

Nuveen Short Duration Credit Opportunities Fund  
Form 486BPOS  
March 09, 2017

As filed with the U.S. Securities and Exchange Commission on March 8, 2017

1933 Act File No. 333-186405

1940 Act File No. 811-22518

# U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Post-Effective Amendment No. 2

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 8

## Nuveen Short Duration Credit Opportunities Fund

(Exact name of Registrant as Specified in Charter)

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**333 West Wacker Drive, Chicago, Illinois 60606**

(Address of Principal Executive Offices)

(Number, Street, City, State, Zip Code)

(Registrant's Telephone Number, including Area Code): (800) 257-8787

**Gifford R. Zimmerman**

**Vice President and Secretary**

**333 West Wacker Drive**

**Chicago, Illinois 60606**

Name and Address (Number, Street, City, State, Zip Code) of Agent for Service

*Copies to:*

**Thomas S. Harman**

**Morgan, Lewis & Bockius LLP**

**1111 Pennsylvania Ave, NW**

**Washington, DC 20004**

**Approximate Date of Proposed Public Offering:**

As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective (check appropriate box)

When declared effective pursuant to section 8(c)

Immediately upon filing pursuant to no-action relief granted on June 26, 2013.



PROSPECTUS

## 1 Million Common Shares

# Nuveen Short Duration Credit Opportunities Fund

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Nuveen Short Duration Credit Opportunities Fund (the Fund) is a diversified, closed-end management investment company. The Fund's investment objective is to provide current income and the potential for capital appreciation. The Fund seeks to achieve its investment objective by investing, under normal circumstances, at least 70% of its Managed Assets (as defined below under Portfolio Contents) in adjustable rate corporate debt instruments, including senior secured loans, second lien loans and other adjustable rate corporate debt instruments. The Fund's portfolio will be invested primarily in below investment grade adjustable corporate debt instruments (commonly referred to as junk bonds), including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. In addition, under normal circumstances, the Fund may make limited tactical investments in high yield debt and other debt instruments in an amount of up to 30% of its Managed Assets. Under normal circumstances, no more than 30% of the Fund's Managed Assets may be invested in debt instruments that are, at the time of investment, rated CCC+ or Caa1 or below by any nationally recognized statistical rating organization (NRSRO) that rate such security or are unrated but judged to be of comparable quality by the Fund's investment sub-adviser, Symphony Asset Management, LLC. The Fund may also, under normal circumstances, enter into tactical short positions, consisting primarily of high yield debt, either directly or through the use of derivatives, including credit default swaps, creating a negative investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets. Under normal circumstances, the Fund may invest up to 20% of its Managed Assets in debt instruments of non-U.S. issuers that are U.S. dollar or non-U.S. dollar denominated, including debt instruments of issuers located, or conducting their business in, emerging markets countries. In addition, the Fund uses leverage to seek to enhance current income and the potential for capital appreciation. The Fund cannot assure you that it will achieve its investment objective.

**Investing in the Fund's common shares involves certain risks that are described in the Risk Factors section of this Prospectus (the Prospectus), including the specific risks relating to the Fund's use of leverage.**

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information, dated March 8, 2017 (the SAI), containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the SAI, the table of contents of which is on the last page of this Prospectus, annual and semi-annual reports to shareholders and other information about the Fund, and make shareholder inquiries by calling (800) 257-8787, by writing to the Fund or from the Fund's website (<http://www.nuveen.com>). The information contained in, or that can be accessed through, the Fund's website is not part of this Prospectus. You also may obtain a copy of the SAI (and other information regarding the Fund) from the SEC's web site (<http://www.sec.gov>).

The Fund's common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other

governmental agency.

*Portfolio Contents.* The Fund's portfolio will be invested primarily in below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate plus a premium. Under normal market circumstances, the Fund invests at least 70% of its Managed Assets (as defined below) in adjustable rate senior loans and second lien loans. In addition, the Fund may make limited tactical investments in high yield debt and other debt instruments as described herein. The Fund also may enter into tactical short positions consisting primarily of high yield debt. The Fund may invest its Managed Assets without limit in corporate debt instruments that are, at the time of investment, rated below investment grade or unrated but judged by the portfolio managers to be of comparable quality; however, the Fund may not invest more than 30% of its Managed Assets in securities rated below CCC+ or Caa, including securities in default. Such debt instruments are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. Under normal market circumstances, the Fund will maintain an average duration of two years or less for its portfolio (including the effect of leverage, but after the effect of derivatives used to shorten duration). The Fund may invest up to 20% of its Managed Assets in securities of non-U.S. Issuers, which may include debt securities of Issuers located, or conducting their business in, emerging market countries. Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating leverage). Managed Assets for this purpose includes the proceeds realized and managed from the Fund's use of leverage as set forth in the Fund's investment management agreement between Nuveen Fund Advisors, LLC and the Fund. Total assets for this purpose shall include assets attributable to the Fund's use of effective leverage (whether or not those assets are reflected in the Fund's financial statements for purposes of generally accepted accounting principles).

*Leverage.* The Fund uses leverage to seek to enhance its potential current income and capital appreciation over time. There can be no assurance that the Fund's leverage strategy will be successful.

*Adviser and Sub-Adviser.* Nuveen Fund Advisors, LLC, the Fund's investment adviser, is responsible for determining the Fund's overall investment strategies and their implementation. Symphony Asset Management, LLC is the Fund's investment sub-adviser and oversees the day-to-day investment operations of the Fund.

The minimum price on any day at which Common Shares may be sold will not be less than the current net asset value per share plus the per share amount of the commission to be paid to the Fund's distributor, Nuveen Securities, LLC (Nuveen Securities). The Fund and Nuveen Securities will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price. The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions. For information on how Common Shares may be sold, see the Plan of Distribution section of this Prospectus.

As of March 1, 2017, the Fund has sold an aggregate of 36,711 Common Shares, representing net proceeds to the Fund of \$731,376, after payment of commissions of \$7,388 in the aggregate.

Common Shares are listed on the New York Stock Exchange (the NYSE). The trading or ticker symbol of the Fund is JSD. The Fund's closing price on the NYSE on March 1, 2017 was \$18.40.

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The date of this Prospectus is March 8, 2017

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**You should rely only on the information contained or incorporated by reference into this Prospectus. The Fund has not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus. The Fund's business, financial condition and prospects may have changed since that date. The Fund will update this Prospectus to reflect any material changes to the disclosures herein.**

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**PROSPECTUS SUMMARY**

*This is only a summary. You should review the more detailed information contained elsewhere in this Prospectus and in the Statement of Additional Information (the SAI).*

**The Fund**

Nuveen Short Duration Credit Opportunities Fund (the Fund) is a diversified, closed-end management investment company. See The Fund. The Fund's common shares, \$.01 par value (Common Shares), are traded on the New York Stock Exchange (the NYSE) under the symbol JSD. See Description of Common Shares. As of January 31, 2017, the Fund had 10,095,286 Common Shares outstanding, 35,000 Term Preferred Shares (referred to herein as TP Shares), and net assets applicable to Common Shares of \$183,682,149.

**Investment Objectives and Policies**

The Fund's investment objective is to provide current income and the potential for capital appreciation. The Fund cannot assure you that it will achieve its investment objective.

The Fund's portfolio will be invested primarily in below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Under normal market circumstances, the Fund invests at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans. Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating leverage). Managed Assets for this purpose includes the proceeds realized and managed from the Fund's use of leverage as set forth in the Fund's investment management agreement between Nuveen Fund Advisors, LLC (as defined under Investment Adviser) and the Fund. Total assets for this purpose shall include assets attributable to the Fund's use of effective leverage (whether or not those assets are reflected in the Fund's financial statements for purposes of generally accepted accounting principles). See The Fund's Investments for additional information on the types of securities in which the Fund may invest. Senior loans and second lien loans are made to U.S. and non-U.S. corporations, partnerships and other similar types of business entities (Borrowers, and each, a Borrower) that operate in various industries and geographic regions. Senior loans, second lien loans and other adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate, primarily the London Interbank Offered Rate (LIBOR) (of any tenor, but typically between one month and six months, and currency), plus a premium, and are therefore regarded as having short-term durations. In addition, the Fund may make limited tactical investments in high yield debt and other debt instruments as described herein. The Fund's investment objective and certain investment policies identified as such are considered fundamental and may not be changed without shareholder approval.



The Fund also may enter into tactical short positions consisting primarily of high yield debt. The high yield debt instruments may have intermediate-term or even long-term durations, but investments in those instruments will not be made in a manner that will cause the Fund's average portfolio duration (including the effect of leverage) to exceed two years. Short selling involves selling instruments that may be owned, and if not owned, borrowing the same instruments for delivery to the purchaser, with an obligation to replace the borrowed instruments at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the instruments.

The Fund may invest its Managed Assets without limit in corporate debt instruments that are, at the time of investment, rated below investment grade or unrated but judged by the portfolio managers to be of comparable quality; however, the Fund may not invest, at the time of investment, more than 30% of its Managed Assets in securities rated below CCC+ or Caa, including securities in default. Investment rating limitations are considered violated unless an excess or deficiency occurs or exists immediately after and as a result of an acquisition of securities. Investment grade quality securities are those securities that, at the time of investment, are (i) rated by at least one nationally recognized statistical rating organization (NRSRO) within the four highest grades (BBB- or Baa3 or better by Standard & Poor's Corporation, a division of The McGraw-Hill Companies (S&P), Moody's Investor Service Inc. (Moody's) or Fitch Ratings, part of the Fitch Group (Fitch)), or (ii) unrated but judged to be of comparable quality. The Fund may invest a substantial portion of its Managed Assets in debt instruments of below investment grade quality. Debt instruments of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. See Risks Issuer Level Risks Issuer Credit Risk, Risks Issuer Level Risks Below Investment Grade Risk and Risks Security Level Risks Short Exposure Risk.

The Fund uses leverage to seek to enhance current income and capital appreciation.

Under normal circumstances:

The Fund invests at least 70% of its Managed Assets in adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments.

The Fund will make limited tactical investments in high yield debt and other debt instruments as described herein in an aggregate amount of up to 30% of its Managed Assets.

No more than 30% of the Fund's Managed Assets may be invested in debt instruments that are, at the time of investment, rated CCC+ or Caa1 or below by any NRSRO or that are unrated but judged by the portfolio manager to be of comparable quality. Investment rating limitations are considered to apply only at the time of investment and will not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of an acquisition of securities.

The Fund may enter into tactical short positions, consisting primarily of high yield debt, either directly or through the use of derivatives, including credit default swaps, creating a negative investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets.

The Fund may invest up to 20% of its Managed Assets in debt instruments of non-U.S. issuers (which term for purposes of this prospectus includes Borrowers (as defined below)) that are U.S. dollar or non-U.S. dollar denominated. The Fund's investments in debt instruments of non-U.S. issuers may include debt instruments located, or conducting their business, in emerging market countries.

The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange traded funds (ETFs)) that invest primarily in securities of the types in which the Fund may invest directly.

See The Fund's Investments, Investment Objective, and Investment Policies.

The Fund may enter into certain derivative transactions, such as credit default swaps and interest rate swaps, as a hedging technique to protect against potential adverse changes in the market value of portfolio instruments. The Fund also may use derivatives to attempt to protect the net asset value (NAV) of the Fund, to facilitate the sale of certain portfolio instruments, to manage the Fund's effective interest rate exposure, and as a temporary substitute for purchasing or selling particular instruments. From time to time, the Fund also may enter into derivative transactions such as total return swaps on an underlying index to create investment exposure to the extent such transactions may facilitate implementation of its strategy more efficiently than through outright purchases or sales of portfolio instruments.

Under normal market circumstances, the Fund will maintain an average duration of two years or less for its portfolio (including the effect of leverage, but after the effect of derivatives used to shorten

duration). In this prospectus, average duration and average portfolio duration are each defined to be the modified duration of the Fund's portfolio, which is the measure of a debt instrument's or a portfolio's price sensitivity with respect to changes in market yields adjusted to reflect the effect of the Fund's effective leverage. When the average duration of the portfolio is expected to be longer than two years, the Fund will use interest rate swaps, interest rate futures or other derivative instruments to shorten such duration. Prices of instruments with shorter durations tend to be less sensitive to interest rate changes than instruments with longer durations. In general, the value of a portfolio of instruments with a shorter duration can be expected to be less sensitive to interest rate changes than a portfolio with a longer duration. For example, the price of a bond with an effective duration of two years will rise (fall) two percent for every one percent decrease (increase) in its yield, and the price of a five-year duration bond will rise (fall) five percent for a one percent decrease (increase) in its yield. As of January 31, 2017, the average leverage-adjusted effective duration of the Fund's portfolio was 0.43 years.

During temporary defensive periods or in order to keep the Fund's cash fully invested, including during the period when the net proceeds of the offering of Common Shares are first being invested, the Fund may deviate from its investment policies and objective. During such periods, the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities, or may invest in short-, intermediate-, or long-term U.S. Treasury securities. There can be no assurance that such strategies will be successful. For a more complete discussion of the Fund's portfolio composition, see The Fund's Investments.

#### **Investment Adviser**

Nuveen Fund Advisors, LLC (NFALLC), the Fund's investment adviser, is responsible for overseeing the Fund's overall investment strategy and its implementation. NFALLC offers advisory and investment management services to a broad range of investment company clients. NFALLC has overall responsibility for management of the Fund, oversees the management of the Fund's portfolio, manages the Fund's business affairs and provides certain clerical, bookkeeping and other administrative services. NFALLC is located at 333 West Wacker Drive, Chicago, Illinois 60606. NFALLC is an indirect subsidiary of Nuveen, LLC (Nuveen), the investment management arm of Teachers Insurance and Annuity Association of America (TIAA). TIAA is a life insurance company founded in 1918 by the Carnegie Foundation for the Advancement of Teaching and is the companion organization of College Retirement Equities Fund. As of December 31, 2016, Nuveen managed approximately \$882 billion in assets, of which approximately \$126 billion was managed by NFALLC.

**Sub-Adviser**

Symphony Asset Management LLC ( Symphony or Sub-Adviser ) is the Fund's sub-adviser and oversees the day-to-day investment operations of the Fund.

Symphony, a registered investment adviser, is an indirect wholly-owned subsidiary of Nuveen Investments. Founded in 1994, Symphony had approximately \$18.7 billion in assets under management as of December 31, 2016. Symphony specializes in the management of both long-only and alternative equity and debt strategies.

Nuveen Securities, LLC ( Nuveen Securities ), a registered broker-dealer affiliate of NFALLC and Symphony, is involved in the offering of the Fund's Common Shares. See Plan of Distribution-Distribution Through At-the-Market Transactions.

**Use of Leverage**

Regulatory leverage consists of senior securities as defined under the Investment Company Act of 1940, as amended (the 1940 Act ), which include (1) borrowings, including loans from financial institutions ( Borrowings ); (2) issuance of debt securities; and (3) issuance of preferred shares ((1),(2), and (3) are hereinafter collectively referred to as regulatory leverage ). The Fund may utilize regulatory leverage to the extent permissible under the 1940 Act.

The Fund currently employs regulatory leverage through borrowings and currently has outstanding TP Shares. The Fund has entered into a credit agreement with State Street Bank and Trust Company as lender ( State Street ) (the Credit Agreement ). The borrowing capacity under the Credit Agreement is \$75 million. The term of the Credit Agreement ends on August 3, 2017, unless extended. The Fund has the right to augment or replace the Credit Agreement with a new credit agreement in the future, and any such augmented or replacement credit agreement may contain terms that are materially different than the terms contained in the existing Credit Agreement. This credit facility is secured by substantially all of the assets of the Fund. As of July 31, 2016, the Fund's outstanding balance on the Credit Agreement was \$64,000,000. For the fiscal year ended July 31, 2016, the average daily balance outstanding and the average annual interest rate on these Borrowings were \$71,279,781 and 1.17%, respectively.

In addition to the regulatory leverage described above, the Fund may also enter into derivatives transactions, such as certain credit default swaps, total return swaps and bond futures, that have the economic effect of leverage by creating additional investment exposure. See Use of Leverage and The Fund's Investments Portfolio Composition and Other Information Derivatives in the Prospectus and Hedging Transactions in the SAI.

Leverage involves special risks. See Risk Factors Leverage Risk. There is no assurance that the Fund's leveraging strategy will be successful. The Fund will seek to invest the proceeds of any future

leverage in a manner consistent with the Fund's investment objective and policies. See Use of Leverage.

The Fund pays a management fee to NFALLC (which in turn pays a portion of its fee to the Fund's sub-adviser, Symphony) based on a percentage of Managed Assets. NFALLC will be responsible for using leverage to pursue the Fund's investment objectives, and will base its decision regarding whether and how much leverage to use for the Fund based on its assessment of whether such use of leverage is in the best interests of the Fund. However, the fact that a decision to increase the Fund's leverage will have the effect, all other things being equal, of increasing Managed Assets and therefore NFALLC's fees means that NFALLC may have a conflict of interest in determining whether to increase the Fund's use of leverage. NFALLC will seek to manage that potential conflict by only increasing the Fund's use of leverage when it determines that such increase is in the best interest of the Fund and is consistent with the Fund's investment objectives, and by periodically reviewing the Fund's performance and use of leverage with the Fund's Board of Trustees.

#### Offering Methods

The Fund may offer shares using one or more of the following methods: (i) at-the-market transactions through one or more broker-dealers that have entered into a selected dealer agreement with Nuveen Securities, one of the Fund's underwriters; (ii) through an underwriting syndicate; and (iii) through privately negotiated transactions between the Fund and specific investors. See Plan of Distribution.

*Distribution Through At-the-Market Transactions.* The Fund from time to time may issue and sell its Common Shares through Nuveen Securities, to certain broker-dealers that have entered into selected dealer agreements with Nuveen Securities. Currently, Nuveen Securities has entered into a selected dealer agreement with UBS Securities LLC (UBS) pursuant to which UBS will be acting as Nuveen Securities' sub-placement agent with respect to at-the-market offerings of Common Shares. Common Shares will only be sold on such days as shall be agreed to by the Fund and Nuveen Securities. Common Shares will be sold at market prices, which shall be determined with reference to trades on the NYSE, subject to a minimum price to be established each day by the Fund. The minimum price on any day will not be less than the current net asset value per share plus the per share amount of the commission to be paid to Nuveen Securities. The Fund and Nuveen Securities will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price.

The Fund will compensate Nuveen Securities with respect to sales of the Common Shares at a commission rate of up to 1.0% of the gross proceeds of the sale of Common Shares. Nuveen Securities will compensate broker-dealers participating in the offering at a rate of up to 0.8% of the gross sales proceeds of the sale of Common Shares

sold by that broker-dealer. Settlements of Common Share sales will occur on the third business day following the date of sale.

In connection with the sale of the Common Shares on behalf of the Fund, Nuveen Securities may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the "1933 Act"), and the compensation of Nuveen Securities may be deemed to be underwriting commissions or discounts. Unless otherwise indicated in a further Prospectus supplement, Nuveen Securities will act as underwriter on a reasonable efforts basis.

The offering of Common Shares pursuant to the Distribution Agreement (defined below under "Plan of Distribution - Distribution Through At-the-Market Transactions") will terminate upon the earlier of (i) the sale of all Common Shares subject thereto or (ii) termination of the Distribution Agreement. The Fund and Nuveen Securities each have the right to terminate the Distribution Agreement in its discretion at any time. See "Plan of Distribution - Distribution Through At-the-Market Transactions."

The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions.

UBS, its affiliates and their respective employees hold or may hold in the future, directly or indirectly, investment interests in Nuveen Investments, Inc. and its funds. The interests held by employees of UBS or its affiliates are not attributable to, and no investment discretion is held by, UBS or its affiliates.

The Fund's closing price on the NYSE on March 1, 2017 was \$18.40.

*Distribution Through Underwriting Syndicates.* The Fund from time to time may issue additional Common Shares through a syndicated secondary offering. In order to limit the impact on the market price of the Fund's Common Shares, underwriters will market and price the offering on an expedited basis (*e.g.*, overnight or similarly abbreviated offering period). The Fund will launch a syndicated offering on a day, and upon terms, mutually agreed upon between the Fund, Nuveen Securities and the underwriting syndicate.

The Fund will offer its shares at a price equal to a specified discount of up to 5% from the closing market price of the Fund's Common Shares on the day prior to the offering date. The applicable discount will be negotiated by the Fund and Nuveen Securities in consultation with the underwriting syndicate on a transaction-by-transaction basis. The Fund will compensate the underwriting syndicate out of the proceeds of the offering based upon a sales load of up to 4% of the

gross proceeds of the sale of Common Shares. The minimum net proceeds per share to the Fund will not be less than the greater of (i) the Fund's latest net asset value per Common Share or (ii) 91% of the closing market price of the Fund's Common Shares on the day prior to the offering date. See Plan of Distribution Distribution Through Underwriting Syndicates.

*Distribution Through Privately Negotiated Transactions.* The Fund, through Nuveen Securities, from time to time may sell directly to, and solicit offers from, institutional and other sophisticated investors, who may be deemed to be underwriters as defined in the 1933 Act for any resale of Common Shares. No sales commission or other compensation will be paid to Nuveen Securities or any other FINRA member in connection with such transaction.

The terms of such privately negotiated transactions will be subject to the discretion of the management of the Fund. In determining whether to sell Common Shares through a privately negotiated transaction, the Fund will consider relevant factors including, but not limited to, the attractiveness of obtaining additional funds through the sale of Common Shares, the purchase price to apply to any such sale of Common Shares and the investor seeking to purchase the Common Shares.

Common Shares issued by the Fund through privately negotiated transactions will be issued at a price equal to the greater of (i) the net asset value per Common Share or (ii) at a discount ranging from 0% to 5% of the average daily closing market price of the Fund's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. The applicable discount will be determined by the Fund on a transaction-by-transaction basis. See Plan of Distribution Distribution Through Privately Negotiated Transactions.

#### **Special Risk Considerations**

Investment in the Fund involves special risk considerations, which are summarized below. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program. See Risk Factors for a more complete discussion of the special risk considerations of an investment in the Fund.

*Investment and Market Risk.* An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Shares represents an indirect investment in the securities owned by the Fund, substantially all of which are traded on a national securities exchange or in the over-the-counter markets. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions. See Risk Factors Investment and Market Risk.

*Recent Market Conditions.* The financial crisis in the U.S. and global economies over the past several years, including the European sovereign debt crisis, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign. Liquidity in some markets has decreased and credit has become scarcer worldwide. Recent regulatory changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act ( Dodd-Frank Act ) and the introduction of new international capital and liquidity requirements set forth by the Basel Committee on Banking Supervision (known as Basel III ), may cause lending activity within the financial services sector to be constrained for several years as Basel III rules phase in and rules and regulations are promulgated and interpreted under the Dodd-Frank Act.

Since 2010, the risks of investing in certain foreign government debt have increased dramatically as a result of the ongoing European debt crisis, which began in Greece and has spread to varying degrees throughout various other European countries. These debt crises and the ongoing efforts of governments around the world to address these debt crises have also resulted in increased volatility and uncertainty in the global securities markets and it is impossible to predict the effects of these or similar events in the future on the Fund, though it is possible that these or similar events could have a significant adverse impact on the value and risk profile of the Fund. In the United States, on August 5, 2011, S&P lowered its long-term sovereign credit rating on the U.S. federal government debt to AA+ from AAA. Any additional downgrade by S&P, or any other rating agency, could increase volatility in both stock and bond markets, result in higher interest rates and higher Treasury yields and increase the costs of all kinds of debt.

Global economies and financial markets are also becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region. For example, in a referendum held on June 23, 2016, citizens of the United Kingdom voted to leave the European Union ( EU ), creating economic and political uncertainty in its wake. The country's departure from the EU (known as Brexit ) sparked depreciation in the value of the British pound, short-term declines in the stock markets and heightened risk of continued economic volatility worldwide.

As a consequence of the United Kingdom's vote to withdraw from the EU, the government of the United Kingdom may, pursuant to the Treaty of Lisbon (the Treaty ), give notice of its withdrawal and enter into negotiations with the EU Council to agree to terms for the United Kingdom's withdrawal from the EU. The Treaty provides for a two-year negotiation period, which may be shortened or extended by agreement of the parties. However, there is still considerable uncertainty relating to the potential consequences and precise



timeframe for the exit, how the negotiations for the withdrawal and new trade agreements will be conducted, and whether the United Kingdom's exit will increase the likelihood of other countries also departing the EU. During this period of uncertainty, the negative impact on not only the United Kingdom and European economies, but the broader global economy, could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

The impact of these developments in the near- and long-term is unknown and could have additional adverse effects on economies, financial markets and asset valuations around the world.

*Market Discount from Net Asset Value.* Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. The Fund cannot predict whether Common Shares will trade at, above or below net asset value. This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of investment activities. Investors bear a risk of loss to the extent that the price at which they sell their shares is lower in relation to the Fund's net asset value than at the time of purchase, assuming a stable net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by shareholder transaction costs (if applicable, which vary depending on the offering method used). Depending on the premium of the Common Shares at the time of any offering of Common Shares hereunder, the Fund's net asset value may be reduced by an amount up to the offering costs borne by the Fund.

The net asset value per Common Share will also be reduced by costs associated with any future issuances of Common or preferred shares. The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes. See *Risk Factors* *Market Discount from Net Asset Value*.

*Issuer Level Risks.*

*Issuer Credit Risk.* Issuers of debt instruments in which the Fund may invest may default on their obligations to pay principal or interest when due. This non-payment would result in a reduction of income to the Fund, a reduction in the value of a debt instrument experiencing non-payment and, potentially, a decrease in the net asset value of the Fund. Even if an issuer remains current on principal and interest payments, a deterioration the market's perception of the issuer's ability to make such payments in the future may cause a reduction in the value of the issuer's securities, and a commensurate

decrease in the value of the Fund's net assets, to the extent that an issuer must refinance its debt instruments in order to make principal payments at maturity, the issuer's inability to refinance may present increased risk of loss to the Fund. There can be no assurance that liquidation of collateral would satisfy the issuer's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of bankruptcy of an issuer, the Fund could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing a debt instrument. See *Risks Issuer Level Risks Issuer Credit Risk*.

*Below Investment Grade Risk.* The Fund may invest without limitation in debt instruments that are rated below investment grade at the time of investment or that are unrated but judged by the portfolio managers to be of comparable quality. No more than 30% of the Fund's Managed Assets may be invested in debt instruments rated CCC+ or Caa1 or below by any NRSRO or that are unrated but judged by the portfolio managers to be of comparable quality. Debt instruments of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. Issuers of lower grade instruments may be highly leveraged and may not have available to them more traditional methods of financing. The prices of these lower grade instruments are typically more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher rated instruments. The secondary market for lower rated instruments, including some senior loans, may not be as liquid as the secondary market for more highly rated instruments, a factor which may have an adverse effect on the Fund's ability to dispose of a particular security. Distressed and defaulted securities, including debtor-in-possession loans, generally present the same risks as investments in below investment grade debt instruments. However, in most cases, these risks are of a greater magnitude because of the uncertainties of investing in an issuer undergoing financial distress. See *Risks Issuer Level Risks Below Investment Grade Risk*.

*Non-U.S. Issuer Risk.* Investments in instruments of non-U.S. issuers may involve special risks not presented by investments in instruments of U.S. issuers, including the following: (i) less publicly available information about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices; (ii) many non-U.S. markets are smaller, less liquid and more volatile; (iii) potential adverse effects of fluctuations in currency exchange rates or controls on the value of the Fund's investments; (iv) the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; (v) the impact of economic, political, social or diplomatic events; (vi) possible

seizure of a company's assets, including expropriation and nationalization; (vii) restrictions imposed by non-U.S. countries limiting the ability of non-U.S. issuers to make payments of principal and/or interest due to blockages of foreign currency exchanges or otherwise; and (viii) withholding and other non-U.S. taxes may decrease the Fund's return. In addition, settlement, clearing, safe custody and registration procedures may be underdeveloped, which increases the chance of an error, fraud or default, which could cause loss to the Fund. Also, enforcing legal rights, such as security interests in collateral underlying loans, may be difficult, costly and slow in non-U.S. countries. Given this possibility, underlying collateral of non-U.S. Borrowers may be insufficient to fully discharge their obligations to the Fund. These risks are more pronounced to the extent that the Fund invests a significant portion of its assets in companies located in one region and to the extent that the Fund invests in instruments of issuers in emerging markets countries. In addition, economic, political and social developments may significantly disrupt the financial markets or interfere with the Fund's ability to enforce its rights against non-U.S. issuers. The Fund's Managed Assets to be invested in debt instruments of non-U.S. issuers may include debt instruments of issuers located, or conducting their business in, emerging markets countries. See Risks Issuer Level Risks Non-U.S. Issuer Risk.

*Security Level Risks.*

*Senior Loan Risk.* Senior loans hold the most senior position in the capital structure of a business entity, are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by subordinated debt holders and stockholders of the Borrower. Senior loans that the Fund intends to invest in are usually rated below investment grade, and share the same risks of other below investment grade debt instruments.

Although the Fund invests primarily in senior loans that are secured by specific collateral, there can be no assurance the liquidation of such collateral would satisfy a Borrower's obligation to the Fund in the event of Borrower default or that such collateral could be readily liquidated under such circumstances. If the terms of a senior loan do not require the Borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the Borrower's obligations under the senior loan.

In the event of bankruptcy of a Borrower, the Fund could also experience delays or limitations with respect to its ability to realize the benefits of any collateral securing a senior loan. Some senior loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the senior loans

to presently existing or future indebtedness of the Borrower or take other action detrimental to lenders, including the Fund. Such court action could under certain circumstances include invalidation of senior loans.

*Second Lien Loans and Unsecured Loans Risk.* Second lien loans and unsecured loans generally are subject to the same risks associated with investments in senior loans, as discussed above. Because second lien loans and unsecured loans are lower in priority of payment to senior loans, they are subject to the additional risk that the cash flow of the Borrower and property securing the loan, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the Borrower. This risk is generally higher for unsecured loans, which are not backed by a security interest in any specific collateral. Second lien loans and unsecured loans are expected to have greater price volatility than senior loans and may be less liquid. Second lien loans and unsecured loans of below investment grade quality also share the same risks of other below investment grade debt instruments.

*Subordinated Loans and Other Subordinated Debt Instruments.* Issuers of subordinated loans and other subordinated debt instruments in which the Fund may invest usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, such subordinated loans or other debt instruments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which the Fund is entitled to receive payments in respect of subordinated loans or other subordinated debt instruments in which it invests. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an issuer, holders of debt instruments ranking senior to the Fund's subordinated loans or other debt instruments would typically be entitled to receive payment in full before the Fund receives any distribution in respect of its investment. After repaying such senior creditors, the issuer may not have any remaining assets to use for repaying its obligation to the Fund. In the case of debt ranking equally with subordinated loans or other subordinated debt instruments in which the Fund invests, the Fund would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant issuer. In addition, the Fund will likely not be in a position to control any issuer by investing in its debt instruments. As a result, the Fund will be subject to the risk that an issuer in which it invests may make business decisions with which the Fund disagrees and the management of such issuer, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve the Fund's interests as debt investors.

*Risk of Settlement Delays.* Portfolio transactions in loans may settle in as short as seven days but typically can take up to two or three weeks, and in some cases much longer. Unlike the securities markets, there is no central clearinghouse for loan transactions, and the loan market has not established enforceable settlement standards or remedies for failure to settle.

*Loans Not Considered Securities.* Loan interests may not be considered securities, and purchasers, such as the Fund, therefore may not be entitled to rely on the anti-fraud protections of the federal securities laws.

*Interest Rate Risk.* Interest rate risk is the risk that fixed rate debt instruments will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such instruments generally will fall. The Fund's investment in such fixed rate instruments means that the net asset value and market price of Common Shares will tend to decline if market interest rates rise. Market interest rates in the U.S. and in certain other countries in which the Fund may invest currently are near historically low levels. NFALLC and Symphony expect the Fund's policy of investing at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans will make the Fund less volatile and its net asset value less sensitive to changes in market interest rates than if the Fund invested exclusively in fixed rate obligations. However, because interest rates on most adjustable rate instruments typically only reset periodically (*e.g.*, monthly or quarterly), a sudden and significant increase in market interest rates may cause a decline in the value of these investments and in the Fund's net asset value. See Risks Security Level Risks Interest Rate Risk.

*Risks in Loan Valuation.* The Fund utilizes independent pricing services approved by the Board of Trustees to value portfolio instruments at their market value. If the pricing services are unable to provide a market value or if a significant event occurs such that the valuation(s) provided are deemed unreliable, the Fund may value portfolio instrument(s) at their fair value, which is generally the amount an owner might reasonably expect to receive upon a current sale. Valuation risks associated with investing in adjustable rate corporate debt instruments including, but not limited to: a limited number of market participants, a lack of publicly-available information, resale restrictions, settlement delays, corporate actions and adverse market conditions may make it difficult to value or sell such instruments. Because non-U.S. instruments may trade on days when Common Shares are not priced, net asset value can change at times when Common Shares cannot be sold.

*Loan Participation Risk.* The Fund may purchase a participation interest in a loan and by doing so acquire some or all of the interest of a bank or other lending institution in a loan to a Borrower. A

participation typically will result in the Fund having a contractual relationship only with the lender, not the Borrower. As a result, the Fund assumes the credit risk of the lender selling the participation in addition to the credit risk of the Borrower. By purchasing a participation, the Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the Borrower. In the event of insolvency or bankruptcy of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not have a senior claim to the lender's interest in the loan. If the Fund only acquires a participation in the loan made by a third party, the Fund may not be able to control the exercise of any remedies that the lender would have under the loan. Such third party participation arrangements are designed to give loan investors preferential treatment over high yield investors in the event of a deterioration in the credit quality of the Borrower. Even when these arrangements exist, however, there can be no assurance that the principal and interest owed on the loan will be repaid in full.

*Prepayment Risk.* During periods of declining interest rates or for other purposes, issuers may exercise their option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding instruments. This is known as call or prepayment risk.

*Short Exposure Risk.* The Fund may enter into tactical short positions, either directly or through derivatives, to create negative investment exposure or to hedge existing investment exposure. Short selling involves selling instruments that may be owned, and if not owned, borrowing the same instruments for delivery to the purchaser, with an obligation to replace the borrowed instruments at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the instruments. A short sale creates the risk of an unlimited loss, in that the price of the underlying instrument could theoretically increase without limit, thus increasing the cost of buying those instruments to cover the short position. There can be no assurance that the instruments necessary to cover a short position will be available for purchase. Purchasing instruments to close out the short position can itself cause the price of the instruments to rise further, thereby exacerbating the loss. The success of the Fund's short selling to create negative investment exposure is dependent on Symphony's ability to correctly determine which investments are likely to decline in value, either in absolute terms or relative to corresponding long positions in the portfolio, which may be different than Symphony's ability to invest in long portfolio positions.

*Illiquid Securities Risk.* The Fund may invest in securities that, at the time of investment, are illiquid. Illiquid securities are not readily marketable and may include some restricted securities. Illiquid

securities involve the risk that the securities will not be able to be sold at the time desired by the Fund or at prices approximating the value at which the Fund is carrying the securities on its books.

*Other Risks Associated with Loans.* Many senior loans, second lien loans and other loans in which the Fund may invest may not be rated by an NRSRO, generally will not be registered with the SEC and generally will not be listed on a securities exchange. In addition, the amount of public information available with respect to loans generally may be less extensive than that available for registered and exchange-listed securities. The frequency and magnitude of such changes cannot be predicted. No active trading market currently exists for some senior loans and most subordinated loans in which the Fund may invest and, thus, those loans may be illiquid. As a result, such senior loans and subordinated loans generally are more difficult to value than more liquid securities for which a trading market exists. See Risks Security Level Risks Other Risks Associated with Loans.

*Derivatives Risk, including the Risk of Swaps.* The Fund's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. Whether the Fund's use of derivatives is successful will depend on, among other things, if NFALLC and Symphony correctly forecast market values, interest rates and other applicable factors. If NFALLC and Symphony incorrectly forecast these and other factors, the investment performance of the Fund will be unfavorably affected. In addition, the derivatives market is largely unregulated. It is possible that developments in the derivatives market could adversely affect the Fund's ability to successfully use derivative instruments.

The Fund may enter into debt-related derivatives instruments including credit swap default contracts and interest rate swaps. The Fund may enter into total return swaps on an underlying index to create investment exposure. Like most derivative instruments, the use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. In addition, the use of swaps requires an understanding by NFALLC and Symphony of not only of the referenced asset, rate or index, but also of the swap itself. The derivatives market is subject to a changing regulatory environment. It is possible that regulatory or other developments in the derivatives market could adversely affect the Fund's ability to successfully use derivative instruments. See Risk Factors Derivatives Risk, Including the Risk of Swaps, Risk Factors Counterparty Risk, Risk Factors Hedging Risk and the SAI.

*Legislation and Regulatory Risk.* At any time after the date of this Prospectus, legislation or additional regulations may be enacted that

could negatively affect the assets of the Fund or the issuers of such assets. Changing approaches to regulation may have a negative impact on the entities and/or securities in which the Fund invests. Legislation or regulation may also change the way in which the Fund itself is regulated. There can be no assurance that future legislation, regulation or deregulation will not have a material adverse effect on the Fund or will not impair the ability of the Fund to achieve its investment objectives.

In addition, as new rules and regulations resulting from the passage of Dodd-Frank Act are implemented and new international capital and liquidity requirements are introduced under the Basel III Accords ( Basel III ), the market may not react the way NFALLC or Symphony expects. Whether the Fund achieves its investment objectives may depend on, among other things, whether NFALLC or Symphony correctly forecast market reactions to this and other legislation. In the event NFALLC and Symphony incorrectly forecast market reaction, the Fund may not achieve its investment objectives and a Common Shareholder's shares may be worth less than his or her original investment.

*Leverage Risk.* The use of leverage creates an opportunity for increased Common Share net income and returns, but also creates special risks for Common Shareholders. There is no assurance that the Fund's leveraging strategy will be successful. The risk of loss attributable to the Fund's use of leverage is borne by Common Shareholders. The Fund's use of leverage can result in a greater decrease in net asset values in declining markets. The Fund's use of leverage similarly can magnify the impact of changing market conditions on Common Share market prices.

Because the long-term debt securities in which the Fund invests generally pay fixed rates of interest while the Fund's costs of leverage generally fluctuate with short- to intermediate-term yields, the incremental earnings from leverage will vary over time. However, the Fund may use derivatives, such as interest rate swaps, to manage the Fund's effective cost of leverage exposure, in an effort to lower leverage costs over an extended period. Accordingly, the Fund cannot assure you that the use of leverage will result in a higher yield or return to Common Shareholders. The income benefit from leverage will be reduced to the extent that the difference narrows between the net earnings on the Fund's portfolio securities and its cost of leverage. The income benefit from leverage will increase to the extent that the difference widens between the net earnings on the Fund's portfolio securities and its cost of leverage. If short-term rates rise, the Fund's cost of leverage could exceed the fixed rate of return on longer-term bonds held by the Fund that were acquired during periods of lower interest rates, reducing income and returns to Common Shareholders. This could occur even if both short- or intermediate-term and long-term interest rates rise. Because of the costs of leverage, the Fund may incur



losses even if the Fund has positive returns if they are not sufficient to cover the costs of leverage. The Fund's cost of leverage includes interest on borrowing, or dividends paid on preferred shares, as well as any one-time costs (e.g., issuance costs) and ongoing fees and expenses associated with such leverage.

The Fund is subject to requirements imposed by its use of leverage through Borrowings, including the Credit Agreement, and its Preferred Shares, including TP Shares. These requirements may include asset coverage and/or restrictions relating to portfolio characteristics such as portfolio diversification and credit rating criteria. In addition, the TP Shares are required to use commercially reasonable efforts to maintain a rating by at least one NRSRO and are subject to asset coverage requirements of 225%. While these restrictions may be different than those under the 1940 Act, it is not anticipated that these restrictions will impede the management of the Fund's portfolio in accordance with the Fund's investment objectives and policies. However, in order to maintain such requirements, the Fund may be required to take certain actions, such as redeeming Preferred Shares or reducing Borrowings with the proceeds from portfolio transactions at what might be an in opportune time in the market. Such actions could reduce the net earnings or returns to Common Shareholders over time.

Furthermore, the amount of fees paid to NFALLC (which in turn pays a portion of its fees to Symphony) for investment advisory services will be higher if the Fund uses leverage because the fees will be calculated based on the Fund's Managed Assets this may create an incentive for NFALLC and Symphony to leverage the Fund.

The Fund may invest in the securities of other investment companies, which may themselves be leveraged and therefore present similar risks to those described above and magnify the Fund's leverage risk.

See Risk Factors Leverage Risk and Use of Leverage.

The Fund's use of borrowing or other forms of leverage creates special risks for Common Shareholders, including the likelihood of greater volatility of NAV and market price of, and distributions on, the Common Shares. In shorter investment horizons or in periods of economic downturn, sharply increasing inflation or higher volatility, leverage will typically magnify downside outcomes.

The Fund will pay (and Common Shareholders will bear) any costs and expenses relating to the Fund's use of leverage, which will result in a reduction in the NAV of the Common Shares. NFALLC may, based on its assessment of market conditions, increase or decrease the Fund's level of leverage. Such changes may impact the Fund's distributions and the valuation of the Fund's Common Shares in the secondary market.

*Currency Risk.* The Fund may invest up to 20% of its Managed Assets in securities of non-U.S. Issuers that are non-U.S. dollar

denominated. Investments by the Fund in non-U.S.-dollar denominated securities will be subject to currency risk. Currency risk is the risk that fluctuations in the exchange rates between the U.S. dollar and non-U.S. currencies may negatively affect an investment. The value of securities denominated in non-U.S. currencies may fluctuate based on changes in the value of those currencies relative to the U.S. dollar, and a decline in applicable foreign exchange rates could reduce the value of such securities held by the Fund.

*Counterparty Risk.* Changes in the credit quality of the companies that serve as the Fund's counterparties with respect to derivatives or other transactions supported by another party's credit may affect the value of those instruments. Certain entities that have served as counterparties in the markets for these transactions have recently incurred significant losses and financial hardships, including bankruptcy, as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such hardships have reduced these entities' capital and called into question their continued ability to perform their obligations under such transactions. By using such derivatives or other transactions, the Fund assumes the risk that its counterparties could experience similar financial hardships. See Risk Factors Counterparty Risk.

*Potential Conflicts of Interest Risk.* NFALLC and Symphony each provide a wide array of portfolio management and other asset management services to a mix of clients and may engage in ordinary course activities in which their respective interests or those of their clients may compete or conflict with those of the Fund. For example, NFALLC and Symphony may provide investment management services to other funds and accounts that follow investment objectives similar to those of the Fund. In certain circumstances, and subject to its fiduciary obligations under the Investment Advisers Act of 1940, Symphony may have to allocate a limited investment opportunity among its clients, which include closed-end funds, open-end funds and other commingled funds. NFALLC and Symphony have each adopted policies and procedures designed to address such situations and other potential conflicts of interests. For additional information about potential conflicts of interest, and the way in which NFALLC and Symphony address such conflicts, please see the SAI.

*Other Risks.*

*Reinvestment Risk.* Reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the Common Share's market price or your overall returns. See Risk Factors Reinvestment Risk.

*Inflation Risk.* Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation

decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. See Risk Factors Inflation Risk.

*Deflation Risk.* Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of Issuers and may make Issuer default more likely, which may result in a decline in the value of the Fund's portfolio. See Risk Factors Deflation Risk.

*Hedging Risk.* The Fund's use of derivatives or other transactions to reduce risks involves costs and will be subject to NFALLC and Symphony's ability to predict correctly changes in the relationships of such hedge instruments to the Fund's portfolio holdings or other factors. No assurance can be given that NFALLC and Symphony's judgment in this respect will be correct. In addition, no assurance can be given that the Fund will enter into hedging or other transactions at times or under circumstances in which it may be advisable to do so. See Risk Factors Hedging Risk.

*Anti-Takeover Provisions.* The Fund's Declaration of Trust (the Declaration) and the Fund's By-Laws (the By-Laws) include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of the Common Shares. See Certain Provisions in the Declaration of Trust and Risk Factors Anti-Takeover Provisions.

*Reliance on Investment Adviser.* The Fund is dependent upon services and resources provided by its investment adviser, NFALLC, and therefore NFALLC's parent, Nuveen Investments. Nuveen Investments has a substantial amount of indebtedness. Nuveen Investments, through its own business or the financial support of its affiliates, may not be able to generate sufficient cash flow from operations or ensure that future borrowings will be available in an amount sufficient to enable it to pay its indebtedness with scheduled maturities beginning in 2014 or to fund its other liquidity needs. Nuveen Investments failure to satisfy the terms of its indebtedness, including covenants therein, generally may have an adverse effect on the financial condition of Nuveen Investments.

In addition, an investment in the Fund's Common Shares raises other risks, which are more fully disclosed in the Risk Factors section of this Prospectus.

**Distributions**

The Fund pays monthly distributions to Common Shareholders at a level rate (stated in terms of a fixed cents per Common Share

dividend rate) based on the projected performance of the Fund. The Fund's ability to maintain a level Common Share dividend rate will depend on a number of factors, including dividends payable on preferred shares, if issued in the future. As portfolio and market conditions change, the rate of dividends on the Common Shares and the Fund's dividend policy could change. For each taxable year, the Fund will distribute all or substantially all of its net investment income (after it pays accrued dividends on any outstanding preferred shares). In addition, the Fund intends to distribute, at least annually, the net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) and taxable ordinary income, if any, to Common Shareholders so long as the net capital gain and taxable ordinary income are not necessary to pay accrued dividends on, or redeem or liquidate, any preferred shares, if issued in the future. While not currently anticipated, if the Fund makes total distributions during a given calendar year in an amount that exceeds the Fund's net investment income and net capital gain for that calendar year, the excess would generally be treated by Common Shareholders as a return of capital for tax purposes. A return of capital reduces a shareholder's tax basis, which could result in higher taxes when the shareholder sells his or her shares. This may cause the shareholder to pay taxes even if he or she sells shares for less than the original price. You may elect to reinvest automatically some or all of your distributions in additional Common Shares under the Fund's Dividend Reinvestment Plan.

If the Fund does not distribute all of its net capital gain for a taxable year, it will pay federal income tax on the retained gain. Each Common Shareholder of record as of the end of the Fund's taxable year (i) will include in income for federal income tax purposes as long-term capital gain his or her share of the retained gain, (ii) will be deemed to have paid his or her proportionate share of the tax paid by the Fund on such retained gain, and (iii) will be entitled to an income tax credit or refund for that share of the tax. The Fund may treat the retained capital gain amount as a substitute for equivalent cash distributions. See [Distributions](#) and [Dividend Reinvestment Plan](#).

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time, subject to a Finding by the Fund's Board of Trustees that change is in the best interests of the Fund and its Common Shareholders.

**Special Tax Considerations**

Dividends with respect to the Common Shares generally will not constitute [qualified dividend income](#) for federal income tax purposes and thus generally will not be eligible for taxation at longterm capital gain tax rates (except in the case of capital gain dividends). See [Tax Matters](#).

**Custodian and Transfer Agent**

State Street Bank and Trust Company serves as custodian and transfer agent of the Fund's assets. See [Custodian and Transfer Agent](#).

**Voting Rights**

The holders of the Fund's preferred shares, voting as a separate class, would have the right to elect at least two Trustees at all times and to elect a majority of the Trustees in the event two full years' dividends on the preferred shares, including the preferred shares, are unpaid. In each case, the remaining Trustees will be elected by holders of shares of Common Shares and preferred shares, including the preferred shares, voting together as a single class. The holders of preferred shares, including the preferred shares, will vote as a separate class or classes on certain other matters as required under the Declaration, the 1940 Act and Massachusetts law.

**SUMMARY OF FUND EXPENSES**

The purpose of the table below and the examples below are to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. The table shows the expenses of the Fund as a percentage of the average net assets applicable to Common Shares, and not as a percentage of total assets or Managed Assets.

<b>Shareholder Transaction Expenses</b> (as a percentage of offering price)	
Maximum Sales Charge	4.00%
Dividend Reinvestment Plan Fees <sup>(1)</sup>	None
	<b>As a Percentage of Net Assets Attributable to Common Shares(2)</b>
<hr/>	
<b>Annual Expenses</b>	
Management Fees	1.26%
Interest Expenses on Borrowings and Fees on TP Shares <sup>(3)</sup>	1.01%
Other Expenses <sup>(4)</sup>	0.18%
<hr/>	
<b>Total Annual Expenses</b>	<b>2.45%</b>
<hr/>	

- (1) You will be charged a \$2.50 service charge and pay brokerage charges if you direct State Street Bank and Trust Company, as agent for the Common Shareholders (the Plan Agent), to sell your Common Shares held in a dividend reinvestment account.
- (2) Stated as percentages of average net assets attributable to Common Shares for the fiscal year ended July 31, 2016.
- (3) Interest Expense on Borrowings and Fees on TP Shares has been restated using current fees as if they had been in effect during the previous fiscal year. Interest Expense on Borrowings are calculated at a rate per annum equal to 1-Month LIBOR plus 0.85%. Fees on TP Shares assume annual dividends paid and amortization of offering costs. The actual Interest Expense on Borrowings and Fees on TP Shares incurred in the future may be higher or lower. The Fund's use of leverage will increase the amount of management fees paid to NFALLC and Symphony.
- (4) Other Expenses is based on estimated amounts for the current fiscal year. Expenses attributable to the Fund's investments, if any, in other investment companies are currently estimated not to exceed 0.01%. See Portfolio Composition Other Investment Companies in the SAI.

The purpose of the table above is to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. See Management of the Fund Investment Adviser.

**Examples**

The following examples illustrate the expenses (including the applicable transaction fees, (referred to as the Maximum Sales Charge in the fee table above) if any, that a shareholder would pay on a \$1,000 investment that is held for the time periods provided in the table. Each example assumes that all dividends and other distributions are reinvested in the Fund and that the Fund's Annual Expenses, as provided above, remain the same. The examples also assume a 5% annual return.<sup>(1)</sup>

**Example # 1 (At-the-Market Transaction)**

# Edgar Filing: Nuveen Short Duration Credit Opportunities Fund - Form 486BPOS

The following example assumes a transaction fee of 1.00%, as a percentage of the offering price.

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$35	\$ 86	\$ 139	\$ 286

**Example # 2 (Underwriting Syndicate Transaction)**

The following example assumes a transaction fee of 4.00%, as a percentage of the offering price.

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$64	\$ 113	\$ 165	\$ 307

**Example # 3 (Privately Negotiated Transaction)**

The following example assumes there is no transaction fee.

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$25	\$ 76	\$ 131	\$ 279

**The examples should not be considered a representation of future expenses. Actual expenses may be greater or less than those shown above.**

- (1) The examples assume that all dividends and distributions are reinvested at Common Share net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.



## FINANCIAL HIGHLIGHTS

The following Financial Highlights table is intended to help a prospective investor understand the Fund's financial performance for the periods shown. Certain information reflects financial results for a single Common Share of the Fund. The total returns in the table represent the rate an investor would have earned or lost on an investment in Common Shares of the Fund (assuming reinvestment of all dividends). The Fund's annual financial statements as of and for the fiscal years ended July 31, 2016 and 2015, including the financial highlights for the fiscal years then ended, have been audited by KPMG LLP, an independent registered public accounting firm. KPMG has not reviewed or examined any records, transactions or events after the date of such reports. The information with respect to the fiscal years ended prior to July 31, 2015 has been audited by other auditors. A copy of the Annual Report may be obtained from [www.sec.gov](http://www.sec.gov) or by visiting [www.nuveen.com](http://www.nuveen.com). The information contained in, or that can be accessed through, the Fund's website is not part of this Prospectus. Past results are not indicative of future performance.

The following per share data and ratios have been derived from information provided in the financial statements.

Selected data for a Common Share outstanding throughout each period:

	Year Ended July 31,					
	2016	2015	2014	2013	2012	2011(h)
<b>PER SHARE OPERATING PERFORMANCE</b>						
Beginning Net Asset Value ( NAV )	\$ 18.63	\$ 19.48	\$ 19.91	\$ 19.49	\$ 19.08	\$ 19.10
<b>Investment Operations:</b>						
Net Investment Income (Loss) (a)	1.21	1.22	1.29	1.61	1.56	0.05
Net Realized/ Unrealized Gain (Loss)	(1.16)	(0.87)	(0.02)	0.49	0.25	0.08
<b>Total</b>	<b>0.05</b>	<b>0.35</b>	<b>1.27</b>	<b>2.10</b>	<b>1.81</b>	<b>0.13</b>
<b>Less Distributions:</b>						
From Net Investment Income	(1.16)	(1.16)	(1.37)	(1.61)	(1.40)	(0.11)
From Accumulated Net Realized Gains	(0.03)	(0.04)	(0.33)	(0.07)		
<b>Total</b>	<b>(1.19)</b>	<b>(1.20)</b>	<b>(1.70)</b>	<b>(1.68)</b>	<b>(1.40)</b>	<b>(0.11)</b>
<b>Offering Costs</b>						
Premium from Shares Sold through Shelf Offering			*	*		(0.04)
<b>Ending NAV</b>	<b>\$ 17.49</b>	<b>\$ 18.63</b>	<b>\$ 19.48</b>	<b>\$ 19.91</b>	<b>\$ 19.49</b>	<b>\$ 19.08</b>
<b>Ending Share Price</b>	<b>\$ 16.16</b>	<b>\$ 16.41</b>	<b>\$ 18.20</b>	<b>\$ 19.89</b>	<b>\$ 19.54</b>	<b>\$ 18.37</b>
<b>Total Returns:</b>						
Based on NAV (b)	0.62%	1.87%	6.59%	11.17%	9.96%	0.49%
Based on Share Price (b)	6.52%	(3.27)%	0.16%	10.77%	14.77%	(7.58)%
<b>RATIOS/SUPPLEMENTAL DATA</b>						
Ending Net Assets (000)	\$ 176,531	\$ 188,031	\$ 196,613	\$ 201,031	\$ 195,165	\$ 190,868
<b>Ratios to Average Net Assets (c)</b>						
Expenses	2.27%	1.78%	1.88%	1.80%	1.75%	1.16%**
Net Investment Income (Loss) (d)	7.05%	6.43%	6.52%	8.12%	8.25%	1.52%**

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Portfolio Turnover Rate (f) 34% 31% 45% 82% 62% 5%

**BORROWINGS AT THE END OF PERIOD:**

Aggregate Amount Outstanding (000)	\$ 64,000	\$ 85,200	\$ 85,000	\$ 85,000	\$ 85,000	\$
Asset Coverage Per \$1,000 (e)	\$ 2,783	\$ 3,207	\$ 3,313	\$ 3,365	\$ 3,296	\$

**TP SHARES AT THE END OF PERIOD:**

Aggregate Amount Outstanding (000)	\$ 35,000	\$	\$	\$	\$	\$
Asset Coverage Per \$1,000 Share	\$ 2,783	\$	\$	\$	\$	\$

**BORROWINGS AND TP SHARES AT THE END OF THE PERIOD:**

Asset Coverage Per \$1 Liquidation Preference	\$ 2.78	\$	\$	\$	\$	\$
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- (a) Per share Net Investment Income (Loss) is calculated using the average daily shares method.
- (b) Total Return Based on NAV is the combination of changes in NAV, reinvested dividend income at NAV and reinvested capital gains distributions at NAV, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending NAV. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its NAV), and therefore may be different from the price used in the calculation. Total returns are not annualized. Total Return Based on Share Price is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period takes place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.
- (c) Ratios do not reflect the effect of dividend payments to Preferred shareholders, where applicable. Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to Preferred shares and/or borrowings, where applicable. Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank where applicable. Each ratio includes the effect of all interest expense paid and other costs related to preferred shares and/or borrowings, where applicable, as follows:

	Year Ended July 31,					
	2016	2015	2014	2013	2012	2011(h)
Ratios of Interest Expense to Average Net Assets	0.82%	0.45%	0.50%	0.50%	0.47%	%

- (d) Each ratio of Net Investment Income (Loss) includes the effect of the increase (decrease) of the net realizable value of the receivable for matured senior loans. The increase (decrease) to the Ratios of Net Investment Income (Loss) to Average Net Assets were as follows:

Increase (Decrease) of Ratios of Net Investment Income (Loss) to Average Net Assets Applicable to Common Shares(g)	
Year Ended 7/31:	
2016	%
2015	
2014	
2013	
2012	
2011	

- (e) For the fiscal year ended July 31, 2016, Asset Coverage per \$1,000 of Borrowings reflects the amount of Fund total assets (less all liabilities not represented by Borrowings and Preferred Shares) per \$1,000 of the combined amount of Borrowings and outstanding Preferred Shares, which are considered to be debt for financial reporting purposes. For purposes of calculating Asset Coverage as defined under the 1940 Act, the outstanding Preferred Shares are excluded because they are considered to be equity. Calculated in accordance with the 1940 Act, the Asset Coverage per \$1,000 of Borrowings reflect the amount of Fund total assets (less all liabilities not represented by Borrowings and Preferred Shares) per \$1,000 of Borrowings alone, and the Asset Coverage per \$1,000 of Borrowings for the fiscal year ended July 31, 2016 is \$4,305.
- (f) Portfolio Turnover Rate is calculated based on the lesser of long-term purchases or sales (as disclosed in Note 5 Investment Transactions, in the most recent Shareholder report) divided by the average long-term market value during the period.
- (g) The Fund has not had any matured senior loans since its commencement of operations on May 25, 2011.
- (h) For the period May 25, 2011 (commencement of operations) through July 31, 2011.
- \* Rounds to less than \$.01 per share.
- \*\* Annualized.

### TRADING AND NET ASSET VALUE INFORMATION

The following table shows for the periods indicated: (i) the high and low sales prices for the Common Shares reported as of the end of the day on the NYSE, (ii) the high and low net asset values of the Common Shares, and (iii) the high and low of the premium/(discount) to net asset value (expressed as a percentage) of the Common Shares.

Fiscal Quarter Ended	Market Price		Net Asset Value		Premium/(Discount)	
	High	Low	High	Low	High	Low
January 2017	\$ 18.15	\$ 16.06	\$ 18.24	\$ 17.66	(0.27)%	(9.71)%
October 2016	\$ 16.87	\$ 15.89	\$ 17.96	\$ 17.47	(4.74)%	(9.48)%
July 2016	\$ 16.23	\$ 15.15	\$ 17.51	\$ 17.04	(7.20)%	(11.53)%
April 2016	\$ 15.35	\$ 13.65	\$ 17.17	\$ 16.01	(9.63)%	(14.79)%
January 2016	\$ 15.26	\$ 13.94	\$ 17.72	\$ 16.38	(10.23)%	(16.48)%
October 2015	\$ 16.51	\$ 15.03	\$ 18.64	\$ 17.68	(11.33)%	(15.51)%
July 2015	\$ 17.31	\$ 16.17	\$ 19.14	\$ 18.59	(8.99)%	(13.11)%
April 2015	\$ 17.46	\$ 16.76	\$ 19.08	\$ 18.68	(8.30)%	(10.89)%
January 2015	\$ 17.43	\$ 16.49	\$ 19.18	\$ 18.37	(8.89)%	(11.77)%
October 2014	\$ 17.96	\$ 16.60	\$ 19.46	\$ 18.81	(7.14)%	(12.03)%

The net asset value per Common Share, the market price and percentage of premium/(discount) to net asset value per Common Share on March 1, 2017 were \$18.45, \$18.40 and (0.27)%, respectively. As of January 31, 2017, the Fund had 10,095,286 Common Shares outstanding, 35,000 TP Shares outstanding and net assets applicable to Common Shares of \$183,682,149. See Repurchase of Fund Shares; Conversion to Open-End Fund.

### THE FUND

The Fund is a diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Massachusetts business trust on January 3, 2011, pursuant to the Declaration governed by the laws of the Commonwealth of Massachusetts. The Fund's Common Shares are listed on the NYSE under the symbol JSD. The Fund has also issued preferred shares.

The following provides information about the Fund's outstanding Common Shares as of January 31, 2017:

Title of Class	Amount Authorized	Amount Held by the Fund or for its Account	Amount Outstanding
Common Shares	unlimited	0	10,095,286
Preferred Shares	unlimited		
TP Shares	35,000	0	35,000

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The Fund's principal office is located at 333 West Wacker Drive, Chicago, Illinois 60606, and its telephone number is (800) 257-8787.

### USE OF PROCEEDS

The net proceeds from the issuance of Common Shares hereunder will be invested in accordance with the Fund's investment objective and policies as stated below. Pending investment, the timing of which may vary depending on the size of the investment but in no case is expected to exceed 30 days, it is anticipated that the proceeds will be invested in short-term or long-term securities issued by the U.S. Government and its agencies or instrumentalities or in high quality, short-term money market instruments. See [Risk Factors](#), [Leverage Risk](#) and [Use of Leverage](#).

## THE FUND'S INVESTMENTS

### Investment Objective

The Fund's investment objective is to provide current income and the potential for capital appreciation.

### Investment Philosophy

Symphony believes that deep fundamental credit analysis and bottom-up portfolio construction are key to managing risk within the below investment grade corporate credit market. Symphony utilizes an industry focused approach that seeks to select the debt instruments of corporate issuers that provide attractive income opportunities and offer the potential for additional total return through the identification of near-term catalysts (such as restructurings, refinancing, mergers and acquisitions, liquidity events, management changes, rating and earnings announcements) and relative value opportunities. At the same time, Symphony's fundamental approach seeks to evaluate and minimize potential downside risks associated with below investment grade instruments. Additionally, Symphony focuses primarily on liquid securities to help implement its highly active management style, which helps the team manage and optimize risk exposures over the course of the investment cycle.

### Investment Process

In identifying securities for potential purchase, Symphony evaluates the universe of below investment grade corporate issuers from an industry perspective. Symphony's analysts are industry experts and will seek long and short investment opportunities across an issuer's capital structure. Symphony's investment process involves the holistic review of each investment, taking into account such factors as issuer liquidity, company and industry dynamics, relative value, potential corporate actions, and other possible positive or negative catalysts. Symphony then evaluates the identified investment candidates for liquidity constraints and other technical factors. Symphony also combines its deep industry view with a top-down macro overlay which allows the team to make tactical investments in undervalued debt instruments within appropriate sectors given industry and economic activity, and avoid or short issuers and sectors where the team has a negative outlook. The final portfolio is constructed using risk management and monitoring systems to ensure proper diversification.

### Investment Policies

The Fund's portfolio will be invested primarily in below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Under normal market circumstances, the Fund invests at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans. Senior loans and second lien loans are made to Borrowers that operate in various industries and geographic regions. Senior loans, second lien loans and other adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate, primarily LIBOR (of any tenor, but typically between one month and six months, and currency), plus a premium, and are therefore regarded as having short-term durations. In addition, the Fund may make limited tactical investments in high yield debt and other debt instruments as described herein.

The Fund also may enter into tactical short positions consisting primarily of high yield debt. The high yield debt instruments may have intermediate-term or even long-term durations, but investments in those instruments will not be made in a manner that will cause the Fund's

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average portfolio duration (including the effect of leverage) to exceed two years. Short selling involves selling instruments that may be owned, and if not owned, borrowing the same instruments for delivery to the purchaser, with an obligation to replace the borrowed instruments at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the instruments.

Substantially all of the Fund's portfolio likely will be invested in corporate debt instruments that are, at the time of investment, rated below investment grade or unrated but judged by the portfolio managers to be of

comparable quality. A debt instrument is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one NRSRO that rates such instrument (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by the portfolio managers. Such debt instruments are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. See [Risk Factors Issuer Level Risks Issuer Credit Risk](#) and [Risk Factors Issuer Level Risks Below Investment Grade Risk](#).

Under normal circumstances:

The Fund invests at least 70% of its Managed Assets in adjustable rate corporate debt instruments, including senior secured, and second lien loans and other adjustable rate corporate debt instruments.

The Fund may make limited tactical investments in high yield debt and other debt instruments as described herein in an aggregate amount of up to 30% of its Managed Assets.

No more than 30% of the Fund's Managed Assets may be invested in debt instruments that are, at the time of investment, rated CCC+ or Caa1 or below by any NRSRO or that are unrated but judged by the portfolio managers to be of comparable quality.

The Fund may enter into tactical short positions consisting primarily of high yield debt, either directly or through the use of derivatives, including credit default swaps, creating investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets. Initially, these short positions will not increase the Fund's leverage ratio or overall investment exposure because the Fund will not use any proceeds or cash from short sales to invest in additional debt instruments.

The Fund may invest up to 20% of its Managed Assets in debt instruments of non-U.S. issuers (which term for purposes of this prospectus includes Borrowers) that are U.S. dollar or non-U.S. dollar denominated. The Fund's investments in debt instruments of non-U.S. issuers may include debt instruments of issuers located, or conducting their business, in emerging markets countries.

The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange-traded funds, often referred to as ETFs) that invest primarily in securities of the types in which the Fund may invest directly.

Given the current economic and debt market environment with historically low short-term to intermediate-term interest rates, the Fund currently uses derivatives such as interest rate swaps, with terms that may range from one to seven years, to manage the Fund's effective interest rate exposure.

Under normal market circumstances, the Fund will maintain an average duration of two years or less for its portfolio (including the effect of leverage, but after the effect of derivatives used to shorten duration). When the average duration of the portfolio is expected to be longer than two years, the Fund will use interest rate swaps, interest rate futures or other derivative instruments to shorten such duration. For example, the Fund may use futures with an interest-bearing instrument as the underlying asset, such as a bond. Bond futures are typically used to adjust duration positions by creating offsetting positions that thereby reduce the portfolio's overall average duration. Values of instruments with shorter durations tend to be less sensitive to interest rate changes than instruments with longer durations. To the extent the Fund utilizes interest rate swaps and futures to maintain an average portfolio duration of two years or less, and such instruments do not perform as intended resulting in the Fund's portfolio behaving as if it had an average duration longer than two years, the Fund's net asset value may be more susceptible to interest rates increases than it would have had those instruments performed as intended. See [Leverage](#) and [The Fund's Investments Portfolio Composition and Other Information Other Investments Hedging Transactions](#) for additional information.





As previously noted, in this prospectus, average duration and average portfolio duration are each defined to be the modified duration of the Fund's portfolio, which is the measure of a debt instrument's or a portfolio's price sensitivity with respect to changes in market yields adjusted to reflect the effect of the Fund's effective leverage. In general, the value of a portfolio of instruments with a shorter duration can be expected to be less sensitive to interest rate changes than a portfolio with a longer duration. For example, the price of a bond with an effective duration of two years will rise (fall) two percent for every one percent decrease (increase) in its yield, and the price of a five-year duration bond will rise (fall) five percent for a one percent decrease (increase) in its yield. See The Fund's Investments Portfolio Composition and Other Information Adjustable Rate Corporate Debt Instruments Senior Loans.

The Fund uses leverage to seek to enhance its potential current income and capital appreciation over time. The use of leverage involves increased risk, including increased variability of the Fund's net income, distributions and/or net asset value in relation to market changes. The use of leverage creates special risks for holders of Common Shareholders. The Fund's leverage strategy may not work as planned or achieve its goals. See Risk Factors Fund Level Risks Leverage Risk. See also Use of Leverage.

The Fund may enter into certain derivative transactions as a hedging technique to protect against potential adverse changes in the market value of portfolio instruments. The Fund also may use derivatives to attempt to protect the net asset value of the Fund, to facilitate the sale of certain portfolio instruments, to manage the Fund's effective interest rate exposure, and as a temporary substitute for purchasing or selling particular instruments. The Fund also may enter into derivative transactions such as total return swaps on an underlying index to create investment exposure to the extent such transactions may facilitate implementation of the Fund's investment strategy.

Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that the Fund is to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Fund helps manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties whom NFALLC and Symphony believe have the financial resources to honor their obligations and by having NFALLC and Symphony continually monitor the financial stability of the swap counterparties.

Depending on the state of interest rates in general, the Fund's use of interest rate swaps could enhance or harm the overall performance of the Common Shares. To the extent interest rates decline, the value of the interest rate swap could decline, and could result in a decline in the net asset value of the Common Shares. In addition, if the counterparty to an interest rate swap defaults, the Fund would not be able to use the anticipated net receipts under the swap to offset the interest payments on Borrowings or the dividend payments on any outstanding preferred shares. Depending on whether the Fund would be entitled to receive net payments from the counterparty on the swap, which in turn would depend on the general state of short-term interest rates at that point in time, such a default could negatively impact the performance of the Common Shares. In addition, at the time an interest rate swap transaction reaches its scheduled termination date, there is a risk that the Fund would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of the Common Shares. The Fund could be required to prepay the principal amount of any Borrowings. Such redemption or prepayment would likely result in the Fund seeking to terminate early all or a portion of any swap transaction. Early termination of a swap could result in a termination payment by or to the Fund.

The Fund will not enter into interest rate swap transactions having a notional amount that exceeds the outstanding amount of the Fund's leverage. See Leverage and The Fund's Investments Portfolio Composition and Other Information Other Investments Hedging Transactions for additional information.

During temporary defensive periods, including during the period when the net proceeds of the offering of Common Shares are being invested, the Fund may deviate from its investment policies and objectives. During such periods, (e.g., times of adverse market, economic or political conditions), the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities or may invest in short-, intermediate-, or long-term U.S. Treasury Bonds. There can be no assurance that such strategies will be successful. For more information, see the SAI under Tax Matters.

The Fund's investment objective and certain investment policies in the SAI specifically identified as such are considered fundamental and may not be changed without shareholder approval. See Investment Restrictions in the SAI. All of the Fund's other investment policies are not considered to be fundamental by the Fund and can be changed by the Fund's Board of Trustees without a vote of the Common Shareholders. The Fund cannot change its investment objective or fundamental policies without the approval of the holders of a majority of the outstanding Common Shares and preferred shares, if issued in the future, voting together as a single class, and of the holders of a majority of the outstanding preferred shares, if issued in the future, voting as a separate class. When used with respect to particular shares of the Fund, a majority of the outstanding shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. See Description of Shares Preferred Shares Voting Rights for additional information with respect to the voting rights of holders of preferred shares.

### **Portfolio Composition and Other Information**

The Fund's portfolio will be composed principally of the following investments. More detailed information about the Fund's portfolio investments are contained below under Portfolio Composition and in the SAI under Portfolio Composition.

#### ***Adjustable Rate Corporate Debt Instruments***

The Fund's portfolio will be invested primarily in below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate plus a premium.

*Senior loans.* The Fund may invest in (i) senior loans made by banks or other financial institutions to Borrowers, (ii) assignments of such interests in senior loans, or (iii) participation interests in senior loans. Senior loans hold the most senior position in the capital structure of a Borrower, are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by subordinated debt holders and stockholders of the Borrower. The capital structure of a Borrower may include senior loans, senior and junior subordinated debt, preferred stock and common stock issued by the Borrower, typically in descending order of seniority with respect to claims on the Borrower's assets. The proceeds of senior loans primarily are used by Borrowers to finance leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, refinancings, internal growth and for other corporate purposes. A senior loan is typically originated, negotiated and structured by a U.S. or non-U.S. commercial bank, insurance company, finance company or other financial institution ( Agent ) for a lending syndicate of financial institutions which typically includes the Agent ( Lenders ). The Agent typically administers and enforces the senior loan on behalf of the other Lenders in the syndicate. In addition, an institution, typically but not always the Agent, holds any collateral on behalf of the Lenders. The Fund normally will rely primarily on the Agent to collect principal of and interest on a senior loan. Also, the Fund usually will rely on the Agent to monitor compliance by the Borrower with the restrictive covenants in a loan agreement.

Senior loans typically have rates of interest that are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate plus a premium or credit spread. These base lending rates are



primarily LIBOR, (of any tenor, but typically between one month and six months, and currency), and secondarily the prime rate offered by one or more major U.S. banks and the certificate of deposit rate or other base lending rates used by commercial lenders. As adjustable rate loans, the frequency of how often a senior loan resets its interest rate will impact how closely such senior loans track current market interest rates. The senior loans held by the Fund will have a dollar-weighted average period until the next interest rate adjustment of approximately 90 days or less. As a result, as short-term interest rates increase, interest payable to the Fund from its investments in senior loans should increase, and as short-term interest rates decrease, interest payable to the Fund from its investments in senior loans should decrease. In the experience of Symphony, the average life of senior loans in recent years has been approximately two years because of prepayments.

The Fund primarily purchases senior loans by assignment from a participant in the original syndicate of Lenders or from subsequent assignees of such interests. The purchaser of an assignment typically succeeds to all the rights and obligations under the loan agreement with the same rights and obligations as the assigning Lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning Lender.

The Fund may purchase participation interests in the original syndicate making senior loans. Loan participation interests typically represent direct participations in a loan to a corporate Borrower, and generally are offered by banks or other financial institutions or lending syndicates. The Fund may participate in such syndications, or can buy part of a senior loan, becoming a part Lender. When purchasing a participation interest, the Fund assumes the credit risk associated with the corporate Borrower and may assume the credit risk associated with an interposed bank or other financial intermediary. The participation interests in which the Fund may invest may not be rated by any NRSRO. Given the Fund's policy to invest up to 30% of its Managed Assets in debt securities that are, at the time of investment, rated CCC+ or Caa or below by S&P, Moody's or Fitch (see Investment Objective and Policies in the Prospectus Summary), the Fund may invest no more than 30% of its Managed Assets in Borrowers that, at the time of investment, have filed for protection under the federal bankruptcy laws or that have had involuntary bankruptcy petitions filed against them by creditors. Investment rating limitations are considered to apply only at the time of investment and the Fund is under no obligation to sell securities as a result of changes in market values or ratings. You should expect the Fund's net asset value to fluctuate as a result of changes in the credit quality of Borrowers and other factors. A serious deterioration in the credit quality of one or more Borrowers could cause a permanent decrease in the Fund's net asset value. See Risk Factors Security Level Risks Loan Participation Risk.

The Fund may purchase and retain in its portfolio senior loans payable by Borrowers that have experienced, or may be perceived to be likely to experience, credit problems, including involvement in or recent emergence from bankruptcy reorganization proceedings or other forms of debt restructuring. Such investments may provide opportunities for enhanced income as well as capital appreciation. At times, in connection with the restructuring of a senior loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, the Fund may determine or be required to accept equity securities or junior debt instruments in exchange for all or a portion of a senior loan. See The Fund's Investments Portfolio Composition and Other Information Other Investments Warrants and Equity Securities.

*Second lien loans.* The Fund may invest in second lien loans and unsecured loans. Such loans are made by public and private corporations and other non-governmental Borrowers for a variety of purposes. As in the case of senior loans, the Fund may purchase interests in second lien loans and unsecured loans through assignments or participations.

Second lien loans have similar characteristics as senior loans except that such interests are second in lien property rather than first. Second lien loans are second in priority of payment to one or more senior loans of the related Borrower and are typically secured by a second priority security interest or lien to or on specified collateral securing the Borrower's obligation under the interest. They typically have similar protections and

rights as senior loans. Second lien loans are not (and by their terms cannot become) subordinate in priority of payment to any obligation of the related Borrower other than senior loans of such Borrower. Second lien loans may feature fixed or floating rate interest payments. Because second lien loans are second to senior loans, they present a greater degree of investment risk but often pay interest at higher rates reflecting this additional risk. In addition, second lien loans of below investment grade quality share many of the risk characteristics of other below investment grade debt instruments.

Unsecured loans generally have lower priority in right of payment compared to holders of secured interests of the Borrower. Unsecured loans are not secured by a security interest or lien to or on specified collateral securing the Borrower's obligation under the interest. Unsecured loans by their terms may be or may become subordinate in right of payment to other obligations of the Borrower, including senior loans, second lien loans and other interests. Unsecured loans may have fixed or adjustable floating rate interest payments. Because unsecured loans are subordinate to senior loans and other secured debt of the Borrower, they present a greater degree of investment risk but often pay interest at higher rates reflecting this additional risk. Such investments generally are of below investment grade quality. Unsecured loans of below investment grade quality share the same risks of other below investment grade debt instruments.

*Adjustable rate subordinated loans.* The subordinated loans in which the Fund may invest are typically privately-negotiated investments that rank subordinate in priority of payment to senior debt, such as senior loans, and are often unsecured. Because subordinated interests may rank lower as to priority of payment than senior loans and second lien loans of the Borrower, they may present a greater degree of investment risk than senior loans and second lien loans but often pay interest at higher rates reflecting this additional risk. Other than their more subordinated status, such investments have many characteristics and risks similar to senior loans and second lien loans discussed above. Subordinated interests of below investment grade quality share risks of other below investment grade debt instruments. Subordinated loans rank senior to common and preferred equity in a Borrower's capital structure. Subordinated loans may have elements of both debt and equity instruments, offering fixed or adjustable rates of return in the form of interest payments associated with senior debt, while providing lenders an opportunity to participate in the capital appreciation of a Borrower, if any, through an equity interest. This equity interest may take the form of warrants or direct equity investments which will be in conjunction with the subordinated loans. Due to their higher risk profile and often less restrictive covenants as compared to senior loans, subordinated loans generally earn a higher return than secured senior loans. The warrants associated with subordinated loans are typically detachable, which allows lenders the opportunity to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the Borrower. Subordinated loans also may include a put feature, which permits the holder to sell its equity interest back to the Borrower at a price determined through an agreed formula.

The Fund may invest in subordinated loans that are primarily unsecured and that provide for relatively high, adjustable rates of interest, providing the Fund with significant current interest income. The subordinated loans in which the Fund may invest may have interest-only payments in the early years, with amortization of principal deferred to the later years of the subordinated loans. In some cases, the Fund may acquire subordinated loans that, by their terms, convert into equity or additional debt instruments or defer payments of interest for the first few years after issuance. Also, in some cases the subordinated loans in which the Fund may invest will be collateralized by a subordinated lien on some or all of the assets of the Borrower. Typically, subordinated loans in which the Fund may invest will have maturities of four to eight years.

The subordinated loan industry is highly specialized and the Fund will rely on Symphony and its employees' expertise in sourcing, evaluating, structuring, documenting and monitoring such investments by the Fund.

*Certain structured notes.* The Fund may invest in structured notes (as described below) that are designed to provide returns and risks that emulate those of senior loans, second lien loans and other adjustable rate corporate debt instruments.

*The Fund acting as Originating Lender, Sole Lender and/or Agent.* The Fund, in connection with its investments in senior secured loans, second lien loans and other loans, particularly those made to middle-market companies, may act as one of the group of lenders originating a loan ( *Originating Lender* ), may purchase the entire amount of a particular loan ( *Sole Lender* ), and may act as Agent in the negotiation of the terms of a loan and in the formation of a group of investors in a Borrower's loan.

When the Fund acts as an Originating Lender or Sole Lender it will generally participate in structuring the loan, and may share in an origination fee paid by the Borrower. When the Fund is an Originating Lender or Sole Lender it will generally have a direct contractual relationship with the Borrower, and may enforce compliance by the Borrower with the terms of the loan agreement. As Sole Lender the Fund generally also would have full voting and consent rights under the applicable loan agreement.

Acting in the capacity of an Agent with respect to a loan may subject the Fund to certain risks in addition to those associated with the Fund's role as a lender.

The Fund's ability to receive fee income also may be constrained by certain requirements for qualifying as a regulated investment company under the Internal Revenue Code of 1986, as amended (the *Code* ). The Fund intends to comply with those requirements and may limit its investments in loans in which it acts as Originating Lender, Sole Lender or Agent in order to do so.

#### ***Other Investments***

The Fund may invest in fixed or floating rate debt instruments and other securities as described below:

*Structured products.* The Fund may invest in structured products such as structured notes issued by a financial institution. As a fundamental policy, the Fund will not invest in collateralized loan obligations.

Structured notes have a defined maturity and pay a nominal interest rate, and potentially additional returns, based upon the cash flow or rate of return earned on either a reference portfolio of leveraged loans or the return represented by a reference index to the market for adjustable rate corporate loans. Such instruments may be leveraged or geared by applying a multiplier to the rate of total return on the underlying investments or referenced market index. Structured products that employ leverage increase the potential for gain and the risk of loss in that particular structured product investment. As a result, a relatively small decline in the value of the underlying investments or referenced indicator could result in a relatively large loss in the value of a structured product. Holders of structured products bear risks of the underlying investment, index or reference obligation (including income risk, credit risk and market risk) and are subject to counterparty risk.

The Fund may have the right to receive payments to which it is entitled only from the structured product, and generally does not have direct rights against the issuer or the entity that sold the assets to the structured product. While certain structured products enable the investor to acquire interests in a pool of securities without the brokerage and other expenses associated with directly holding the same securities, investors in structured products generally pay their share of the structured product's administrative and other expenses. Structured products may be private investment funds (structured as trusts or other types of pooled investment companies that are excluded from the definition of investment company under the 1940 Act by the operation of Section 3(c) (1) or 3(c) (7) thereof) or investment companies that are registered under the 1940 Act. Investment in such products involve operating expenses and fees that are in addition to the expenses and fees of the Fund, and such expenses and fees are borne indirectly by holders of the Common Shares. For structured products that are registered under the 1940 Act, please also see *The Fund's Investments Portfolio Composition and Other Information Other Investments Other Investment Companies*.

*Debtor-in-possession loans (DIPs).* The Fund may invest in debtor-in-possession loans ( DIPs ), which are newly issued loans in connection with special situation restructuring and refinancing transactions. DIPs are loans to a debtor-in-possession in a proceeding under the U.S. bankruptcy code that have been approved by the



bankruptcy court. DIPs are typically adjustable rate and fully secured by a lien on the debtor's otherwise unencumbered assets or secured by a junior lien on the debtor's encumbered assets (so long as the loan is fully secured based on the most recent current valuation or appraisal report of the debtor). DIPs are often required to close with certainty and in a rapid manner in order to satisfy existing creditors and to enable the issuer to emerge from bankruptcy or to avoid a bankruptcy proceeding.

*Derivatives.* The Fund may invest in certain derivative instruments. Such instruments may include credit default swaps, or other derivative instruments whose prices, in Symphony's opinion, correlate with the prices of the Fund's investments. Credit default swaps may require initial premium (discount) payments as well as periodic payments (receipts) related to the interest leg of the swap or to the default of a reference obligation. If the Fund is a seller of a contract, the Fund would be required to pay the par (or other agreed upon) value of a referenced debt obligation to the counterparty in the event of a default or other credit event by the reference issuer, such as a U.S. or foreign corporate issuer, with respect to such debt obligations. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations. As the seller, the Fund would be subject to investment exposure on the notional amount of the swap. If the Fund is a buyer of a contract, the Fund would have the right to deliver a referenced debt obligation and receive the par (or other agreed-upon) value of such debt obligation from the counterparty in the event of a default or other credit event (such as a credit downgrade) by the reference issuer, such as a U.S. or foreign corporation, with respect to its debt obligations. In return, the Fund would pay the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the counterparty would keep the stream of payments and would have no further obligations to the Fund. Interest rate swaps involve the exchange by the Fund with a counterparty of their respective commitments to pay or receive interest, such as an exchange of fixed-rate payments for floating rate payments. The Fund will usually enter into interest rate swaps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments.

The Fund may utilize certain derivative instruments as a hedging technique to protect against potential adverse changes in the market value of portfolio securities. The Fund also may use derivatives to attempt to protect the net asset value of the Fund, to facilitate the sale of certain portfolio securities, to manage the Fund's effective interest rate exposure as a temporary substitute for purchasing or selling particular securities. From time to time, the Fund also may utilize derivative instruments to create investment exposure to the extent such derivatives may facilitate implementation of its strategy more efficiently than through outright purchases or sales of portfolio securities.

The Fund may invest in derivative instruments including total return swaps; interest rate swaps; credit default swaps; interest rate caps; interest rate floors; interest rate collars; swaptions; credit-linked notes; securities indices; other indices or other financial instruments; stock and bond index futures; futures contracts on securities; options on securities; options on futures contracts; options on stock and bond indexes; interest rate futures; exchange-traded and over-the-counter options on securities or indices; index linked securities; currency exchange transactions; financial futures; options on financial futures; index futures; index options; index options on futures contracts; interest rate options; interest rate option on futures contracts; short sales; structured notes; options on U.S. Treasury security or U.S. Government Agency securities; U.S. Treasury security or U.S. Government Agency security futures contracts; and options on U.S. Treasury security or U.S. Government Agency security futures contracts.

The Fund may invest in certain derivative instruments as a hedging technique to protect against potential adverse changes in the market value of portfolio securities. The Fund also may use derivatives to attempt to protect the NAV of the Fund, to facilitate the sale of certain portfolio securities, to manage the Fund's effective interest rate exposure, or as a means of gaining investment exposure.

Other derivative instruments that may be used, or other transactions that may be entered into, by the Fund may include the purchase or sale of futures contracts on securities, credit-linked notes, securities indices, other indices or other financial instruments; options on futures contracts; exchange-traded and over-the-counter options on securities or indices; index linked securities; swaps; and currency exchange transactions. Some, but not all, of the derivative instruments may be traded and listed on an exchange. The positions in derivatives will be marked-to-market daily at the closing price established on the exchange or at a fair value.

There is no assurance that these derivative strategies will be available at any time, that NFALLC and Symphony will determine to use them for the Fund, or, if used, that the strategies will be successful.

*Hedging transactions.* As noted above, the Fund may invest in certain derivative instruments as a hedging technique to protect against potential adverse changes in the market value of portfolio securities. These types of strategies may generate taxable income. There is no assurance that these derivative strategies will be available at any time, that NFALLC and Symphony will determine to use them for the Fund or, if used, that the strategies will be successful. See *Hedging Strategies and Other Uses Of Derivatives* in the SAI for further information on hedging transactions.

*Limitations on the Use of Futures, Options on Futures and Swaps.* NFALLC has claimed, with respect to the Fund, the exclusion from the definition of commodity pool operator under the Commodity Exchange Act (CEA) provided by Commodity Futures Trading Commission (CFTC) Regulation 4.5 and is therefore not currently subject to registration or regulation as such under the CEA with respect to the Fund. In addition, Symphony has claimed the exemption from registration as a commodity trading advisor provided by CFTC Regulation 4.14(a)(8) and is therefore not currently subject to registration or regulation as such under the CEA with respect to the Fund. Under CFTC Regulation 4.5, if the Fund uses futures, options on futures or swaps other than for bona fide hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums on these positions (after taking into account unrealized profits and unrealized losses on any such positions and excluding the amount by which options that are in-the-money at the time of purchase are in-the-money) may not exceed 5% of the Fund's net asset value, or alternatively, the aggregate net notional value of those positions may not exceed 100% of the Fund's net asset value (after taking into account unrealized profits and unrealized losses on any such positions). The Fund intends to comply with Regulation 4.5's requirements such that NFALLC will not be required to register as a commodity pool operator with the CFTC with respect to the Fund. The Fund reserves the right to employ futures, options on futures and swaps to the extent allowed by CFTC regulations in effect from time to time and in accordance with the Fund's policies. The requirements for qualification as a regulated investment company may also limit the extent to which the Fund may employ futures, options on futures or swaps.

*Other corporate debt instruments.* Corporate debt instruments generally are used by corporations to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain debt instruments in which the Fund may invest may be perpetual in that they have no maturity date and some may be convertible into equity securities of the issuer or its affiliates. The Fund may invest in debt instruments of any quality and such debt instruments may be secured or unsecured. In addition, certain debt instruments in which the Fund may invest may be subordinated to the payment of an issuer's senior debt.

*U.S. Government securities.* U.S. Government securities include (1) U.S. Treasury obligations, which differ in their interest rates, maturities and times of issuance: U.S. Treasury bills (maturities of one year or less), U.S. Treasury notes (maturities of one year to ten years) and U.S. Treasury bonds (generally maturities of greater than ten years) and (2) obligations issued or guaranteed by U.S. Government agencies and instrumentalities that are supported by any of the following: (i) the full faith and credit of the U.S. Treasury, (ii) the right of the issuer to borrow an amount limited to a specific line of credit from the U.S. Treasury, (iii) discretionary authority of the U.S. Government to purchase certain obligations of the U.S. Government agency or instrumentality or (iv) the credit of the agency or instrumentality. The Fund also may invest in any other security or agreement

collateralized or otherwise secured by U.S. Government securities. Agencies and instrumentalities of the U.S. Government include but are not limited to: Federal Land Banks, Federal Financing Banks, Banks for Cooperatives, Federal Intermediate Credit Banks, Farm Credit Banks, Federal Home Loan Banks, FHLMC, FNMA, GNMA, Student Loan Marketing Association, United States Postal Service, Small Business Administration, Tennessee Valley Authority and any other enterprise established or sponsored by the U.S. Government. Because the U.S. Government generally is not obligated to provide support to its instrumentalities, the Fund invests in obligations issued by these instrumentalities only if Symphony determines that the credit risk with respect to such obligations is minimal.

The principal of and/or interest on certain U.S. Government securities which may be purchased by the Fund could be (i) payable in non-U.S. currencies rather than U.S. dollars or (ii) increased or diminished as a result of changes in the value of the U.S. dollar relative to the value of non-U.S. currencies. The value of such portfolio securities may be affected by changes in the exchange rate between foreign currencies and the U.S. dollar.

*Commercial paper.* Commercial paper represents short-term unsecured promissory notes issued in bearer form by corporations such as banks or bank holding companies and finance companies. The rate of return on commercial paper may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies.

*Warrants and equity securities.* The Fund may acquire equity securities and warrants issued by an issuer or its affiliates as part of a package of investments in the issuer or its affiliates issued in connection with an adjustable rate instrument or other debt instrument of the issuer. The Fund also may convert a warrant so acquired into the underlying security.

*Repurchase agreements.* For cash management purposes, the Fund may enter into repurchase agreements (a purchase of, and a simultaneous commitment to resell, a financial instrument at an agreed upon price on an agreed upon date) only with member banks of the Federal Reserve System and member firms of the NYSE. When participating in repurchase agreements, the Fund buys securities from a vendor, e.g., a bank or brokerage firm, with the agreement that the vendor will repurchase the securities at a higher price at a later date. Such transactions afford an opportunity for the Fund to earn a return on available cash at minimal market risk, although the Fund may be subject to various delays and risks of loss if the vendor is unable to meet its obligation to repurchase. Under the 1940 Act, repurchase agreements are deemed to be collateralized loans of money by the Fund to the seller. In evaluating whether to enter into a repurchase agreement, NFALLC will consider carefully the creditworthiness of the vendor. If the member bank or member firm that is the party to the repurchase agreement petitions for bankruptcy or otherwise becomes subject to the U.S. Bankruptcy Code, the Fund might experience delays in recovering its cash. The securities underlying a repurchase agreement will be marked to market every business day so that the value of the collateral is at least equal to the value of the loan, including the accrued interest thereon, and NFALLC will monitor the value of the collateral. No specific limitation exists as to the percentage of the Fund's assets which may be used to participate in repurchase agreements.

*Non-U.S. Companies.* The Fund may invest in securities of non-U.S. companies. The Fund will classify an issuer of a security as being located in a country based on the determination of an unaffiliated, recognized financial data provider. Such determinations are based on a number of criteria, such as the issuer's country of domicile, the primary stock exchange on which the security trades, the location from which the majority of the issuer's revenue, comes and the issuer's reporting currency.

*Zero coupon bonds.* A zero coupon bond is a bond that typically does not pay interest either for the entire life of the obligation or for an initial period after the issuance of the obligation. When held to its maturity, the holder receives the par value of the zero coupon bond, which generates a return equal to the difference between the purchase price and its maturity value. A zero coupon bond is normally issued and traded at a deep discount from face value. This original issue discount (OID) approximates the total amount of interest the security will accrue and compound prior to its maturity and reflects the payment deferral and credit risk associated with the instrument. Because zero coupon securities and other OID instruments do not pay cash interest at regular



intervals, the instruments' ongoing accruals require ongoing judgments concerning the collectability of deferred payments and the value of any associated collateral. As a result, these securities may be subject to greater value fluctuations and less liquidity in the event of adverse market conditions than comparably rated securities that pay cash on a current basis. Because zero coupon bonds, and OID instruments generally, allow an issuer to avoid or delay the need to generate cash to meet current interest payments, they may involve greater payment deferral and credit risk than coupon loans and bonds that pay interest currently or in cash. The Fund generally will be required to distribute dividends to shareholders representing the income of these instruments as it accrues, even though the Fund will not receive all of the income on a current basis or in cash. Thus, the Fund may have to sell other investments, including when it may not be advisable to do so, and use the cash proceeds to make income distributions to its shareholders. For accounting purposes, these cash distributions to shareholders will not be treated as a return of capital.

Further, NFALLC collects management fees on the value of a zero coupon bond or OID instrument attributable to the ongoing non-cash accrual of interest over the life of the bond or other instrument. As a result, NFALLC receives non-refundable cash payments based on such non-cash accruals while investors incur the risk that such non-cash accruals ultimately may not be realized.

*When-issued and delayed delivery transactions.* The Fund may buy and sell securities on a when-issued or delayed delivery basis, making payment or taking delivery at a later date, normally within 15 to 45 days of the trade date. This type of transaction may involve an element of risk because no interest accrues on the bonds prior to settlement and, because bonds are subject to market fluctuations, the value of the bonds at time of delivery may be less (or more) than cost. A separate account of the Fund will be established with its custodian consisting of cash, cash equivalents, or liquid securities having a market value at all times at least equal to the amount of the commitment.

*Illiquid securities.* The Fund may invest in securities and other instruments that, at the time of investment, are illiquid (*i.e.*, securities that are not readily marketable). For this purpose, illiquid securities may include, but are not limited to, restricted securities (securities the disposition of which is restricted under the federal securities laws), securities that may only be resold pursuant to Rule 144A under the 1933 Act that are deemed to be illiquid, and certain repurchase agreements.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the 1933 Act. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than that which prevailed when it decided to sell. Illiquid securities will be priced at fair value as determined in good faith by the Board of Trustees or its delegate. If, through the appreciation of illiquid securities or the depreciation of liquid securities, the Fund should be in a position where more than 50% of the value of its Managed Assets is invested in illiquid securities, including restricted securities that are not readily marketable, the Fund will take such steps as are deemed advisable, if any, to protect liquidity.

*Short positions.* The Fund may enter into tactical short positions, consisting primarily of high yield debt, either directly or through the use of derivatives including credit default swaps, creating a negative investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets. Initially, these short positions will not increase the Fund's leverage ratio or overall investment exposure because the Fund will not use any proceeds or cash from short sales to invest in additional debt instruments. All or a portion of the proceeds received from the Fund's short sales may in the future be used to purchase additional long positions in corporate debt instruments, which would increase the Fund's effective leverage ratio. See Risk Factors Fund Level Risks Leverage Risk.

*Lending of Portfolio Securities.* To increase its income, the Fund may lend financial instruments in its portfolio. Such loans may be made to brokers, dealers, banks or other recognized institutional borrowers of

financial instruments and would be required to be secured continuously by collateral, including cash, cash equivalents or U.S. Treasury bills maintained on a current basis at an amount at least equal to the market value of the financial instruments loaned. The Fund would have the right to call a loan and obtain the financial instruments loaned at any time on five days' notice. For the duration of a loan, the Fund would continue to receive the equivalent of the interest paid by the issuer on the financial instruments loaned and also may receive compensation from the investment of the collateral.

The Fund would not have the right to vote any financial instruments having voting rights during the existence of the loan, but the Fund could call the loan in anticipation of an important vote to be taken among holders of the financial instruments or in anticipation of the giving or withholding of their consent on a material matter affecting the financial instruments. As with other extensions of credit, risks of delay in recovery or even loss of rights in the collateral exist should the borrower of the financial instruments fail financially. However, the loans would be made only to firms deemed by Symphony to be creditworthy and when, in the judgment of Symphony, the consideration which can be earned currently from loans of this type justifies the attendant risk. The creditworthiness of firms to which the Fund lends its portfolio holdings will be monitored on an ongoing basis by Symphony. Although no specific policy limits the percentage of the Fund's assets which the Fund may lend, under current SEC guidance the Fund may not have on loan at any given time securities representing more than one-third of its total asset value.

*Other investment companies.* The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including ETFs) that invest primarily in securities of the types in which the Fund may invest directly. In addition, the Fund may invest a portion of its Managed Assets in pooled investment vehicles (other than investment companies) that invest primarily in securities of the types in which the Fund may invest directly. The Fund generally expects that it may invest in other investment companies and/or other pooled investment vehicles either during periods when it has large amounts of uninvested cash, such as the period shortly after the Fund receives the proceeds of the offering of its Common Shares or Borrowings. The Fund may invest in investment companies that are advised by NFALLC, Symphony or their respective affiliates to the extent permitted by applicable law and/or pursuant to exemptive relief from the SEC. The Fund has not applied for and currently does not intend to apply for such relief. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's advisory and administrative fees with respect to assets so invested. Common shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies.

Symphony will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available security investments. In addition, the securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks described herein. As described in the section entitled "Risk Factors," the net asset value and market value of leveraged shares will be more volatile and the yield to Common Shareholders will tend to fluctuate more than the yield generated by unleveraged shares.