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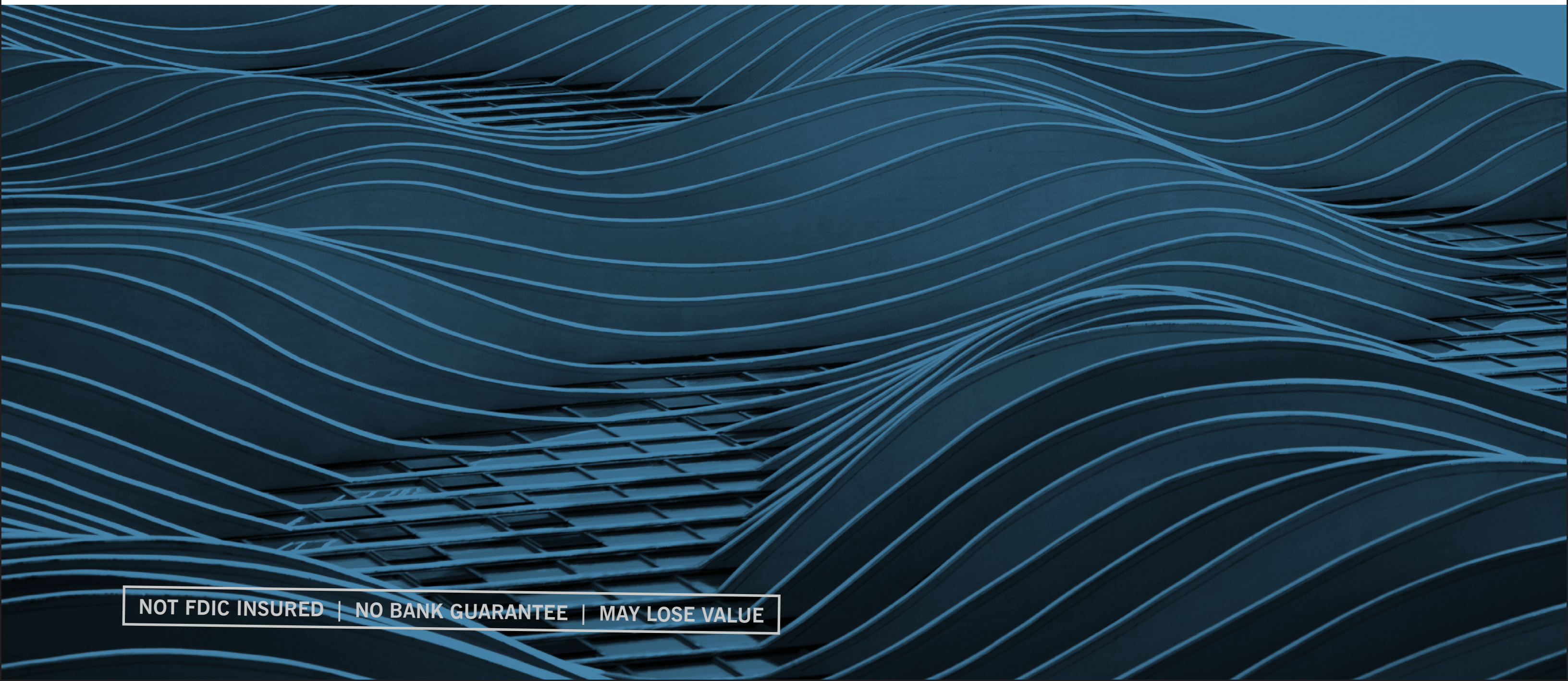
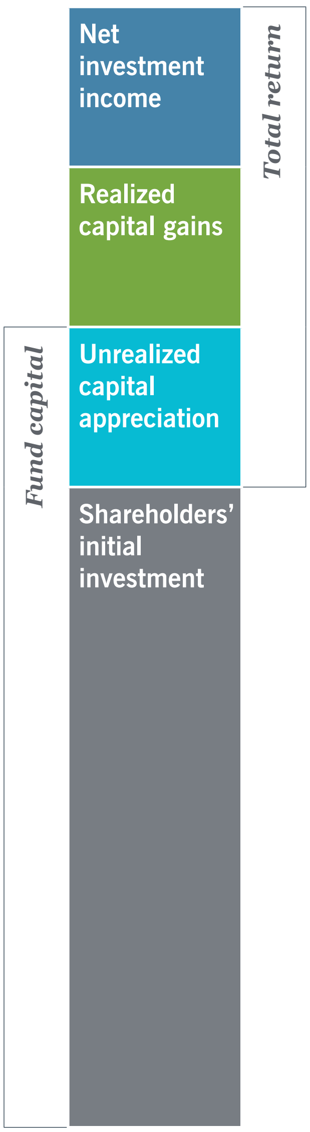
Closed-End Funds

# Understanding
## *return of capital in closed-end funds*

Many closed-end funds have established a distribution program designed to help facilitate smooth regular distributions to investors seeking diversified sources of cash flow. The sources of these distributions may include interest income, dividends, realized capital gains and potentially, return of capital — an important and often misunderstood component.



*Nuveen's managed distribution program seeks to convert the expected long-term total return potential of a fund's investment portfolio into attractive, tax-efficient quarterly or monthly distributions. If a fund's actual realized gains and net investment income in any given period falls short of the established distribution level for the period, the fund's distribution may include a return of capital. A closed-end fund may also distribute return of capital in an attempt to maintain a more stable level of distribution or to support the fund's share price on the secondary market.*




## 1. The fund's capital: not just your original investment

A fund's capital — its net asset value (NAV) — starts with shareholders' initial investment in common shares. The value changes as the fund's investment portfolio appreciates, depreciates, or generates and distributes income from dividends and interest. The components of the fund's total return on NAV are its income and any gains, both realized and unrealized, after expenses.*

Regulations require a fund to distribute most of its investment income and realized gains each year.

If the fund distributes only its net investment income and realized gains, and has unrealized appreciation as well, the fund's NAV — its capital — at the end of the year will be higher.

For most fixed income strategies, net investment income* makes up the majority of the fund's total return, and the fund's NAV is not typically affected much by unrealized appreciation over time.

## 2. Return of capital is a choice

**The fund's first choice: whether to pay a distribution amount that is greater than the required minimum** of just net investment income and realized gains. In order to maintain a more stable and consistent level of regular distribution, to trade more competitively in the market, or to meet a stated goal of converting as much of the fund's total return into regular cash flow as possible, the fund may wish to pay a higher regular distribution amount than regulations require.

If the fund has a goal of converting total return into regular cash flow and it has unrealized appreciation, **the fund has a second choice: whether to realize some or all of its appreciation, selling appreciated portfolio securities to raise cash to support its distribution amount.**

* Net investment income: dividends and interest received from securities held by the fund, less any applicable expenses. Realized gain: the amount resulting from selling a security at a profit (at a price higher than the original purchase price). Unrealized gain: the difference between a security's current valuation and its purchase price. If the security is sold at its current valuation, the gain then becomes a realized gain. Note that funds may also have realized and unrealized losses.


Selling appreciated securities creates at least two consequences:

- Realized gains will be taxed in the current tax year at either long-term or short-term rates.
- The fund gives up future appreciation potential for the securities sold.

To avoid realizing taxable gains, instead a fund can pay the additional distribution amount from its capital. The fund's capital consists of two sources: (1) shareholders' initial investment, plus (2) the value of the unrealized appreciation, over its lifetime, if any.

For tax purposes, both sources are considered return of capital ("RoC").

### What happens when a distribution includes RoC?

- If the RoC amount exceeds the fund's unrealized appreciation, some or all of the RoC will represent part of the shareholders' initial investment capital. If a fund continues to pay out part of this initial capital, its assets — and earning power — will diminish over time.
- In order to make each distribution payment the fund will be required to have cash available in an amount equal to its distribution payment. This cash can come from a variety of sources, including selling a depreciated security.
- RoC typically is not taxed in the current year. Instead, it reduces a shareholder's cost basis in the fund. When the shareholder sells his or her fund shares, any gains will consider the selling price relative to the reduced cost basis. This means that **RoC may defer some of the shareholder's tax liability.**
- When a closed-end fund trades at a discount to its NAV, distributions including **RoC can potentially provide an increase in overall return on investment.** To the extent a fund continues to trade at comparable discount to NAV, RoC would allow shareholders to capture, via an increase in the overall value of their investment, a portion of the differential between the market price of the fund's common shares and the fund's underlying net asset value.

So, a fund's choice to return capital can be an attractive tax-management decision, or it can diminish future earnings power, or sometimes both.

## 3. How to evaluate a fund's RoC

When a fund returns capital, investors want to discern which situation exists: a good tax choice, diminished original invested principal, or some of both.

**The key is to compare a fund's distribution rate on NAV with its total return on NAV** over various time periods.

If a fund's total return on NAV exceeds its distribution rate on NAV, any RoC is likely to defer some tax liability into the future.

## Why invest with Nuveen?

*A trusted closed-end fund provider for more than thirty-five years, Nuveen offers advisors and investors dedicated client service with a legacy of integrity and innovation.*

**MARKET LEADERSHIP**

*A pioneer in long-term income and cash flow solutions*

**FOCUSED EXPERTISE**

*Active management from Nuveen and its independent investment affiliates*

**DEEP COMMITMENT**

*Pursuing long term, lasting value for financial professionals and investors*

## Why closed-end funds?

**INCOME POTENTIAL**

*Designed for regular cash flow*

**DIVERSIFICATION**

*Via a broader investable universe*

**GREATER FLEXIBILITY**

*Through fully-invested portfolios*

### To learn more about Nuveen's closed-end funds:

***Investors:*** Contact your Financial Professional.

***Financial Professionals:*** Contact your Nuveen Advisor Consultant Team at 800.752.8700 or our Nuveen CEF specialist at CEFSpecialist@nuveen.com.

Visit us on the web at **nuveen.com/cef**.

**Important information on risks**

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee a fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. It is important to consider the objectives, risks, charges and expenses of any fund before investing. Performance data shown represents past performance and does not predict or guarantee future results. CEF distribution sources historically have included net investment income, realized gains, and return of capital.

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