A CLOSER LOOK AT CLOSED-END FUNDS

Closed-end funds (CEFs) offer a unique structure that may help investors pursue potentially attractive yields while investing in areas of the market not commonly available through other vehicles.

Closed-end funds are available across a range of asset classes, including taxable and tax-free bonds, specialty and global equity funds.

CLOSED-END FUNDS IN BRIEF

CEFs are pools of assets with a fixed number of shares that seek to offer broad diversification and professional management. They trade throughout the day on an exchange based on their market price, which may be higher or lower than the value of the fund's assets. Many CEFs have the ability to employ leverage, an investment strategy that allows a CEF to raise capital or borrow money at short-term rates to purchase additional assets in pursuit of higher yields.* CEFs also give investors the potential for some control as to the price and timing of their orders.

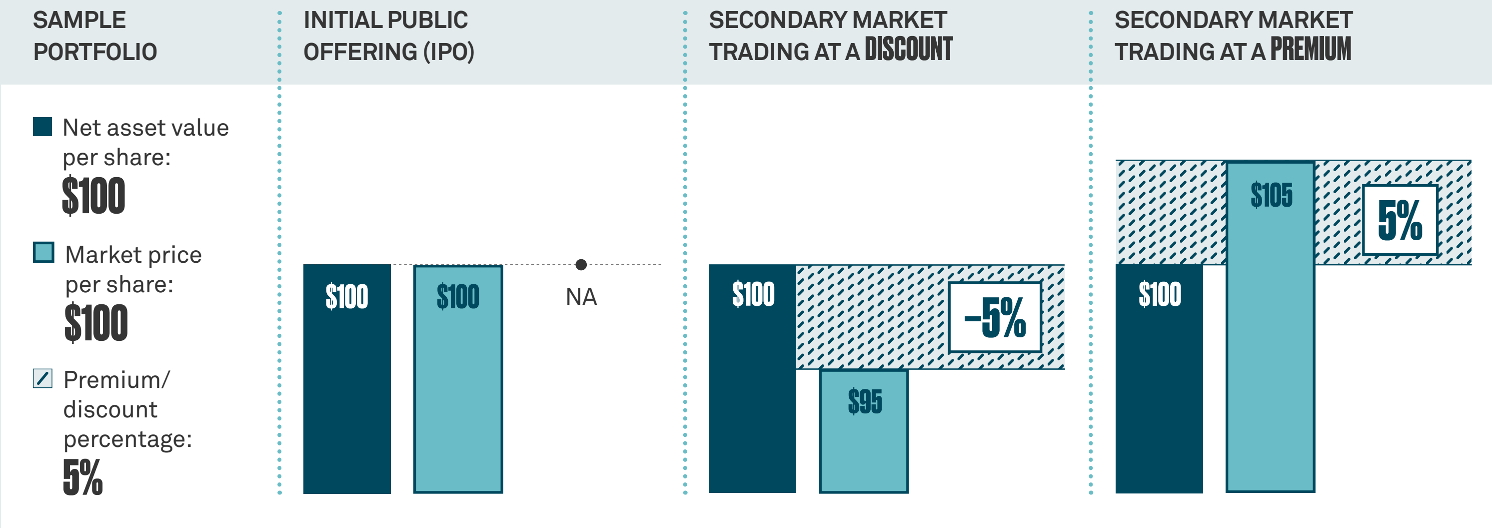
* The use of financial leverage creates an opportunity for increased income and capital growth for shareholders, but at the same time creates special risks and there can be no assurance that a leveraging strategy will be successful during any period in which it is employed. The use of leverage may magnify the portfolio's gains or losses.

UNDERSTANDING THE DIFFERENCE BETWEEN MARKET PRICE AND NET ASSET VALUE

After a closed-end fund has its initial public offering (IPO), the fixed number of fund shares goes on to trade on an exchange. This is known as the secondary market. The price of the fund's shares will fluctuate with changes in supply and demand, and may be different from what the underlying assets in the fund are worth, known as the net asset value (NAV).

A CEF's shares may trade at a discount to the NAV, meaning the share price is lower than the value of the securities in the fund, or at a premium, meaning the share price is higher than the value of the securities in the fund. In the secondary market, fund shares may be worth more or less than the original investment in the IPO.

UNDERSTANDING CLOSED-END FUND DISCOUNTS AND PREMIUMS



Past performance is no guarantee of future results.
Charts are for illustrative purposes only.

THE GOOD NEWS:

When a fund is trading at a discount, investors can view this as buying for less than the underlying securities are worth.

THE CAUTIONARY NEWS:

Sometimes a fund's discount can persist over time. There is no guarantee that a CEF's discount will narrow or be eliminated.

HOW LEVERAGE MAY DELIVER HIGHER YIELDS*

Many fixed income CEFs make use of leverage to enhance their potential yields. Since it is a fixed pool of assets, managers have the flexibility to issue debt or preferred shares, to open a line of credit, or to purchase securities that amplify returns such as derivatives or structured notes to put more money to work than is invested in the fund.

If the cost of borrowing is lower than the additional yield the fund could earn, a CEF manager may implement a leverage strategy to boost the potential yield. The hypothetical example to the right illustrates how that could work.

A HYPOTHETICAL ILLUSTRATION OF LEVERAGE IN ACTION

	UNLEVERAGED FUND	LEVERAGED FUND
Total portfolio (managed assets)	$100 million	$150 million
Leverage portfolio (33%)	N/A	$50 million
Cost of leverage (3% for leveraged fund)	N/A	$1.5 million (50 x .03)
Distribution yield of 5%	$5 million (100 x .05)	$7.5 million (150 x .05)
Distribution yield after the cost of leverage (3%)	5%	6%

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The term "derivative" refers to a type of financial contract whose value is dependent on an underlying asset, a group of assets, or a benchmark. Derivatives are usually leveraged instruments, which increases their potential risks and rewards.

WHY CONSIDER CEFs?

There are several compelling reasons for investors to consider incorporating CEFs into their overall investment strategy:

1 Long-term focus

Closed-end funds have a set number of shares and a fixed pool of investment dollars. This allows the portfolio managers to focus on efficiency and maintain longer-term views toward their investments. A CEF manager can remain fully invested at all times, does not have to sell securities to meet redemptions, and is not required to invest new money at potentially higher prices.

2 Potential for attractive yields

CEFs are able to use leverage in an effort to enhance their yields.* They typically look to borrow at cost-effective rates and then invest that money in securities they believe will offer higher yields. While not all CEFs use leverage, and it also increases the potential to magnify a loss, leverage is designed to seek higher returns than would be achieved in an unleveraged fund.

3 Potentially discounted prices

Because CEFs trade on the open market, there may be the opportunity to buy fund shares at a discount. When the demand for a particular CEF is less than the value of the securities in the fund, that fund will trade at a discount to NAV, offering investors an opportunity to access the underlying securities for less than they're worth.

4 Flexibility in order timing and price

CEF shares trade throughout the day at the current market price. This gives investors the ability to set specific parameters around their purchases and redemptions. This is not possible in an open-end mutual fund because shares are priced at the closing NAV each day and all orders occur before the market closes.

5 Access to a broader opportunity set

The stable asset base of CEFs allows them to take advantage of a wider range of investments, including alternative securities, derivative instruments and less-liquid areas of the market. This can provide diversified exposure to institutional-quality securities and strategies, but within the fully regulated confines of a fund designed for individual investors. However, these strategies often involve increased risk to the CEF.

6 Potential for consistent income

Many CEFs are designed to seek a steady stream of income to investors in the form of monthly or quarterly distributions. The number of distributions has the potential to be consistent over time, giving investors predictability in managing their cash flows. However, it's important to note the actual value of distributions may vary depending on fund performance and market conditions.

* See leverage note on first page.

THERE'S MORE TO KNOW ABOUT CLOSED-END FUNDS.

Talk to your financial professional about the diversification and income potential of closed-end funds.

Visit **bny.com** to learn more.

All investments involve risk, including the possible loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing. The use of leverage may magnify the portfolio's gains or losses.

Risks

Closed-end fund shares (CEFs) are not deposits or obligations of, or guaranteed by, any bank and are not insured by the FDIC or any other agency. CEFs are subject to investment risk, including possible loss of principal amount invested. An investment in the fund may be speculative and it involves a high degree of risk. No assurance can be given that a fund will achieve its investment objective. An investment in CEFs presents a number of risks and is not appropriate for all investors. Investors should carefully review and consider potential risks before investing.

Changes in interest rate levels can directly impact income generated by a CEF. Funds that have a portfolio with a significant allocation to fixed income assets, like bonds, may be more exposed to this type of risk as interest rates change. Asset allocation and diversification cannot assure a profit or protect against loss.

Shares of closed-end funds (CEF) are generally sold in the open market through a stock exchange. Shares may only be purchased or sold through registered broker/dealers. Closed-end funds, unlike open-end funds, are typically not continuously offered. An investment in CEFs presents a number of risks and is not appropriate for all investors. Investors should carefully review and consider potential risks before investing. Closed End Funds (CEFs) are exposed to much of the same risk as other exchange-traded products, including liquidity risk on the secondary market, credit risk, concentration risk and discount risk. Shares of closed-end funds frequently trade at a market price that is below their net asset value. This is commonly referred to as "trading at a discount." This characteristic of shares of closed-end funds is a risk separate and distinct from the risk that the fund's net asset value may decrease.

Asset class comparisons such as comparing Closed End Funds to Open End Funds and ETFs have limitations because different asset classes may have characteristics that materially differ from each other including investment strategy, portfolio holdings and expenses, which may or may not include fee waivers. Because of these differences, comparisons should not be relied upon solely as a measure when evaluating a fund.

Tax consequences of dividend or capital gain distributions may vary by individual taxpayer. There is no guarantee that dividends will be paid. You should not draw any conclusions about the fund's investment performance from the amount of the fund's distributions. Trading CEFs will also generate tax consequences and transaction expenses. This information is general in nature and is not intended to constitute tax advice. Please consult your own legal or tax advisor for more detailed information on tax issues and advice as they relate to your specific situation.

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