WELLS FARGO Advisors

A guide to investing in closed-end funds

What you should know before you buy

Wells Fargo Advisors wants to ensure that you are investing in the closed-end funds that best suit your investment objectives, risk tolerance, time horizon, and diversification needs. This guide will help you better understand the features and costs associated with closed-end funds, as well as how your financial advisor and Wells Fargo Advisors are compensated when you invest in them. As always, if you have any questions about your closed-end fund investments, please contact your financial advisor.

What are closed-end funds?

Closed-end funds are investment companies that are registered with the U.S. Securities and Exchange Commission. Generally created by large asset management firms, closed-end funds are managed pools of investments that trade on a stock exchange. Unlike an open-end fund which continually issues new shares to investors who buy shares in the fund (and continually redeems shares from investors), a closed-end fund generally offers only a fixed number of shares.

Shares in a closed-end fund are offered through an initial public offering (IPO). The fund uses the capital from the offering to purchase the underlying securities; unlike regular stocks, shares of a closed-end fund represent an interest in the fund's underlying securities. The fund is "closed," because, generally, investors can buy or sell shares only in a secondary market after the IPO.

The secondary market for shares in closed-end funds is typically on an exchange. Investors buy and sell shares from other investors rather than the fund company's sponsor. Investors pay transaction costs that are similar to what they would pay for stock transactions. Closed-end funds can be perpetual (they do not have a termination date) or can have a fixed maturity date. Funds do not have to buy back their shares upon the investor's request.

The net asset value (NAV) of a closed-end fund is the market value of the underlying investments (i.e., stocks and bonds) in the fund's portfolio, minus liabilities, divided by the total number of fund shares outstanding. This definition is the same for closed-end and open-end funds. However, the closed-end fund also has a market price; the value at which it trades on an exchange. This price can be more or less than its NAV. Therefore, the NAV of a closed-end fund may not be the price you pay for a share of the fund.

When a closed-end fund's price is above its NAV, the fund is said to be trading at a premium; in contrast, if the closed-end fund is trading below its NAV, then it is trading at a discount. For example, if the price is at $12 and the NAV is $10, the closed-end fund is trading at a 20% premium. If the closed-end fund is trading at $9.50 and its NAV is $10, then the closed-end fund is trading at a 5% discount.

Closed-end funds invest in many types of instruments: domestic and foreign securities, emerging markets, equity and fixed income securities, government, mortgage and corporate securities, bonds and loans, and taxable and municipal bonds, among others. In addition, closed-end funds can invest in complex investments such as alternative investments, commodities, and derivatives. Because of the complexity associated with these underlying investments, they have unique risks and are not appropriate for all investors.

Many closed-end funds can leverage their assets (through derivatives or borrowing money to buy additional assets) to enhance their yields. Leverage also increases risk. For example, leveraging the assets of a closed-end fund will magnify the volatility of its NAV and, consequently, the price volatility of the fund. More information on these risks is outlined below.

We have a responsibility to consider reasonably available alternatives in making a recommendation. We do not need to evaluate every possible alternative either within our products or outside the firm in making a recommendation. We are not required to offer the “best” or lowest cost product. While cost is a factor that we take into consideration in making a recommendation, it is not the only factor.

You should consider factors such as those below prior to accepting a recommendation:

- The potential risks, rewards, and costs in purchasing and in the future selling of a security.
- Your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance.
- The security’s investment objectives, characteristics (including any special or unusual features), liquidity, volatility, and likely performance in a variety of market and economic conditions.
- For complex products, you should consider whether less complex or costly products achieve the same objectives.

By accepting a recommendation, you acknowledge that you have considered the above factors to your satisfaction.

Fund of funds structure

A “fund of funds” (FOF) is an investment product that invests in other investment company products rather than directly in stocks, bonds, cash, or other securities. An FOF may also invest with multiple managers. The FOF structure allows investors to achieve a broad diversification with investments in a variety of fund categories that are all combined into one fund. These strategies can include investments in other closed-end funds, exchanged traded funds, business development companies, and to a lesser extent, other types of registered investment companies. However, the FOF structure introduces two additional issues that warrant consideration; fees on fees and potential leverage on leverage.

The management fee for an FOF typically consists of two components:
The management fees charged by the underlying funds and the management fee charge at the FOF level. The weighted average of the underlying fees is disclosed in the expense section of the offering prospectus and is referred to as Acquired Fund Fees and Expenses (AFFE).

Many closed-end funds, including FOFs, employ leverage in pursuit of the fund’s objectives. In the case of an FOF, the underlying funds may also use leverage which may increase the investor’s risk. Leverage can magnify losses and make quick movements in and out of the markets much more difficult.

Investing in an FOF will subject the investor to the same risks as individual ownership of the underlying securities would entail. Because these funds are also indirectly subject to the underlying fund expenses as well as the expenses of the portfolio, the cost of this type of investment may be higher than a closed-end fund that does not invest in other investment companies. Investors should be aware of, and understand, all risks associated with a portfolio’s underlying holdings before investing.

Features and characteristics

Closed-end funds offer the following features to investors:

Portfolio diversification — Closed-end fund portfolios can be diversified across many different investments, offering a set of portfolios for most asset classes. This diversification may help reduce an investor's risk by potentially offsetting losses from some investments with gains in others. Of course, individual investments in the closed-end portfolios and the NAV of the portfolios will fluctuate in price. Also, keep in mind that asset allocation and/or diversification cannot eliminate the risk of fluctuating prices and uncertain returns.

Income — Closed-end funds also may offer a frequent and regular stream of income. The regular distribution from a closed-end fund is scheduled in advance and is usually quarterly or monthly.

Asset classes — By investing in closed-end funds, individual investors can access asset classes and/or strategies previously available only to institutional investors, such as certain types of preferred securities, asset-backed securities, emerging markets, corporate and mortgage loans, and covered calls.

Expense ratios — Management fees and operating expenses are charged by the fund-management company to cover the costs associated with management, marketing, and fund administration costs. In addition, a closed-end fund's cost of leverage, if any, increases the total annual expenses charged to the managed assets. Fees may vary depending upon the fund manager's trading activity. Purchases and sales of closed-end funds may be subject to brokerage commissions. All fees and expenses are described in detail in the prospectus, if available.

Purchases and sales — Unlike traditional mutual funds, which are only priced at the end of each day, closed-ends funds are priced — and can be purchased and sold — throughout the trading day. Furthermore, you can typically buy or sell closed-end shares on a stock exchange much like the purchase or sale of any other listed stock.

No minimum investment — Because closed-end funds are traded like stocks, there is generally no minimum investment needed to invest in closed-end funds.

Risks

Securities in a portfolio of a closed-end fund may decline in value, and the closed-end fund may not achieve its intended objective. In addition, each closed-end fund is subject to specific risks that vary depending on its investment objectives and portfolio composition. The risks associated with a closed-end fund are outlined in the prospectus. You should carefully consider the risk factors listed below, which are more fully described in each closed-end fund's prospectus under the heading "Risk Factors."

Investment and market risk — The value of the securities within a closed-end fund, like other market investments, may increase or decrease in value, sometimes rapidly and unpredictably. The shares at any point in time may be worth more or less than the original investment, even after taking into account any reinvestment of dividends and distributions.

Leverage risk — One of the most important features that distinguish closed-end funds from other types of pooled investments is the ability of closed-end funds to leverage their assets. While closed-end funds use several different methods of leverage; the impact on the fund is generally similar. The use of leverage in an investment portfolio can magnify any price movements resulting in high volatility and a potentially significant loss of principal. Fluctuations in short term interest rates may also affect the distribution of a leveraged fund because the cost of borrowing may fluctuate accordingly. Also, there are certain types of leverage that do not have to be reported pursuant to the Investment Company Act of 1940. While some fund sponsors report the actual leverage including those types that aren't required to be disclosed, others may not. In the latter case the leverage risk is understated.

Management risk — The selection of securities and other investment decisions made by the closed-end fund manager might produce losses or cause the closed-end fund to underperform compared to other funds with similar investment goals. If one or more key individuals leave the management team, the manager may not be able to hire qualified replacements, which could prevent the closed-end fund from achieving its investment objectives.

Market price of shares — The closed-end fund's share price will fluctuate should premiums or discounts widen or narrow. At the time of sale, shares may be worth more or less than the original investment or the closed-end fund's NAV at the time of sale. Historically, during periods of market volatility, closed-end funds have experienced market price weakness. During such periods, discounts tend to widen. Accordingly, a fund's price could underperform its NAV.

Market price risk — Since a closed-end fund trades in the secondary market and essentially has a fixed amount of shares outstanding, the market price may display more volatility than the NAV, potentially subjecting an investor to wider losses than the NAV.

Liquidity risk — The liquidity of a closed-end fund may be limited and can vary significantly between closed-end funds. As such, a large trade, relative to the average daily volume of a particular closed-end fund, can have an abnormal impact on the market price of the closed-end fund relative to its NAV. When trading a CEF, investors should use limit orders, no market orders, and avoid the market open and close.

Premium/Discount risk — The market price of a closed-end fund may trade at a higher price (premium) or lower price (discount) to its NAV. The magnitude of the premium or discount can vary significantly based upon multiple factors, including, but not limited to: 1) demand for the underlying assets; 2) liquidity of the closed-end fund shares; 3) the level of the distribution rate, and 4) sizeable changes in distributions (large distribution reductions cause sizeable declines in the market price).

Volatility — Closed-end fund prices change throughout the trading day as investors buy and sell shares in the marketplace. The availability of a continual market-value pricing allows investors the capability to both take advantage of and be at risk of market fluctuations. Investment returns will fluctuate subject to market volatility, so that when shares are redeemed or sold, the investment may be worth more or less than the original investment.

Post-IPO price — In addition to general market risk and fluctuations, the share price of closed-end funds may trade at a "discount" to the fund's NAV after the IPO (as mentioned above). As a result, it may not be economically beneficial to sell shares of a closed-end fund shortly after the IPO period. The price relative to the fund's NAV is determined by a number of factors including the fund's investment strategy and the underlying asset class in which it invests, its current distribution rate and total return potential, and supply/demand for the shares, to name a few. As a result, closed-end funds are intended to be long-term investments and should not be used as short-term trading vehicles.

Activism — Over the years, CEF activism by a few institutional investors has intensified. While corporate actions triggered by such activism may lead to some short-term opportunities, they are more likely to create a short-term benefit for the activist at the expense of long-term investors (ex. reduction in liquidity, higher expenses, forced taxable event, change in investment objective, etc.). Shareholders should read proxies carefully and vote their shares promptly.

Distribution risk — The primary investment objective of many closed-end funds is to generate high and regular cash flow by investing in assets that produce income through, among others, coupon payments, dividend payments, or through premiums received from writing options. Moreover, a closed-end fund may "monetize" potential total returns via the use of either a managed distribution or level distribution.[1]

It is important to remember that any distributions received from a closed-end fund may fluctuate significantly based on its underlying investments. For example, distributions from closed-end funds with sizeable exposure to fixed-income may be reduced in a period of declining interest rates. Also, bear in mind, that a closed-end fund's use of derivatives may reduce the fund's returns or increase volatility. Additionally, some closed-end funds maintain a practice of paying distribution rates that are disproportionately high relative to earnings or total return potential. An investor should not infer that a distribution rate is necessarily equal to the earnings or total return of the closed-end fund.

It is important that investors understand the source of their closed-end fund's distributions, which can include: Interest payments on fixed-income portfolio holdings; dividends from equity holdings; realized capital gains; return of capital which may be sourced from a distribution that exceeds the NAV total return or pass-through (primarily from master-limited partnership investments). Closed-end funds that return capital can carry a higher level of risk because they erode the asset base it has to generate income to pay distributions. Return of capital can represent the fund's original capital or additional capital due to unrealized gains in the portfolio.

[1] Some closed-end funds set a specific distribution rate (managed distribution policy) which is designed to provide routine, but not assured, distributions, such as monthly or quarterly distributions, and stable distribution amounts regardless of the income or total return generated by the fund during a period. A closed-end fund with a level distribution policy intends to make regular distributions at a level rate established by the fund's board of trustees.

Note: It is possible for CEFs to return capital but have an increase in NAV at the same time (the total return is greater than what was paid out, but because of the accounting treatment some/all of the distribution is deemed to be return of capital). Some refer to this situation as a "constructive" return of capital as opposed to "destructive" return of capital, which does cause erosion of NAV.

Complex and specialized closed-end funds — Some closed-end funds have become increasingly complex and specialized. These funds have the flexibility to invest widely across asset classes and use complicated investment strategies, such as leverage and short selling, to manage their portfolios. In addition, some funds may purchase alternative investments, such as commodities, currencies, and derivatives in their portfolios.

The level and type of risk associated with closed-end funds may vary significantly from one fund to another. It is important to have a complete understanding of the investment strategies and underlying products from which a closed-end fund derives its value to evaluate the risks associated with it. These risks are outlined in full in the closed-end fund's prospectus. Complex funds are subject to increased volatility and greater potential for loss, among other factors, and are not appropriate for all investors.

Interest rate risk — The primary investment objective of many closed-end funds is to generate income by investing in assets that produce income through dividend payments or through writing covered call options, for example. It is important to remember that any income received from a closed-end fund may fluctuate significantly based on interest rates and the fund's underlying investments. Also, bear in mind, that a closed-end fund's use of derivatives may reduce the fund's returns or increase volatility. In addition, a decrease in dividend payments may occur in a period declining interest rates.

Municipal closed end funds — Investments in municipal securities are subject to the creditworthiness of their issuers. Municipal bond CEFs are subject to the same risks as their underlying municipal securities. Economic issues may impact the performance of the municipal bond issuer. As a result, principal is at risk and subject to fluctuation. For instance, if the underlying municipality defaults or the security is downgraded, a decrease in the value of these securities may impact your portfolio. Some single-state municipal bond CEFs may offer certain tax benefits, but may lack the diversification of a national municipal fund. State specific municipal closed end funds may hold securities from outside that state, including U.S. Territories. The tax advantages, such as non-taxable income, of municipal securities are eliminated when held in a tax advantaged account such as a Traditional IRA, SEP, SIMPLE or qualified plan account because funds withdrawn from these accounts are generally subject to ordinary income taxes at the time of withdrawal. In addition, if withdrawn prior to age 59 ½, funds may be also subject to a 10% federal additional tax. All qualified distributions from Roth IRAs are tax-free regardless of the underlying investment.

Floating rate closed-end funds — Floating rate products invest primarily in below investment grade securities (also known as junk bonds). The securities held within floating rate CEFs are often rated below investment grade by one or more of the nationally recognized rating agencies or may not be rated by a rating agency. These securities may offer higher than average yields but are considered speculative and carry increased risks of price volatility, underlying issuer creditworthiness, illiquidity, and the possibility of default in the timely payment of interest and principal, which may impact the value of your portfolio. These CEFs should not be considered as an alternative to money market funds. You should carefully consider the risks of these products and not base your investment decision solely on the yield offered by the CEF.

Alternative closed-end funds — Alternative closed-end funds (alt CEFs) seek to accomplish the fund's objectives through non-traditional investments and trading strategies. Alt CEFs might invest in assets such as global real estate, commodities, leveraged loans, start-up companies, and unlisted securities that offer exposure beyond traditional stocks, bonds, and cash.

The strategies alt CEFs employ may be complex. Examples include hedging and leveraging through derivatives, short selling, and "opportunistic" strategies that change with market conditions as various opportunities present themselves. Some alt CEFs employ a single strategy (single-strategy funds), while other funds may utilize multiple strategies within the same fund.

Alt CEFs are managed to a wide range of investment objectives. In some cases, the fund's primary objective may be to generate above-market returns. In other cases, a fund's main goal may be to help investors better manage risk with strategies designed to smooth out volatility or offer greater diversification. Alt funds are not appropriate for all investors, and it's important to understand the strategy of the fund you are purchasing. In addition to the aforementioned characteristics, alt funds may have relatively higher expense ratios when compared to traditional funds. Please see the fund's prospectus for details as well as other characteristics and potential risks.

Underwriting Compensation

Wells Fargo Advisors ("WFA") does not act as underwriter for distributions of shares of closed-end funds. WFA does, however, offer and sell interests in closed-end funds underwritten by its affiliate, Wells Fargo Securities, LLC ("WFS"), to those WFA customers for whom the securities are appropriate. WFS may act as either a lead underwriter or syndicate member in these offerings. WFA provides assistance to WFS in connection with these under writings.

WFA will receive a selling concession, as described in the prospectus, with respect to all securities it sells to WFA customers. A portion of the selling concession will be shared by WFA with the financial advisors responsible for selling the securities.

WFA will separately, and in addition to the selling concession, receive a payment from WFS as compensation for WFA's assistance. In the case of closed-end funds, WFS will share up to one half of its fee for managing the underwriting syndicate and one half of the structuring fee it receives from investment advisers of closed-end funds it underwrites. The amount of the management fee is not disclosed in the prospectus for the securities offered but, together with the selling concession and the underwriting fee, constitutes part of the "sales load." The structuring fee typically is disclosed in the Underwriting Section of the prospectus. This assistance payment will be made by WFS to WFA after completion of the offering. WFA will not share any portion of the assistance payment with WFA FAs.The combination of the selling concession and the assistance payment may incent WFA to encourage FAs to recommend these securities over other securities.

Global investing risk — Closed-end funds may invest in foreign securities and currencies of developed, emerging market, and frontier market countries. These investments (equity and fixed income) may be subject to increased risks and could lose value as a result of political, financial and economic events in foreign countries. It is also important to keep in mind that foreign investments typically have less publicly-available information than U.S. investments, are subject to less stringent foreign securities regulations than domestic securities and are influenced by different factors than in the U.S.

Derivatives risk — A derivative is a financial instrument whose value is derived from some other asset, index, event, value, or condition (known as the underlying asset). Many derivatives transactions involve leverage and may expose the closed-end fund to additional risks. Even a small investment in derivatives can have a significant impact on a fund's volatility. Certain derivatives may be less liquid, or difficult to sell, and more difficult to value. Derivatives, such as futures contracts and options, are subject to a number of risks described in the prospectus. These risks-may include stock market risk, counterparty risk, interest rate risk, credit risk, leverage risk, and management risk.

Counterparty risk — Closed-end funds that use forward and swap contracts enter into agreements with individual counterparties. As a result, a closed-end fund is subject to credit risk with respect to the amount it expects to receive from counterparties to swap and forward contracts used as part of that closed-end fund's principal investment strategy. If the counterparty defaults or otherwise fails to perform its obligations because of financial difficulties, a closed-end fund could suffer significant losses on these contracts and the value of an investor's investment in a closed-end fund may decline.

Commodity and currency closed-end funds — Commodity and currency closed-end funds may use different instruments to gain their exposure such as money market funds, currency forward contracts and futures. The performance of these instruments may differ from that of the underlying asset. Also, some of the instruments may be subject to the aforementioned counterparty risk. As a result, these closed-end funds are subject to additional risks beyond that of the underlying commodity or currency. Also, some currency funds obtain exposure to the currency through overseas bank accounts; these accounts are not FDIC insured.

MLP closed-end funds — While Wells Fargo Advisors does not provide tax advice it is important to note that closed-end funds providing direct exposure to Master Limited Partners (MLPs) may be classified for federal income tax purposes as a taxable regular corporation, or Subchapter "C" corporation. In addition, the closed-end fund's accrued deferred tax liability, if any, may reduce its net asset value. Finally, return of capital (ROC) distributions made by the closed-end fund will reduce your cost basis by the amount classified as ROC, and therefore, may increase your tax liability upon selling the closed-end fund. Please contact your tax advisor for specific tax advice.

Fixed income closed-end funds — It is possible to lose money by investing in closed-end funds holding fixed-income securities, especially during periods of rising interest rates. Bond prices are negatively correlated to interest rates, so as general market interest rates rise, the price of a bond could decrease. The greater the movement in interest rates, the greater impact potential on a bond's price. The opposite is true as well; if rates fall, bond prices could rise. Unlike exposure to an actual bond that matures at par value (assuming no default) there is no "par value" at which most CEFs would mature. This is also generally true even with

CEFs that have finite lives. Many CEFs with finite lives will give the fund shareholders NAV at the time of maturity — whatever the NAV may be at that time, which may be lower or higher than the original investment amount (term trusts). There are some target-term trusts; however, that endeavor to return the original offering price at maturity but there are no guarantees that the original investment will be returned (plus there is the possibility of reduced distribution rates in the latter years of the target-term trust's life as the fund attempts to return the original offering price). Bond funds are subject to the same risks as their underlying investments which may include, but are not limited to, credit quality, duration, liquidity, and security structure--and these risks would be magnified by any leverage a closed-end fund may utilize. Fixed income closed-end funds are not cash alternatives or money market fund equivalents. You should not buy a fixed income closed-end fund based solely on the distribution rate. It is important to consider all risks and characteristics of a bond closed-end fund when making your investment decision.

Investment Company Act registration — Some closed-end funds are not registered under the Investment Company Act of 1940 (Investment Company Act). For funds not registered under the Investment Company Act, shareholders do not have the protections associated with ownership of shares in an investment company registered under the Investment Company Act. The Investment Company Act is designed to protect investors by preventing: insiders from managing investment companies to their benefit and to the detriment of public investors; the issuance of securities having inequitable or discriminatory provisions; the management of investment companies by irresponsible persons; the use of unsound or misleading methods of computing earnings and asset value; changes in the character of investment companies without the consent of investors; and investment companies from engaging in excessive leveraging. To accomplish these ends, the Investment Company Act requires the safekeeping and proper valuation of fund assets, restricts greatly transactions with affiliates, limits leveraging, and imposes governance requirements as a check on fund management.

Contingent Convertible Securities in CEFs — Some CEFs may invest in what are called Contingent Convertible Securities (CoCos). These instruments are selectively issued by European and other foreign financial institutions as Alternative Tier 1 (AT1) capital. As AT1 capital, CoCos were designed to be loss-absorbing instruments and, in times of stress, may suspend dividend payments for an indefinite period, without incurring an event of default. In this way, CoCos are similar in nature to the perpetual non-cumulative preferred stock issued by the U.S. banks. However, unlike perpetual non-cumulative preferred stock, CoCos may be converted into the common stock of the issuer or written-off in their entirety if the issuer breaches a particular capital requirement or is in danger of failure. Positively, to date, only three CoCos have been written-off.

The unique characteristics of CoCos, such as the ability to defer dividends indefinitely, and the risk CoCo principal could be converted into common stock at a highly dilutive rate and/or written-off, have disqualified them as either pure equity or pure debt securities. As such, CoCos are not normally bought by traditional equity or debt investors, which could render the secondary market for CoCos less liquid and prone to greater degrees of volatility.

Normally, CoCos are made available only to institutional investors. Additionally, institutional investors typically use these investments as a "subset" of their overall portfolios; they normally don't comprise the entire portfolios.

In summary, there are unique risks associated with these securities and they may not be suitable for all investors.

Tax treatment

Closed-end funds do not pay corporate taxes, but generally, closed-end fund shareholders are subject to taxes on the interest, dividends, and/or capital gains distributed to them from the portfolio. However, in tax-advantaged accounts such as IRAs, taxes are generally deferred until distributions are taken from the account. Also, when an investor sells their closed-end fund position in a taxable account they will generally realize a taxable gain or loss that should be reported on their income tax returns. Individuals who do not qualify as "U.S. persons" under the Internal Revenue Code may be subject to special tax withholding and reporting requirements as a result of a closed-end fund sale. Certain municipal bond closed-end funds may be subject to the federal alternative minimum tax (AMT). Shareholders should review the prospectus for further details.

Neither WFA (or its affiliates) nor your financial advisor can offer tax, legal or accounting advice. As a result of potentially complex tax-reporting requirements, investors should consult with their tax advisor or attorney before investing in closed-end funds.

Costs of investing in closed-end funds

There are two general costs associated with making transactions in and holding closed-end funds; internal expenses of the fund, and commissions (selling concessions). First, all closed-end funds have internal expenses which are used to pay for the investment manager, trading commissions, legal and administrative costs and other expenses of the fund. These internal expenses are deducted directly out of the fund itself through a reduction in the NAV. Second, you will pay a commission (or sales concession) each time you buy or sell shares in a closed-end fund. Although closed-end funds purchased during the IPO period are not subject to sales loads (fees charged by the fund when you make a purchase), a sales concession is built into the purchase price, and a portion is paid to your financial advisor for those transactions. When you buy or sell a closed-end fund in the secondary market (on an exchange), you incur a commission as a cost of processing each transaction, a portion of which is also paid to your financial advisor.

Investor characteristics

Closed-end funds are generally considered by investors seeking high and regular cash flow; however they are not appropriate for all investors. Selecting the closed-end fund for your investment objectives involves a number of factors: fund strategies, fund performance history, risks and investment time horizon, among others. You should review any closed-end fund's disclosure documents as well as its prospectus to fully evaluate your options. You should also talk with your financial advisor, so that together you can make the choices most appropriate for you.

Diversification — Wells Fargo Advisors believes that investors, as a rule, should always diversify their investments. It is recommended that investors observe an asset allocation strategy and not overweight their overall portfolio in any one class, or sector of securities, including the underlying portfolio within a closed-end fund. Although asset allocation can be an effective investment strategy, it cannot eliminate all the risks associated with fluctuating prices, yields, and uncertain returns.

How your financial advisor and Wells Fargo Advisors are compensated on closed-end funds

For helping you invest in the most appropriate closed-end funds, Wells Fargo Advisors and your financial advisor are compensated in ways that vary depending on the selected closed-end fund. If the purchase is made in an IPO or secondary offering, a financial advisor may be paid a sales concession. Traditionally, this sales concession had been built into the share price — as a result, the initial NAV was typically 5% lower than the IPO price — a portion of which was passed along to the financial advisor. However, more recently, sponsors have chosen to pay the sales concession separately. Because of this, these funds no longer experience a sizable initial reduction in the fund's NAV due to the sales concession.

Please check the individual prospectus for details on how the firm and its financial advisors are compensated for selling the fund.

Your financial advisor will receive compensation in the form of a commission or mark-up from most transactions made in the secondary market. For most purchases, this compensation is based on the dollar amount purchased or sold in the closed-end fund transaction.

In certain fee-based accounts, a financial advisor's compensation may be based on a percentage of assets in the account rather than on the commission, as mentioned above. The compensation formula that determines the amount of payment to your financial advisor is generally the same for all closed-end funds.

In addition to receiving compensation, your financial advisor may receive internal credits in the syndicate allocation process for sales in closed-end funds and other products. Financial advisors may receive allocations of new syndicate deals based on the number of internal credits accumulated. For example, a financial advisor accumulating a large number of internal credits based on past sales of those transactions may receive a greater allocation of a new syndicate issue than a financial advisor with fewer credits.

Additional information[2]

To learn more about closed-end funds, ask your financial advisor or visit the following websites:

Wells Fargo Advisors
wellsfargoadvisors.com

Investment Company Institute
ici.org

Financial Industry Regulatory Authority
finra.org

U.S. Securities and Exchange Commission
sec.gov

Securities Industry and Financial Markets Association
sifma.org

Municipal Securities Rulemaking Board
msrb.org

[2] Wells Fargo Advisors has provided these links for your convenience but does not control or endorse the websites and is not responsible for the products, services, content, links, privacy policy, or security policy of these websites.

Within the division that operates in Wells Fargo financial centers and some Wells Fargo stores, a licensed banker may refer you to a financial advisor, as they generally work as a team. In this case, the licensed banker will be compensated through a referral arrangement with the financial advisor.

Revenue-sharing agreements are in place between Wells Fargo Advisors and Wells Fargo Securities. Wells Fargo Securities may receive compensation for making a market and keeping an inventory on select closed-end fund offerings.

Affiliate relationships with closed-end fund sponsors

Wells Fargo & Company (Wells Fargo), one of the largest financial holding companies in the United States, provides a wide range of financial services to various closed-end fund companies through their subsidiaries and affiliates, including Wells Fargo Advisors. These other relationships may provide financial and other benefits to Wells Fargo as well as Wells Fargo Advisors. As part of these relationships, Wells Fargo, through its subsidiaries, provides investment management and other services to our affiliate, Wells Fargo Family of Funds.

Wells Fargo is a full-service financial services firm with many affiliates, and encourages its subsidiaries to use the products and services offered by affiliated firms, when appropriate. During the course of annual business planning, business with our affiliates is included in establishing collective Wells Fargo Advisors' sales goals. We may recommend affiliated products and services to clients, and may hire other affiliates to provide trade execution, clearing and platform administration services with respect to program services. However, our financial advisors are trained to make their recommendations independent of such goals and based solely on the clients' objectives and needs.

Availability of closed-end fund information — A closed-end fund issues a prospectus only at its initial public offering (IPO) or in connection with a follow-on offering. Once the fund is trading in the secondary market, the fund is required to publish semi-annual and annual reports. Key information typically included in a prospectus that would describe a closed-end fund is often not provided in an annual or semi-annual report.

However, additional information can typically be found on the closed-end fund websites or in published factsheets, if available.

In addition to these risks, other important risks of an investment in a closed-end fund are described in the closed-end fund prospectus.

Talk to your financial advisor

Determining whether closed-end funds are an appropriate investment strategy for you requires an in-depth evaluation of your individual financial situation and the objectives you want to achieve. Talk to your financial advisor today about how closed-end funds may help you work toward your investment goals.