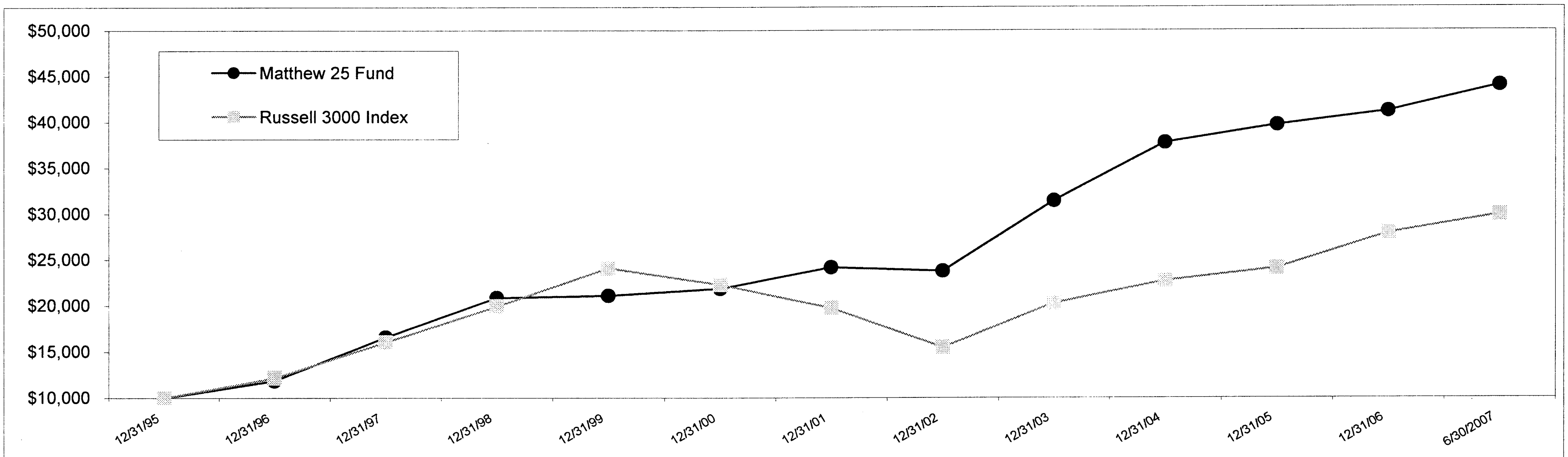
Mark Mulholland
President

Except for any historical information, the matters discussed in this letter contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve risks and uncertainties, including activities, events or developments that the Advisor expects, believes or anticipates will or may occur in the future. A number of factors could cause actual results to differ from those indicated in the forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties. Readers are cautioned that such statements are not guarantees of future performance and actual results may differ materially from those set forth in the forward-looking statements. The Advisor undertakes no obligation to publicly update or revise forward-looking statements whether as a result of new information or otherwise.

MATTHEW 25 FUND
PERFORMANCE SUMMARY

The graph below represents the changes in value for an initial $10,000 investment in the Matthew 25 Fund from 12/31/95 to 6/30/07. These changes are then compared to a $10,000 investment in the Russell 3000 Index, which is an index comprised of 3,000 stocks representing approximately 98% of the U.S. equities market, for the same period. The Fund's returns include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Past performance is not predictive of future performance. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than the original cost.

	Yr. Ended 12/31/95	Yr. Ended 12/31/96	Yr. Ended 12/31/97	Yr. Ended 12/31/98	Yr. Ended 12/31/99	Yr. Ended 12/31/00	Yr. Ended 12/31/01	Yr. Ended 12/31/02	Yr. Ended 12/31/03	Yr. Ended 12/31/04	Yr. Ended 12/31/05	Yr. Ended 12/31/06	6mo. Ended 6/30/07
Matthew 25 Fund	$10,000	$11,868	$16,574	$20,871	$21,097	$21,860	$24,197	$23,793	$31,435	$37,738	$39,652	$41,154	$43,990
Russell 3000 Index	$10,000	$12,182	$16,053	$19,929	$24,094	$22,296	$19,741	$15,489	$20,300	$22,726	$24,117	$27,908	$29,892



	Annual Return 12/31/96	Annual Return 12/31/97	Annual Return 12/31/98	Annual Return 12/31/99	Annual Return 12/31/00	Annual Return 12/31/01	Annual Return 12/31/02	Annual Return 12/31/03	Annual Return 12/31/04	Annual Return 12/31/05	Annual Return 12/31/06	Six Months 6/30/07
Matthew 25 Fund	18.68%	39.65%	25.93%	1.08%	3.62%	10.69%	(1.67)%	32.12%	20.05%	5.07%	3.79%	6.89%
Russell 3000 Index	21.82%	31.78%	24.14%	20.90%	(7.46)%	(11.46)%	(21.54)%	31.06%	11.95%	6.12%	15.72%	7.11%

	One Year 6/30/06-6/30/07	Three Year 6/30/04-6/30/07	Five Year 6/30/02-6/30/07	Ten Year 6/30/97-6/30/07
Matthew 25 Fund	13.61%	11.25%	13.01%	12.02%
Russell 3000 Index	20.07%	12.44%	11.53%	7.62%

MATTHEW 25 FUND, INC.
TOP TEN HOLDINGS & ASSET ALLOCATION
JUNE 30, 2007

Top Ten Holdings
(% of Net Assets)

Federal Agricultural Mortgage Corp.Class A & Class C	19.86%
Polaris Industries, Inc.	11.31%
Black & Decker, Inc.	10.14%
MBIA, Inc.	9.09%
Advanta Corporation, Class A	7.87%
El Paso Corporation	6.85%
Cabelas, Inc.	6.47%
Ameritrade Clearing, Inc.	5.97%
ASV Inc.	5.89%
St. Joe Company	4.19%
	87.64%

Asset Allocation
(% of Net Assets)

Federal & Federally Sponsored Credit Agency	19.86%
Misc. Transportation Equipment	11.31%
Metalworking Machinery & Equipment	10.14%
Surety Insurance	9.09%
Security Brokers, Dealers & Flotation	7.91%
Personal Credit Institution	7.87%
Gas Production & Distribution	6.85%
Misc. Shopping Goods Store	6.47%
Construction Machinery & Equipment	5.89%
Savings Institution	5.72%
Land Subdividers & Developers	4.19%
Fire, Marine & Casualty Insurance	3.92%
Short-term Investments	0.35%
Other Assets less Liabilities	0.22%
State Commercial Bank	0.21%
	100.00%

MATTHEW 25 FUND, INC.
EXPENSE EXAMPLE
JUNE 30, 2007

As a shareholder of the Fund, you incur two types of costs: (1) direct costs, such as IRA fees and (2) indirect costs, including management fees and other Fund operating expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire six-month period of January 1, 2007 to June 30, 2007.

Actual Expenses
The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. IRAs with less than $10,000 may be charged $14 annually for IRA Custodian Fees at the discretion of the Fund's Management or Directors. This $14 fee is not reflected in the table below.

Hypothetical Example for Comparison Purposes
The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expenses ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any direct costs, such as IRA fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if IRA fees were included your costs would be higher.

	Beginning Account Value January 1, 2007	Ending Account Value June 30, 2007	Expenses Paid During Period* January 1, 2006 to June 30, 2007
Actual	$1,000.00	$1,068.89	$6.16
Hypothetical (5% return before expenses)	$1,000.00	$1,018.84	$6.01

* Expenses are equal to the Fund's annualized expense ratio of 1.20%, multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

MATTHEW 25 FUND, INC.
SCHEDULE OF INVESTMENTS IN SECURITIES
JUNE 30 , 2007
<unaudited>

	Number of Shares	Historical Cost	Value
COMMON STOCKS -- 99.43%			
CONSTRUCTION MACHINERY & EQUIP -- 5.89%			
ASV Inc.*	342,500	$ 5,245,220	$ 5,918,400
FEDERAL & FEDERALLY SPONSORED CREDIT AGENCY -- 19.86%			
Federal Agricultural Mortgage Corp.Cl. C	537,000	11,758,394	18,376,140
Federal Agricultural Mortgage Corp.Cl. A	65,500	1,160,697	1,598,200
		12,919,091	19,974,340
FIRE, MARINE & CASUALTY INSURANCE -- 3.92%			
Berkshire Hathaway, Class A *	36	2,045,480	3,941,100
GAS PRODUCTION & DISTRIBUTION -- 6.85%			
El Paso Corporation	400,000	2,847,448	6,892,000
LAND SUBDIVIDERS & DEVELOPERS -- 4.19%			
St. Joe Company	91,000	4,050,235	4,216,940
METALWORKING MACHINERY & EQUIPMENT -- 10.14%			
Black & Decker, Inc.	115,500	6,831,515	10,199,805
MISC. SHOPPING GOODS STORE -- 6.47%			
Cabelas, Inc.*	294,000	5,191,221	6,506,220
MISC. TRANSPORTATION EQUIPMENT -- 11.31%			
Polaris Industries, Inc.	210,000	4,259,507	11,373,600
PERSONAL CREDIT INSTITUTION -- 7.87%			
Advanta Corporation, Class A	278,800	1,683,289	7,917,920

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

MATTHEW 25 FUND, INC.
SCHEDULE OF INVESTMENTS IN SECURITIES (CONTINUED)
JUNE 30 , 2007
<unaudited>

	Number of Shares	Historical Cost	Value
SAVINGS INSTITUTION -- 5.72%			
Abington Community Bancorp	295,000	$ 2,487,224	$ 2,832,000
Willow Financial Bancorp, Inc.	225,000	1,516,361	2,925,000
		4,003,585	5,757,000
SECURITY BROKERS, DEALERS & FLOTATION -- 7.91%			
TD Ameritrade Holding Corp. *	300,000	2,475,110	6,000,000
Goldman Sachs Group, Inc.	9,000	1,835,000	1,950,750
		4,310,110	7,950,750
STATE COMMERCIAL BANK -- 0.21%			
Fremont General Corp.	20,000	247,840	215,200
SURETY INSURANCE -- 9.09%			
MBIA, Inc.	147,000	6,169,944	9,146,340
TOTAL COMMON STOCKS		59,804,485	100,009,615
SHORT-TERM INVESTMENTS -- 0.35%			
US Bank Repurchase Agreements Collateralized by US Governement Agencies, 5% Interest Rate, Daily Maturity	347,072	347,072	347,072
TOTAL INVESTMENTS -- 99.78%		$ 60,151,557	100,356,687
Other Assets Less Liabilities -- 0.22%			216,309
NET ASSETS 100.00%			$ 100,572,996

*Non-income producing security during the period.

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

MATTHEW 25 FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30 , 2007
<unaudited>

ASSETS	
Investments in securities at value (cost $60,151,557)	$ 100,356,687
Cash	24,712
Receivables:	
Dividends	66,480
Securities sold	296,691
TOTAL ASSETS	100,744,570
LIABILITIES	
Payable to Advisor	83,674
Payable for fund shares redeemed	62,549
Accrued expenses	25,351
TOTAL LIABILITIES	171,574
NET ASSETS: (Equivalent to $19.55 per share based on 5,145,039 shares of capital stock outstanding 100,000,000 shares authorized, $0.01 par value)	$ 100,572,996
COMPOSITION OF NET ASSETS	
Shares of common stock	$ 51,450
Additional paid-in capital (Note 5)	56,616,679
Net unrealized appreciation of investments	40,205,130
Undistributed net investment income	199,669
Undistributed net realized gain on investments	3,500,068
NET ASSETS	$ 100,572,996

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

MATTHEW 25 FUND, INC.
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JUNE 30, 2007
<unaudited>

INVESTMENT INCOME:		
Dividends	$	745,094
Interest		10,146
TOTAL INVESTMENT INCOME		755,240
EXPENSES:		
Investment advisory fee (Note 2)		494,083
Office expense		10,312
Shareholder reporting		8,666
Directors' fees and expenses		8,147
Custodian fees		6,821
Registration and compliance		17,128
Professional fees		7,000
Insurance		11,700
Postage and printing		6,028
State and local taxes		10,543
Software		5,732
Bank fees		2,659
IRA expense		2,600
Telephone		1,480
TOTAL EXPENSES		592,899
NET INVESTMENT INCOME		162,341
REALIZED AND UNREALIZED GAIN FROM INVESTMENTS (Note 6)		
Net realized gain from investments		3,439,685
Net change in unrealized appreciation of investments		2,994,252
Net realized and unrealized gain from investments		6,433,937
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$	6,596,278

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

MATTHEW 25 FUND, INC.
STATEMENTS OF CHANGES IN NET ASSETS

	<unaudited> Six Months Ended 6/30/07	Year Ended 12/31/06
INCREASE IN NET ASSETS FROM OPERATIONS:		
Net Investment income	$ 162,341	$ 1,433,629
Net realized gain from investments	3,439,685	164,354
Unrealized appreciation on investments	2,994,252	1,834,051
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	6,596,278	3,432,034
DISTRIBUTIONS TO SHAREHOLDERS		
From Net Investment Income	-	(103,971)
From Realized Gains	-	(1,380,226)
CAPITAL SHARE TRANSACTIONS (Note 4)	(7,751,172)	(9,163,224)
TOTAL INCREASE (DECREASE)	(1,154,894)	(7,215,387)
NET ASSETS, BEGINNING OF PERIOD	101,727,890	108,943,277
NET ASSETS, END OF PERIOD	$ 100,572,996	$ 101,727,890

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

MATTHEW 25 FUND, INC.
FINANCIAL HIGHLIGHTS AND RELATED RATIOS / SUPPLEMENTAL DATA
For a Share Outstanding Throughout the Period Ending:

	<unaudited> Six Months Ended 6/30/07	Year ended 12/31/06	12/31/05	12/31/04	12/31/03	12/31/02
Net asset value, Beginning of period	18.29	$17.88	$17.22	$14.72	$11.68	$11.97
Income from investment operations						
Net investment income (1)	0.03	0.24	0.05	0.13	0.00	0.09
Net gains (loss) on investments both realized and unrealized	1.23	0.44	0.82	2.82	3.74	(0.29)
Total from investment operations	1.26	0.68	0.87	2.95	3.74	(0.20)
Less distributions						
From Net Investment Income	0.00	(0.25)	(0.05)	(0.13)	0.00	(0.09)
From Realized Gains	0.00	(0.02)	(0.16)	(0.32)	(0.69)	0.00
From Return of capital	0.00	0.00	0.00	0.00	(0.01)	0.00
Total distributions	0.00	(0.27)	(0.21)	(0.45)	(0.70)	(0.09)
Net asset value, End of period	$19.55	$18.29	$17.88	$17.22	$14.72	$11.68
Total return (2)	6.89%	3.79%	5.07%	20.05%	32.12%	(1.67)%
Net assets, end of period (000's omitted)	$100,573	$101,728	$108,943	$92,011	$60,001	$41,899
Ratio of expenses, to average net assets	1.20% *	1.15%	1.17%	1.19%	1.23%	1.24%
Ratio of net investment income, to average assets	0.36% *	1.35%	0.33%	1.00%	(0.01)%	0.85%
Portfolio turnover rate	4.41%	28.54%	19.48%	12.46%	23.52%	38.68%

* Annualized

(1) Per share net investment income has been determined on the average number of shares outstanding during the period.

(2) Total return assumes reinvestment of dividends.

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

MATTHEW 25 FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30 , 2007
<unaudited>

NOTE 1 - *Summary of Significant Accounting Policies*

Nature of Operations

Matthew 25 Fund, Inc. ("the Fund") was incorporated on August 28, 1995 in Pennsylvania and commenced operations on October 16, 1995. The Fund is registered as an open-end, non-diversified management investment company under the Investment Company Act of 1940, and its shares are registered under the Securities Act of 1933. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. These policies are in conformity with accounting principles generally accepted in The United States of America.

Security Valuations

Equity securities are valued by using market quotations. Securities that are traded on any stock exchange or on the NASDAQ over-the-counter market are valued at the last quoted sale price. Lacking a last sale price, an equity security is generally valued at its last bid price. When market quotations are not readily available, or when the Advisor determines that the market quotation does not accurately reflect the current market value, or when restricted or illiquid securities are being valued, such securities may be valued as determined in good faith by the Board of Directors. The Board has adopted guidelines for good faith pricing, and has delegated to the Advisor the responsibility for determining fair value prices, subject to review by the Board of Directors.

Federal Income Taxes

The Fund's policy is to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Distributions to Shareholders

The Fund intends to distribute to its shareholders substantially all of its net investment income, if any, and net realized capital gains, if any, at year end.

Other

The Fund follows industry practice and records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statements and income tax purposes. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Repurchase Agreements

In connection with transactions in repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the Fund may be delayed or limited.

NOTE 2 - *Investment Advisory Agreement and Other Related Party Transactions*
The Fund has an investment advisory agreement with The Matthew 25 Management Corporation, (The Advisor) whereby The Advisor receives a fee of 1% per year on the net assets of the Fund. All fees are computed on the average daily closing net asset value of the Fund and are payable monthly. The Advisor has agreed to decrease the investment advisory fee or, if necessary, to reimburse the Fund if and to the extent that the Fund's aggregate annual operating expenses exceed 2.0% of the first $10,000,000 and 1.5% of the next $20,000,000 of net assets.

The management fee for the first six months of 2007, as computed pursuant to the investment advisory agreement, totaled $494,083.

Mr. Mark Mulholland is the sole director and officer of The Advisor and is also the President of the Fund. In addition, Mr. Mulholland is a broker at Boenning & Scattergood Inc. During the period ended June 30, 2007, the Fund paid brokerage commissions of $0 to Boenning & Scattergood Inc. of which Mr. Mulholland received compensation totaling $0. Boenning & Scattergood Inc. is not otherwise associated with Matthew 25 Fund, Inc. or The Advisor and is not responsible for any of the investment advice rendered to the Fund by The Advisor or Mr. Mulholland.

NOTE 3 - *Investments*
For the period ended June 30, 2007, purchases and sales of investment securities other than short-term investments aggregated $4,396,203 and $11,749,220 respectively. At June 30, 2007, the gross unrealized appreciation for all securities totaled $40,237,770 and the gross unrealized depreciation for all securities totaled $32,640 or a net unrealized appreciation of $40,205,130. The aggregate cost of securities for federal income tax purposes at June 30, 2007 was $60,151,557 including short-term investments.

NOTE 4 - *Capital Share Transactions*
As of June 30, 2007 there were 100,000,000 shares of $.01 per value capital stock authorized. The total par value and paid-in capital totaled $56,668,129. Transactions in capital stock were as follows:

	Six Months Ended June 30 ,2007		Year Ended December 31, 2006	
	Shares	Amount	Shares	Amount
Shares sold	182,189	$ 3,372,130	649,577	$ 11,607,765
Shares issued in reinvestment of dividends	-	-	79,531	1,466,562
Proceeds from redemption fees	-	16,146	-	-
Shares redeemed	(600,527)	(11,139,448)	(1,260,162)	(22,237,551)
Net Increase (Decrease)	(418,338)	$ (7,751,172)	(531,054)	$ (9,163,224)

NOTE 5 - *Redemption Fee*
To discourage short-term trades by investors,and to compensate the fund for costs that may be incurred by such trades, the Fund will impose a redemption fee of 2% of the total redemption amount (calcualted at market value) if shares are held for 365 days or less. The redemption fee does not apply to shares purchased through reinvested distributions. For the six months ended June 30, 2007 the Fund received $16,146 in redemption fees and this was reclassified to paid-in-capital.

NOTE 6 - *Federal Income Taxes*

Income and long-term capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from accounting principles generally accepted in the United States. As of June 30, 2007, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$	199,669
Undistributed long-term capital gain	$	3,500,068
Unrealized appreciation	$	40,205,130

The tax character of distributions paid during the years ended December 31, 2006 and 2005 are as follows:

		2006		2005
Ordinary income	$	1,380,226	$	321,662
Long-term capital gain	$	103,971	$	971,100

NOTE 7 - *New Accounting Pronouncement*

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 – Accounting for Uncertainty in Income Taxes that requires the tax effects of certain tax positions to be recognized. These tax positions must meet a "more likely than not" standard that based on their technical merits, have a more than 50 percent likelihood of being sustained upon examination. FASB Interpretation No. 48 is effective for fiscal periods beginning after December 15, 2006. At adoption, the financial statements must be adjusted to reflect only those tax positions that are more likely than not of being sustained. Management of the Fund is currently evaluating the impact that FASB Interpretation No. 48 will have on the Fund's financial statements.

In September 2006, FASB issued Statement on Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosure about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of June 30, 2007, the Fund does not believe that the adoption of SFAS No. 157 will impact the amounts reported in the financial statements; however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements reported on the statement of changes in net assets for a fiscal period.

NOTE 8 - *Lease Commitments*

The Fund leases office space under a lease that expires February of 2009. Rent expense was $8,064 for the six months ended June 30, 2007. Minimum lease payments over the course of the term of the lease are as follows:

2007	$	14,064
2008	$	14,400
2009	$	2,400

ADDITIONAL INFORMATION

PROXY VOTING GUIDELINES

Matthew 25 Management Corp., the Fund's Advisor, is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Advisor in fulfilling this responsibility is available without charge, upon request, by calling 1-888-M25-FUND.

QUARTERLY FILING OF PORTFOLIO HOLDINGS

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

APPROVAL OF INVESTMENT ADVISORY AGREEMENT

At an in-person meeting held on October 19, 2006, the Board of Directors, including a majority of Directors that are not "interested" persons of the Fund (as the term is defined in the 1940 Act), re-approved the Advisory Agreement based upon its review of the qualitative and quantitative information provided by the Investment Advisor. The Directors considered, among other things, the following information regarding the Investment Advisor.

NATURE, EXTENT AND QUALITY OF SERVICES PROVIDED BY THE INVESTMENT ADVISOR

The Directors reviewed the nature, quality and scope of current and anticipated services provided by the Investment Advisor under the Advisory Agreement. This includes portfolio management, supervision of Fund operations and compliance and regulatory matters.

INVESTMENT PERFORMANCE

The Directors reviewed the performance of the Fund, as compared to other mutual funds and market benchmarks. This review focused on the long-term performance of the Fund.

COST OF SERVICES TO THE FUND AND PROFITABILITY OF ADVISOR

The Directors considered the Fund's management fee and total expense ratio relative to industry averages. The Directors determined that the Advisor is operating profitably, is viable and should remain as an ongoing entity.

ECONOMIES OF SCALE

The Directors considered information regarding economies of scale with respect to the management of the Fund. The Directors noted that as the Fund has grown, the expense ratio has been decreasing.

CONCLUSIONS

Based on the above review and discussions, the Directors concluded that it is in the best interest of the Fund and its shareholders to approve the Advisory Agreement.

ADDITIONAL INFORMATION (Continued)

BOARD OF DIRECTORS INFORMATION

Matthew 25 Fund

June 30, 2007

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors. Information pertaining to the Directors of the Fund are set forth below. The Fund's Statement of Additional Information includes additional information about the Fund's Directors, and is available without charge, by calling 1-888-M25-FUND. Each Director may be contacted by writing to the Director c/o Matthew 25 Fund, 607 West Avenue Jenkintown, PA 19046

Name and Age	Position with Fund	Term of Office and Length of Time Served	Principle Occupation During Last Five Years	Other Directorships
INDEPENDENT DIRECTORS				
Philip J. Cinelli, D.O. Age 46	Director	1 year with election held annually He has been a Director since 1996	Physician in Family Practice	Not a director for any other public companies
Samuel B. Clement Age 48	Director	1 year with election held annually He has been a Director since 1996	Stockbroker with Securities of America	Not a director for any other public companies
Linda Guendelsberger Age 47	Director Secretary of Fund	1 year with election held annually She has been a Director since 1996	CPA and Shareholder with Fishbein & Co.	Not a director for any other public companies
Scott Satell Age 44	Director	1 year with election held annually He has been a Director since 1996	Manufacturer's Representative with BPI Ltd.	Not a director for any other public companies
INTERESTED DIRECTORS				
Steven D. Buck, Esq. Age 46	Director	1 year with election held annually He has been a Director since 1996	Attorney and Shareholder with Stevens & Lee	Not a director for any other public companies
Mark Mulholland Age 47	Director President of Fund	1 year with election held annually He has been a Director since 1996	President of Matthew 25 Fund President of Matthew 25 Management Corp. Stockbroker with Boenning & Scattergood	Not a director for any other public companies

Mr. Buck and Mr. Mulholland are Directors of the Fund and are considered "interested persons" as defined by the Investment Company Act of 1940. Mr. Mulholland is an interested person insofar as he is President and owner of the Fund's Investment Adviser. Mr. Buck is not an independent director as long as he or his law firm provides legal advice to the Fund for compensation. Additionally, Mr. Buck's sister Lesley Buck is the Chief Compliance Officer of Matthew 25 Fund.