NUVEEN QUALITY PREFERRED INCOME FUND 2
Form N-2
October 29, 2012

As filed with the U.S. Securities and Exchange Commission on October 29, 2012

1933 Act File No. 333-

1940 Act File No. 811-21137

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549-0102

Form N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933	X
Pre-Effective Amendment No.	
Post-Effective Amendment No.	

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940	X
Amendment No. 8	X

Nuveen Quality Preferred Income Fund 2

(Exact name of Registrant as Specified in Charter)

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

Kevin J. McCarthy

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

Bingham McCutchen LLP

2020 K Street NW

Washington, DC 200046-1806

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. x

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

¨ When declared effective pursuant to section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	**Amount Being Registered**	**Proposed Maximum Offering Price Per Unit(1)**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee(2)**
Common Shares, $0.01 par value	1,000 Shares	$ 9.30	$ 9,300	$ 1.27

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933 based on the average of the high and low sales prices of the shares of beneficial interest on October 23, 2012 as reported on the New York Stock Exchange.

(2) Transmitted prior to filing.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this Preliminary Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Preliminary Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

12 Million Common Shares

Nuveen Quality Preferred Income Fund 2

Nuveen Quality Preferred Income Fund 2 (the Fund) is a non-diversified, closed-end management investment company. The Fund s primary investment objective is high current income consistent with capital preservation. The Fund s secondary investment objective is to enhance portfolio value relative to the market for preferred securities by investing in (i) securities that the Fund s sub-adviser, Spectrum Asset Management, Inc. (Spectrum), believes are underrated or undervalued or (ii) sectors that Spectrum believes are undervalued. The Fund seeks to achieve its investment objectives by investing, under normal circumstances, at least 80% of its Managed Assets (as defined below under *Portfolio Contents*) in preferred securities. Under normal circumstances, the Fund invests 100% of its Managed Assets in securities that, at the time of investment, are rated within the four highest grades by all nationally recognized statistical rating organizations (NRSRO) that rate such security or are unrated but judged to be of comparable quality by Spectrum (*i.e.*, investment grade), which may include up to 10% in securities that are rated investment grade by at least one NRSRO and below investment grade by another NRSRO (sometimes called, split-rated). The Fund may invest up to 20% of its Managed Assets in debt securities, including convertible debt securities and convertible preferred securities. The Fund cannot assure you that it will achieve its investment objectives.

Investing in the Fund s Common Shares involves certain risks that are described in the Risk Factors and How the Fund Manages Risk sections of this Preliminary Prospectus.

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

You should read this Preliminary Prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Preliminary Statement of Additional Information (SAI), dated October 29, 2012, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Preliminary Prospectus. You may request a free copy of the SAI, the table of contents of which is on the last page of this Preliminary 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

Preliminary Prospectus. You also may obtain a copy of the SAI (and other information regarding the Fund) from the Securities and Exchange Commission s (SEC) 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. Under normal circumstances, the Fund invests at least 80% of its Managed Assets (as defined below) in preferred securities. Under normal circumstances, the Fund s portfolio of preferred securities consists of both fixed rate preferred and adjustable rate preferred securities. Under normal circumstances, the Fund invests 100% of its Managed Assets in securities that, at the time of investment, are rated within the four highest grades by all NRSROs that rate such security (*i.e.*, investment grade) or are unrated but judged to be of comparable quality by Spectrum, which may include up to 10% in securities that are rated investment grade by at least one NRSRO and below investment grade by another NRSRO (sometimes called, split-rated). The Fund may invest up to 20% of its Managed Assets in debt securities, including convertible debt securities and convertible preferred securities. 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). Total assets for this purpose shall include assets attributable to the Fund s use of financial leverage through borrowing or the use of commercial paper or notes. The policies described in this section are not considered to be fundamental by the Fund and can be changed by the Board of Trustees without a vote of the outstanding shareholders.

Adviser and Sub-adviser. Nuveen Fund Advisors, Inc., the Fund s investment adviser, is responsible for determining the Fund s overall investment strategies and their implementation. Spectrum Asset Management, Inc. 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 Preliminary 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 Preliminary Prospectus describing such transactions. For information on how Common Shares may be sold, see the Plan of Distribution section of this Preliminary Prospectus.

The common shares are listed on the New York Stock Exchange. The trading or ticker symbol of the common shares of the Fund is JPS. The Fund s closing price on the New York Stock Exchange on October 23, 2012 was $9.35.

The date of this Preliminary Prospectus is October 29, 2012

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You should rely only on the information contained or incorporated by reference into this Preliminary Prospectus. The Fund has not authorized anyone to provide you with different information. 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 Preliminary Prospectus is accurate as of any date other than the date on the front of this Preliminary Prospectus. The Fund will update this Preliminary Prospectus to reflect any material changes to the disclosures herein.

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this Prospectus and in the SAI.

The Fund

Nuveen Quality Preferred Income Fund 2 (the Fund) is a non-diversified, closed-end management investment company. See The Fund. The Fund s common shares, $0.01 par value (Common Shares), are traded on the New York Stock Exchange (NYSE) under the symbol JPS. See Description of Common Shares. As of September 30, 2012, the Fund had 120,376,176 Common Shares outstanding and net assets applicable to Common Shares of $1,130,628,648.

Investment Objectives and Policies

The Fund s primary investment objective is high current income consistent with capital preservation. The Fund s secondary investment objective is to enhance portfolio value relative to the market for preferred securities by investing in (i) securities that the Fund s sub-adviser believes are underrated or undervalued or (ii) sectors that the Fund s sub-adviser believes are undervalued. The Fund cannot assure you that it will achieve its investment objectives.

Under normal circumstances, the Fund invests at least 80% of its Managed Assets in preferred securities. 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). Total assets for this purpose shall include assets attributable to the Fund s use of financial leverage through borrowing or the use of commercial paper or notes. Under normal circumstances, the Fund s portfolio of preferred securities consists of both fixed rate preferred and adjustable rate preferred securities.

Under normal circumstances, the Fund invests 100% of its Managed Assets in securities that, at the time of investment, are rated within the four highest grades by all nationally recognized statistical rating organizations (NRSRO) that rate such security or are unrated but judged to be of comparable quality by Spectrum (*i.e.*, investment grade), which may include up to 10% in securities that are rated investment grade by at least one NRSRO and below investment grade by another NRSRO (sometimes called, split-rated).

In addition, under normal circumstances, the Fund may:

- invest up to 35% of its Managed Assets in U.S. dollar denominated securities of non-U.S. issuers offered, traded or listed in U.S. markets;
- invest up to 20% of its Managed Assets in debt securities, including convertible debt securities and convertible preferred securities; and
- invest up to 10% of its Managed Assets in illiquid securities, although the Fund has no current intention to invest in such securities.

The preferred securities in which the Fund intends to primarily invest do not make payments that qualify for the dividends received deduction under Section 243 of the Internal Revenue Code of 1986, as amended

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(the Code). The dividends received deduction generally allows corporations to deduct from their income 70% of dividends received. The preferred securities in which the Fund intends to primarily invest also do not make payments that qualify as qualified dividend income under the Code. For taxable years beginning before January 1, 2013, qualified dividend income is taxable to noncorporate shareholders at reduced rates. Accordingly, each shareholder should assume that no significant portion of the distributions it receives from the Fund will qualify for the dividends received deduction or as qualified dividend income. See Tax Matters for a more complete discussion.

The Fund s objectives and certain investment policies specifically identified in the SAI as such are considered fundamental and may not be changed without shareholder approval. All of the Fund s other investment policies, including as noted above, are not considered to be fundamental by the Fund and can be changed by the Board of Trustees without a vote of the outstanding shareholders. However, the Fund s policy of investing at least 80% of its Managed Assets in preferred securities may only be changed by the Board of Trustees following the provision of 60 days prior written notice to such shareholders.

See The Fund s Investments and Risk Factors.

Investment Adviser

Nuveen Fund Advisors, Inc. (NFA) serves as the Fund s investment adviser. NFA, a registered investment adviser, is responsible for determining the Fund s overall strategy and its implementation. See Management of the Fund Investment Adviser, Sub-Adviser and Portfolio Manager.

Sub-adviser

Spectrum Asset Management, Inc. serves as the Fund s sub-adviser. Spectrum, a registered investment adviser, is responsible for the Fund s day-to-day investment operations.

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

Use of Leverage

The Fund employs financial leverage through borrowing or the use of commercial paper or notes (collectively Borrowing). The Fund has entered into a prime brokerage facility with BNP Paribas Prime Brokerage, Inc. The Fund s maximum commitment amount is $427,000,000. For the fiscal year ended July 31, 2012, the average daily balance outstanding and average annual interest rate on the Fund s borrowings were $377,395,082 and 1.35%, respectively.

The Fund has issued preferred shares in the past, but does not currently have any preferred shares outstanding. The Fund may issue preferred shares in the future. See Description of Shares Preferred Shares.

Leverage involves special risks. See Risk Factors Leverage Risks. There is no assurance that the Fund s leveraging strategy will be successful. The Fund will seek to invest the proceeds of any future financial leverage in a manner consistent with the Fund s investment objectives and policies. See Use of Leverage.

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 offer 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 Exchange, 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 1% of the gross proceeds of the sale of Common Shares. Nuveen Securities will compensate broker-dealers participating in the offering at a fixed rate of 0.8% of the gross sales proceeds of the sale of Common Shares sold by that broker-dealer. Nuveen Securities may from time to time change the dealer re-allowance. 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 (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 will terminate upon the earlier of (i) the sale of all 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 Agents.

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 New York Stock Exchange on October 23, 2012 was $9.35.

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 Underwriters.

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.

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 of the Fund s Common Shares 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

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 (estimated to be an additional 0.17% of the offering price assuming a Common Share offering price of $9.35 (the Fund s closing price on the Exchange on October 23, 2012)).

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 and Expected Reductions in Net Asset Value.

Preferred Securities Risks. Generally, preferred security holders have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer s board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. In the case of certain preferred securities issued by trusts or special purpose entities, holders generally have no voting rights, except if a declaration of default occurs and is continuing. In such an event, rights of preferred security holders generally would include the right to appoint and authorize a trustee to enforce the trust or special purpose entity s rights as a creditor under the agreement with its operating company. In certain circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws or regulatory or major corporate action. A redemption by the issuer may negatively impact the return of the security held by the Fund.

The preferred securities market is comprised predominately of securities issued by companies in the financial services industry. Therefore, preferred securities present substantially increased risks at times of financial turmoil, which could affect financial services companies more than companies in other sectors and industries. See Risk Factors Preferred Securities Risks.

Interest Rate Risk. Interest rate risk is the risk that fixed rate securities, such as preferred and debt securities, will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. Longer-term fixed rate securities are generally more sensitive to interest rate changes. The Fund s investment in such securities means that the net asset value and market price of Common Shares will tend to decline if market interest rates rise. Currently, market interest rates are at or near record historical lows. See Risk Factors Interest Rate Risk.

Reinvestment Risk. During periods of declining interest rates, an issuer may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security s duration and reduce the value of the security. This is known as extension risk. See Risk Factors Reinvestment Risk.

Interest Rate Transaction Risk. In connection with the Fund s use of leverage through Borrowings or any issuance of preferred shares, the Fund may enter into interest rate swap or cap transactions. The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions.

In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the counterparty) a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund a variable rate payment obligation on preferred shares or any variable rate Borrowings. The payment obligations would be based on the notional amount of the swap.

In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. If the counterparty to an interest rate swap or cap defaults, the Fund would be obligated to make the payments that it had intended to avoid.

Depending on the general state of short-term interest rates and the returns on the Fund s portfolio securities at that point in time, this default could negatively impact the Fund s ability to make dividend payments on any outstanding preferred shares.

In addition, at the time an interest rate swap or cap 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 Fund s ability to make dividend payments on any outstanding preferred shares or interest payments on Borrowings. If the Fund fails to meet an asset coverage ratio required by law or if the Fund does not meet a rating agency guideline in a timely manner, the Fund may be required to redeem some or all of the preferred shares. See Description of Shares Preferred Shares. Similarly, the Fund could be required to prepay the principal amount of Borrowings, if any. Such redemption or prepayment would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Early termination of a swap could result in a termination payment by or to the Fund.

Early termination of a cap could result in a termination payment to the Fund. The Fund intends to maintain in a segregated account with its custodian, cash or liquid securities having a value at least equal to the Fund s net payment obligations under any swap transaction, marked-to- market daily. The Fund will not enter into interest rate swap or cap transactions having a notional amount that exceeds the outstanding amount of the Fund s leverage. See Use of Leverage and Risk Factors Leverage, Risk Factors Derivatives, Risk Factors Hedging and The Fund s Investments.

Tax Risk. The Fund may invest in preferred securities the federal income tax treatment of which may not be clear or may be subject to re-characterization by the Internal Revenue Service. It could be more difficult for the Fund to comply with the tax requirements applicable to regulated investment companies if the tax characterization of the Fund s investments or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service. See Tax Matters.

Concentration and Financial Services Industry Risk. The Fund normally invests at least 25% of its Managed Assets in securities of financial services companies. A financial services company is one that is primarily involved in banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investments, or real estate, including REITs. This policy makes the Fund more susceptible to adverse economic or regulatory occurrences affecting those companies. Concentration of investments in financial services companies includes the following risks:

- financial services companies may suffer a setback if regulators change the rules under which they operate;
- unstable interest rates can have a disproportionate effect on the financial services sector;
- financial services companies whose securities the Fund may purchase may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that sector;
- financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies; and

financial services companies have been significantly and negatively affected by the downturn in the subprime mortgage lending market and the resulting impact on the world s economies.

See Risk Factors Concentration and Financial Services Industry Risk.

Non-Diversified Fund Risk. Because the Fund is classified as non-diversified under the 1940 Act, it can invest a greater portion of its assets in obligations of a single issuer than a diversified fund. As a result, the Fund may be more susceptible than a diversified fund to any single corporate, economic, political, geographic or regulatory occurrence. See The Fund s Investments and Risk Factors Non-Diversification.

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 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the 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 NFA or Spectrum expects. Whether the Fund achieves its investment objectives may depend on, among other things, whether NFA or Spectrum correctly forecast market reactions to this and other legislation. In the event NFA and Spectrum incorrectly forecast market reaction, the Fund may not achieve its investment objective and a Common Shareholder s shares may be worth less than his or her original investment.

Leverage Risk. The use of financial leverage created through Borrowings or issuing preferred shares in the future 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 financial leverage can result in a greater decrease in net asset values in declining markets. The Fund s use of financial leverage similarly can magnify the impact of changing market conditions on Common Share market prices.

The Fund may use derivatives, such as interest rate swaps, to fix the effective rate paid on all or a portion of the Fund s leverage, 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. 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, if issued in the future as well as any one-time costs (*e.g.*, issuance costs) and ongoing fees and expenses associated with such leverage.

The Fund has issued preferred shares in the past, but does not currently have any preferred shares outstanding. The Fund may issue preferred shares in the future to increase the Fund s leverage.

Furthermore, the amount of fees paid to NFA (which in turn pays a portion of its fees to Spectrum) 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 NFA and Spectrum 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.

The Fund seeks to manage the risks associated with its use of financial leverage as described below under How the Fund Manages Risk Investment Portfolio and Capital Structure Strategies to Manage Leverage Risk.

See Risk Factors Leverage Risk and Use of Leverage.

Call Risk. The Fund may invest in preferred securities and debt instruments, which are subject to call risk. Preferred securities and debt instruments may be redeemed at the option of the issuer, or called, before their stated maturity date. In general, an issuer will call its preferred securities or debt instruments if they can be refinanced by issuing new instruments which bear a lower interest rate. The Fund is subject to the possibility that during periods of falling interest rates, an issuer will call its high-yielding preferred securities or debt instruments. The Fund would then be forced to invest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund s income. See Risk Factors Call Risk.

Issuer Credit Risk. Issuers of preferred securities and debt instruments in which the Fund may invest may default on their obligations to pay dividends, 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 preferred security or debt instrument experiencing non-payment and, potentially, a decrease in the net asset value of 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 dividend, 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 preferred security or debt instrument. To the extent that the credit rating assigned to a security in the Fund s portfolio is downgraded, the market price and liquidity of such security may be adversely affected. Preferred securities are subordinated borrowings to bonds and debt instruments in a company s capital structure in terms of priority to corporate income and assets upon liquidation, and therefore will be subject to greater credit risk than those debt instruments. See Risk Factors Issuer Credit Risk.

Non-U.S. Securities Risk. The Fund may invest up to 35% of its net assets in U.S. dollar denominated securities of non-U.S. issuers offered, traded or listed in U.S. markets. Investments in securities of non-U.S. domiciled companies involve special risks not presented by investments in securities of U.S. companies, including the following: less publicly available information about non-U.S. domiciled companies or markets due to less rigorous disclosure or accounting standards or regulatory practices; the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; the impact of economic, political, social or diplomatic events; possible seizure of a company s assets; and restrictions imposed by non-U.S. countries limiting the ability of non-U.S. domiciled issuers to make payments of principal and/or interest. These risks are more pronounced to the extent that the Fund invests a significant amount of its assets in companies located in one region. To the extent the Fund invests in American Depositary Receipts, the Fund will be subject to many of the same risks as when investing directly in non-U.S. securities. See Risk Factors Non-U.S. Securities 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.

Derivatives Risk, including the Risk of Swaps. The Fund may enter into an interest rate swap or cap transaction to attempt to protect itself from increasing preferred share dividends, if issued in the future, or borrowing interest expenses resulting from increasing short-term interest rates. 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. If the Fund enters into a derivative transaction, it could lose more than the principal amount invested. Whether the Fund s use of derivatives is successful will depend on, among other things, whether NFA and Spectrum correctly forecast market conditions, liquidity, market values, interest rates and other applicable factors. If NFA and Spectrum incorrectly forecast these and other factors, the investment performance of the Fund will be unfavorably affected.

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 NFA and Spectrum of not only the 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 Statement of Additional Information.

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 derivatives or other transactions, the Fund assumes the risk that its counterparties could experience similar financial hardships. In the event of insolvency of a counterparty, the Fund may sustain losses or be unable to liquidate a derivatives position. See Risk Factors Counterparty Risk.

Hedging Risk. The Fund s use of derivatives or other transactions to reduce the portfolio s exposure to increases in interest rates involves costs and will be subject to NFA and Spectrum 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 NFA or Spectrum 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.

Reliance on Investment Adviser. The Fund is dependent upon services and resources provided by its investment adviser, NFA, and therefore the investment adviser 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, may generally have an adverse effect on the financial condition of Nuveen Investments.

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 By-Laws Anti-Takeover Provisions and Risk Factors Anti-Takeover Provisions.

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 cash 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 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. 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. As provided under federal tax law, Common Shareholders of record as of the end of the Fund s taxable year will include their attributable share of the retained gain in their income for the year as a long-term capital gain, will be deemed to have paid their proportionate shares of the tax paid by the Fund, and will be entitled to income tax credits or refunds for the tax deemed paid on their behalf by the Fund. The Fund will 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.

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.

Special Tax Considerations

The Fund may invest in preferred securities or other securities the federal income tax treatment of which may not be clear or may be subject to re-characterization by the Internal Revenue Service.

Voting Rights

The Fund has not currently, but may in the future, issue certain types of preferred securities. In that event, such preferred securities, 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 are unpaid. In each case, the remaining trustees would be elected by holders of Common Shares and preferred shares voting together as a single class. The holders preferred shares would vote as a separate class or classes on certain other matters as required under the Declaration, the Investment Company Act of 1940, as amended (the 1940 Act) and Massachusetts law. See Description of Shares Preferred Shares Voting Rights and Certain Provisions in the Declaration of Trust.

SUMMARY OF FUND EXPENSES

The purpose of the table below is 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.

Shareholder Transaction Expenses (as a percentage of offering price)	
Maximum Sales Charge	4.00%
Offering Costs Borne by the Fund(1)	0.17%

	As a Percentage of Net Assets Attributable to Common Shares(2)
Annual Expenses	
Management Fees	1.17%
Interest Payments on Borrowings(3)	0.53%
Other Expenses	0.08%
Acquired Fund Fees and Expenses	0.05%
Total Annual Expenses	1.83%

(1) Assuming a Common Share offering price of $9.35 (the Fund s closing price on the New York Stock Exchange on October 23, 2012.

(2) Stated as percentages of average net assets attributable to Common Shares for the fiscal year ended July 31, 2012.

(3) Interest Payments on Borrowings assumes an annual interest rate of 1.24% on a $427,000,000 borrowing and assumes no undrawn fee as the fund s amount borrowed is equal to the maximum commitment amount.

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, if any, and estimated offering costs of $1.70) 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.(1)

Example # 1 (At-the-Market Transaction)

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

1 Year	3 Years	5 Years	10 Years
$30	$ 69	$ 110	$ 224

Example # 2 (Underwriting Syndicate Transaction)

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

1 Year	3 Years	5 Years	10 Years
$60	$ 97	$ 137	$ 248

Example # 3 (Privately Negotiated Transaction)

The following example assumes there is no transaction fee.

1 Year	3 Years	5 Years	10 Years
$20	$ 59	$ 101	$ 216

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 information with respect to the fiscal year ended July 31, 2012 has been audited by Ernst & Young LLP, whose report for the fiscal year ended July 31, 2012, along with the financial statements of the Fund including the Financial Highlights for each of the periods indicated therein, are included in the Fund s 2012 Annual Report. A copy of the 2012 Annual Report may be obtained from www.sec.gov or by visiting 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,		Year Ended December 31,							Year Ended July 31,	
	2012	**2011(f)**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004(g)**	**2004(i)**	**2003(h)**
Per Share Operating Performance											
Beginning Common Share Net Asset Value	$ 8.77	$ 8.64	$ 7.67	$ 5.42	$ 11.57	$ 14.66	$ 14.77	$ 15.66	$ 15.32	$ 14.97	$ 14.33
Investment Operations:											
Net Investment Income (Loss)(a)	0.69	0.37	0.69	0.69	1.18	1.34	1.33	1.34	0.60	1.42	1.02
Net Realized/Unrealized Gain (Loss)	0.32	0.15	0.93	2.29	(6.18)	(2.96)	(0.01)	(0.69)	0.50	0.37	0.79
Distributions from Net Investment Income to FundPreferred Shareholders(b)	0.00	0.00	0.00	0.00*	(0.18)	(0.34)	(0.31)	(0.18)	(0.04)	(0.08)	(0.07)
Distributions from Capital Gains to FundPreferred Shareholders(b)	0.00	0.00	0.00	0.00	0.00	(0.01)	0.00	(0.02)	(0.01)	0.00	0.00
Total	1.01	0.52	1.62	2.98	(5.18)	(1.97)	1.01	0.45	1.05	1.71	1.74
Less Distributions:											
Net Investment Income to Common Shareholders	(0.66)	(0.39)	(0.65)	(0.70)	(0.97)	(1.04)	(1.12)	(1.16)	(0.53)	(1.32)	(0.95)

Capital Gains to Common Shareholders	0.00	0.00	0.00	0.00	0.00	(0.04)	0.00	(0.18)	(0.18)	(0.04)	0.00
Return of Capital to Common Shareholders	0.00	0.00	0.00	(0.03)	0.00	(0.04)	0.00	0.00	0.00	0.00	0.00
Total	(0.66)	(0.39)	(0.65)	(0.73)	(0.97)	(1.12)	(1.12)	(1.34)	(0.71)	(1.36)	(0.95)
Offering Costs and FundPreferred Share Underwriting Discounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.15)
Ending Common Share Net Asset Value	$ 9.12	$ 8.77	$ 8.64	$ 7.67	$ 5.42	$ 11.57	$ 14.66	$ 14.77	$ 15.66	$ 15.32	$ 14.97
Ending Market Value	$ 9.34	$ 8.07	$ 7.90	$ 7.25	$ 5.04	$ 10.81	$ 15.12	$ 12.80	$ 14.40	$ 14.61	$ 14.65
Total Returns:											
Based on Market Value(c)	25.17%	7.02%	18.31%	63.90%	(47.49)%	(22.24)%	27.75%	(2.06)%	3.34%	8.98%	4.02%
Based on Common Share Net Asset Value(c)	12.32%	5.99%	21.99%	61.22%	(47.58)%	(14.32)%	7.09%	3.01%	6.94%	11.60%	11.22%

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	Year Ended July 31,		Year Ended December 31,							Year Ended	
	2012	2011(f)	2010	2009	2008	2007	2006	2005	2004(g)	2004(i)	
nental											
ts											
(000)	$ 1,097,385	$ 1,055,468	$ 1,039,917	$ 922,354	$ 649,377	$ 1,386,125	$ 1,753,392	$ 1,765,543	$ 1,872,283	$ 1,830,878	$
ge Net le to (e)											
	1.80%	1.58%**	1.59%	1.82%	1.96%	1.45%	1.42%	1.40%	1.40%**	1.41%	
	8.13%	7.21%**	8.29%	11.27%	12.02%	9.35%	8.72%	8.32%	8.69%**	8.64%	
ge Net le to (d)(e)											
	N/A	N/A	1.51%	1.64%	1.59%	1.00%	0.95%	0.94%	0.94%**	0.95%	
	N/A	N/A	8.37%	11.45%	12.39%	9.80%	9.19%	8.78%	9.14%**	9.10%	
er	19%	7%	25%	27%	18%	31%	34%	17%	6%	19%	
hares : unt 0)	$	$	$	$	$ 130,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$
ue Per	$	$	$	$	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$
Per	$	$	$	$	$ 149,880	$ 68,316	$ 79,794	$ 80,173	$ 83,509	$ 82,215	$
nd of unt 0)	$ 427,000	$ 308,800	$ 300,000	$ 289,500	$ 165,200	$	$	$	$	$	$
Per	$ 3,570	$ 4,418	$ 4,466	$ 4,186	$ 5,718	$	$	$	$	$	$

(a) Per share Net Investment Income (Loss) is calculated using the average daily shares method.
(b) The amounts shown are based on Common share equivalents.

(c) Total Return Based on Market Value 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 may take 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.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, 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 net asset value. 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 net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

(d) After expense reimbursement from the Adviser, where applicable. As of September 30, 2010, the Adviser is no longer reimbursing the Fund for any fees and expenses.

(e) Ratios do not reflect the effect of dividend payments to FundPreferred shareholders, where applicable; Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to FundPreferred 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 borrowings, where applicable as follows:

	Ratios of Borrowings Interest Expense to Average Net Assets Applicable to Common Shares
Year Ended 7/31:	
2012	0.55%
2011(f)	0.37**
Year Ended 12/31:	
2010	0.39
2009	0.59
2008	0.30
2007	
2006	
2005	
2004(g)	
Year Ended 7/31:	
2004	
2003(h)	

(f) For the seven months ended July 31, 2011.

(g) For the five months ended December 31, 2004.

(h) For the period September 24, 2002 (commencement of operations) through July 31, 2003.

(i) The Fund changed its method of presentation for net interest expense on interest rate swap transactions. The effect of the reclassification for the fiscal year ended July 31, 2004 is as follows:

Increase of Net Investment Income per share with a corresponding decrease in Net Realized/Unrealized Investment Gain (Loss)	$ 0.11
Decrease in each of the Ratios of Expenses to Average Net Assets Applicable to Common Shares with a corresponding increase in each of the Ratios of Net Investment Income to Average Net Assets Applicable to Common Shares	0.71%

N/A The Fund no longer has a contractual reimbursement agreement with the Adviser.

* 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 discount or premium to net asset value (expressed as a percentage) of the Common Shares.

	Price		Net Asset Value		Premium/Discount to Net Asset Value	
Fiscal Quarter Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**
July 2012	$ 9.42	$ 8.21	$ 9.12	$ 8.60	3.63%	-4.53%
April 2012	$ 8.92	$ 8.44	$ 8.84	$ 8.51	3.73%	-3.96%
January 2012	$ 8.47	$ 7.66	$ 8.50	$ 8.06	0.24%	-5.43%
October 2011	$ 8.19	$ 7.08	$ 8.86	$ 7.85	-2.71%	-13.66%
July 2011	$ 8.66	$ 8.06	$ 9.08	$ 8.77	-4.42%	-8.97%
April 2011	$ 8.28	$ 8.00	$ 8.98	$ 8.72	-6.57%	-9.30%
January 2011	$ 8.61	$ 7.54	$ 8.82	$ 8.44	-2.38%	-10.84%
October 2010	$ 8.68	$ 8.07	$ 8.80	$ 8.29	-0.35%	-4.44%
July 2010	$ 8.04	$ 6.79	$ 8.27	$ 7.64	-2.33%	-11.75%
April 2010	$ 7.97	$ 7.21	$ 8.30	$ 7.80	-2.00%	-8.62%
January 2010	$ 7.55	$ 6.71	$ 7.96	$ 7.25	-2.90%	-9.32%
October 2009	$ 7.27	$ 6.54	$ 7.45	$ 6.73	4.16%	-7.35%

The last reported net asset value per share, the market price and percentage discount to net asset value per share of the Fund s common shares on October 23, 2012 was $9.54, $9.35 and 1.99%, respectively. As of September 30, 2012, the Fund had 120,376,176 Common Shares outstanding and net assets applicable to Common Shares of $1,130,628,648.

THE FUND

The Fund is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Massachusetts business trust on June 24, 2002, pursuant to a Declaration of Trust (the Declaration) governed by the laws of the Commonwealth of Massachusetts. On September 27, 2002, the Fund issued an aggregate of 108,600,000 Common Shares of beneficial interest, par value $0.01 per share, pursuant to the initial public offering thereof. On October 3, 2002, the Fund issued an additional 8,000,000 common shares in connection with the partial exercise by the underwriters of the over-allotment option. On October 18, 2002 and November 13, 2002,the Fund issued 24,000 and 8,000 FundPreferred shares, respectively. As of December 31, 2009, all of the Fund s FundPreferred Shares have been redeemed.

The Fund s Common Shares trade on the New York Stock Exchange (the Exchange) under the symbol JPS. The Fund s principal office is located at 333 West Wacker Drive, Chicago, Illinois 60606, and its telephone number is (800) 257-8787.

The following provides information about the Fund s outstanding shares as of September 30, 2012:

Title of Class	Amount Authorized	Amount Held by the Fund or for its Account	Amount Outstanding
Common	unlimited	0	120,376,176
Preferred	unlimited	0	0

USE OF PROCEEDS

The net proceeds from the issuance of Common Shares hereunder will be used by the Fund to invest in securities in accordance with the Fund s investment objectives and policies as stated below. It is presently anticipated that the Fund will be able to invest substantially all of such proceeds in securities that meet the Fund s investment objectives and policies within one month from the date on which the proceeds from an offering are received by the Fund. Pending such investment, 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 Objectives

The Fund s primary investment objective is high current income consistent with capital preservation. The Fund s secondary objective is to enhance portfolio value relative to the market for preferred securities by investing in (i) securities that the Fund s sub-adviser believes are underrated or undervalued or (ii) sectors that the Fund s sub-adviser believes are undervalued. The Fund s objectives are considered fundamental and may not be changed without shareholder approval. There can be no assurance that the Fund s investment objectives will be achieved.

Investment Philosophy

Spectrum s investment philosophy is centered on several underlying themes:

Income Orientation. Over time the primary contributor to the total return of Spectrum s strategy comes from providing high levels of current income.

High Quality Credit Focus. Spectrum believes there is a potential advantage to investing in subordinated preferred securities of strong, highly rated issuers as opposed to owning the senior debt of what Spectrum considers to be weak, deteriorating issuers.

The Preferred Securities Market. Since its founding in 1987, Spectrum has focused on utilizing preferred securities, which during some periods have been the highest yielding investment grade issues in the U.S. capital markets, to meet its clients investment objectives. Past performance of preferred securities is no guarantee of future results of such securities or of the Fund.

Investment Process

Spectrum s investment process focuses on:

Macroeconomic and Credit Analysis. Spectrum s process begins by utilizing its in-house research capabilities and external credit sources such as Moody s, Fitch and S&P to identify economic sectors, industries and companies that Spectrum believes have a stable or improving credit profile.

Security Selection. Spectrum employs a value-oriented style with a focus on choosing preferred securities that it believes are attractive relative to both other preferred securities and to the same issuer s senior debt. Features such as yield, call protection, subordination and liquidity are analyzed to justify inclusion within the portfolio.

Diversification. Spectrum will seek to invest in a large number of different industries and issuers within both the financial services sector and within other areas of the economy in order to help to insulate the portfolio from events that affect any particular company or sector.

Trading Opportunities. While income is the primary objective of the Fund, Spectrum will also seek to enhance portfolio value by trading to take advantage of inefficiencies found in the preferred securities market. This often entails selling securities Spectrum deems to be overvalued and buying what Spectrum considers to be undervalued securities.

Full Investment. Spectrum s general strategy is to remain primarily invested in taxable preferred securities; although, it may at times use permitted temporary investments to adopt a defensive strategy if in its opinion such strategy is warranted by market conditions.

Investment Policies

As a non-fundamental policy, under normal circumstances, the Fund invests at least 80% of its Managed Assets in preferred securities. Under normal circumstances, the Fund s portfolio of preferred securities consists of both fixed rate preferred and adjustable rate preferred securities.

Also as a non-fundamental policy, the use of derivatives for purposes of hedging the portfolio is restricted to reducing the portfolio s exposure to increases in interest rates. In addition, the Fund, in implementing its hedging strategies, may enter into futures transactions with a notional principal amount that will not exceed 35% of its Managed Assets, and may invest in options on futures the premiums for which will not exceed 0.5% of Managed Assets in any calendar quarter.

Additionally, the Fund normally invests 100% of its Managed Assets in securities that, at the time of investment, are rated within the four highest grades by all NRSROs that rate such security or are unrated but judged to be of comparable quality by Spectrum (*i.e.*, investment grade), which may include up to 10% in securities that are rated investment grade by at least one NRSRO and below investment grade by another NRSRO (sometimes called, split-rated).

In addition, under normal circumstances, the Fund may:

- invest up to 35% of its Managed Assets in U.S. dollar denominated securities of non-U.S. issuers offered, traded or listed in U.S. markets;

- invest up to 20% of its Managed Assets in debt securities, including convertible debt securities and convertible preferred securities; and

- invest up to 10% of its Managed Assets in illiquid securities, although the Fund has no current intention to invest in such securities.

Investment grade quality securities are those rated within the four highest grades by all NRSROs that rate such security or that are unrated but judged to be of comparable quality by Spectrum. Investment grade securities may include split-rated securities. A general description of Moody s, S&P s and Fitch s ratings of securities is set forth in Appendix A to the SAI.

The foregoing credit quality policies apply only at the time a security is purchased, and the Fund is not required to dispose of a security in the event that a rating agency downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security, Spectrum may consider such factors as Spectrum s assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by other rating agencies.

Other Policies

Upon Spectrum s recommendation, during temporary defensive periods and in order to keep the Fund s cash fully invested, the Fund may deviate from its investment objectives and may invest any percentage of its net assets in short-term investments including high quality, short-term debt securities (or in securities of other open- or closed-end investment companies that invest primarily in preferred securities of the types in which the Fund may invest directly).

The Fund s objectives and certain investment policies specifically identified in the SAI 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, including as noted above, are not considered to be fundamental by the Fund and can be changed by the Board of Trustees without a vote of the outstanding shareholders.

The Fund s policy of investing at least 80% of its Managed Assets in preferred securities is not considered to be fundamental. The Fund s policy that the use of derivatives for purposes of hedging the portfolio will be restricted to reducing the portfolio s exposure to increases in interest rates is also not considered to be fundamental. As such, these policies can be changed without a vote of the outstanding shareholders. However, such investment policy may only be changed by the Board of Trustees following the provision of 60 days prior written notice to such shareholders.

The Fund cannot change its investment objectives 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 Contents

Preferred Securities. The Fund invests in preferred securities. Not all preferred securities pay dividends that are eligible for the dividends received deduction or for treatment as qualified dividend income. The Fund intends to invest primarily in preferred securities (often referred to as hybrid preferred securities) the payments on which do not qualify for the dividends received deduction for corporate shareholders or for treatment as qualified dividend income for noncorporate shareholders (non-DRD preferred securities). Pursuant to the dividends received deduction, corporations may generally deduct 70% of certain dividend income they receive. Corporate shareholders of a regulated investment company like the Fund generally are permitted to claim a deduction with respect to that portion of their distributions attributable to amounts received by the regulated investment company that qualify for the dividends received deduction. For taxable years beginning before January 1, 2013, qualified dividend income is taxable to noncorporate shareholders at reduced rates, and shareholders of a regulated investment company like the Fund generally are permitted to treat as qualified dividend income that portion of distributions attributable to the qualified dividend income of the regulated investment company. Each shareholder should assume that no significant portion of the distributions it receives from the fund will qualify for the dividends received deduction or as qualified dividend income. These types of non-DRD preferred securities typically offer additional yield spread versus other types of preferred securities due to this lack of special tax treatment.

Non-DRD preferred securities are typically issued by corporations, generally in the form of interest-bearing notes or preferred securities, or by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The non-DRD preferred securities market consists of both fixed and adjustable coupon rate securities that are either perpetual in nature or have stated maturity dates. The non-DRD preferred securities market is divided into the $25 par and the institutional segments. The $25 par segment is typified by securities that are listed on the New York Stock Exchange (the NYSE or the Exchange), which trade and are quoted flat (*i.e.*, without accrued dividend income) and which are typically callable at par value five years after their original issuance date. The institutional segment is typified by $1,000 par value securities that are not exchange-listed, which trade and are quoted on an accrued income basis, and which typically have a minimum of 10 years of call protection (at premium prices) from the date of their original issuance.

Non-DRD preferred securities are typically junior and fully subordinated liabilities of an issuer or the beneficiary of a guarantee that is junior and fully subordinated to the other liabilities of the guarantor. In addition, non-DRD preferred securities typically permit an issuer to defer the payment of income for eighteen months or more without triggering an event of default. Generally, the deferral period is five years or more. Because of their subordinated position in the capital structure of an issuer, the ability to defer payments for extended periods of time without adverse consequence to the issuer, and certain other features (such as restrictions on common dividend payments by the issuer or ultimate guarantor when cumulative payments on the non-DRD preferred securities have not been made), these non-DRD preferred securities are often treated as close substitutes for traditional preferred securities, both by issuers and investors. Non-DRD preferred securities have many of the key characteristics of equity due to their subordinated position in an issuer s capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows.

Non-DRD preferred securities include but are not limited to:

- trust originated preferred securities;
- monthly income preferred securities;
- quarterly income bond securities;
- quarterly income debt securities;
- quarterly income preferred securities;
- corporate trust securities;
- public income notes; and
- other trust preferred securities.

Non-DRD preferred securities are typically issued with a final maturity date, although some are perpetual in nature. In certain instances, a final maturity date may be extended and/or the final payment of principal may be deferred at the issuer s option for a specified time without any adverse consequence to the issuer. No redemption can typically take place unless all cumulative payment obligations have been met, although issuers may be able to engage in open-market repurchases without regard to any cumulative dividends payable. A portion of the portfolio may include investments in non-cumulative preferred securities, whereby the issuer does not have an obligation to make up any arrearages to its shareholders. Should an issuer default on its obligations under such a security, the amount of dividends the Fund pays may be adversely affected.

Many non-DRD preferred securities are issued by trusts or other special purpose entities established by operating companies, and are not a direct obligation of an operating company. At the time a trust or special purpose entity sells its preferred securities to investors, the trust or special purpose entity purchases debt of the operating company (with terms comparable to those of the trust or special purpose entity securities), which enables the operating company to deduct for tax purposes the interest paid on the debt held by the trust or special purpose entity. The trust or special purpose entity is generally required to be treated as transparent for federal income tax purposes such that the holders of the non-DRD preferred securities are treated as owning beneficial interests in the underlying debt of the operating company. Accordingly, payments of the non-DRD preferred securities are treated as interest rather than dividends for federal income tax purposes and, as such, are not eligible for the dividends received deduction or for treatment as qualified dividend income. The trust or special purpose entity in turn would be a holder of the operating company s debt and would have priority with respect to the operating company s earnings and profits over the operating company s common shareholders, but would typically be subordinated to other classes of the operating company s debt. Typically a taxable preferred share has a rating that is slightly below that of its corresponding operating company s senior debt securities.

Convertible Securities. Convertible securities are hybrid securities that combine the investment characteristics of bonds and Common Sharess. Convertible securities typically consist of debt securities or preferred securities that may be converted within a specified period of time (typically for the entire life of the security) into a certain amount of Common Shares or other equity security of the same or a different issuer at a predetermined price. They also include debt securities with warrants or Common Shares attached and derivatives combining the features of debt securities and equity securities. Convertible securities entitle the holder to receive interest paid or accrued on debt, or dividends paid or accrued on preferred securities, until the security matures or is redeemed, converted or exchanged. The market value of a convertible security generally is a function of its investment value and its conversion value. A security s investment value represents the value of the security without its conversion feature (*i.e.*, a comparable nonconvertible fixed-income security). The investment value is determined by, among other things, reference to its credit quality and the current value of its yield to maturity or probable call date. At any given time, investment value is dependent upon such factors as the general level of interest rates, the yield of similar nonconvertible securities, the financial strength of the issuer and the seniority of the security in the issuer s capital structure. A security s conversion value is determined by multiplying the number of shares the holder is entitled to receive upon conversion or exchange by the current price of the underlying security. If the conversion value of a convertible security is significantly below its investment value, the convertible security will trade like nonconvertible debt or a preferred security in the sense that its market value will not be influenced greatly by fluctuations in the market price of the underlying security into which it can be converted. Instead, the convertible security s price will tend to move in the opposite direction from interest rates. Conversely, if the conversion value of a convertible security is significantly above its investment value, the market value of the convertible security will be more heavily influenced by fluctuations in the market price of the underlying stock. In that case, the convertible security s price may be as volatile as that of the Common Shares. Because both interest rate and market movements can influence its value, a convertible security is not generally as sensitive to interest rates as a similar fixed-income security, nor is it generally as sensitive to changes in share price as its underlying stock. The Fund s investments in convertible securities, particularly securities that are convertible into securities of an issuer other than the issuer of the convertible security, may be illiquid that is, the Fund may not be able to dispose of such securities in a timely fashion or for a fair price, which could result in losses to the Fund. The Fund s investments in convertible securities may at times include securities that have a mandatory conversion feature, pursuant to which the securities convert automatically into Common Shares or other equity securities (of the same or a different issuer) at a specified date and a specified conversion ratio, or that are convertible at the option of the issuer. For issues where the conversion of the security is not at the option of the holder, the Fund may be required to convert the security into the underlying Common Shares even at times when the value of the underlying Common Shares or other equity security has declined substantially. In addition, some convertibles are often rated below investment-grade or are not rated, and therefore may be considered speculative investments. The credit rating of a company s convertible securities is generally lower than that of its conventional debt securities. Convertibles are normally considered junior securities that is, the company usually must pay interest on its conventional corporate debt before it can make payments on its convertible securities. Some convertibles are particularly sensitive to interest rate changes when their predetermined conversion price is much higher than the issuing company s Common Shares.

Non-U.S. Securities. The Fund may invest up to 35% of its Managed Assets in U.S. dollar denominated securities of non-U.S. issuers offered, traded or listed in U.S. markets. Investments in securities of non-U.S. companies involve risks in addition to the usual risks inherent in domestic investments, including currency risk. The value of a non-U.S. security in U.S. dollars tends to decrease when the value of the U.S. dollar rises against the non-U.S. currency in which the security is denominated and tends to increase when the value of the U.S. dollar falls against such currency. Non-U.S. securities are affected by the fact that in many countries there is less publicly available information about issuers than is available in the reports and ratings published about companies in the United States and companies may not be subject to uniform accounting, auditing and financial reporting standards. Other risks inherent in non-U.S. investments include expropriation; confiscatory taxation; withholding taxes on dividends and interest; less extensive regulation of non-U.S. brokers, securities markets and issuers; diplomatic developments; and political or social instability. Non-U.S. economies may differ favorably or unfavorably from the U.S. economy in various respects, and many non-U.S. securities are less liquid and their prices tend to be more volatile than comparable U.S. securities. From time to time, non-U.S. securities may be difficult to liquidate rapidly without adverse price effects. The Fund may invest directly in dollar-denominated securities issued by non-U.S. companies. The Fund may also invest in non-U.S. securities by purchasing depositary receipts, denominated in U.S. dollars, including American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), Global Depositary Receipts (GDRs) or other securities representing indirect ownership interests in the securities of non-U.S. companies, including New York Shares. Generally, ADRs, in registered form, are denominated in U.S. dollars and are designated for use in the U.S. securities markets, while EDRs and GDRs are typically in bearer form and may be denominated in non-U.S. currencies and are designed for use in European and other markets. ADRs are receipts typically issued by a U.S. bank or trust company evidencing ownership of the underlying non-U.S. security. ADRs, EDRs and GDRs are deemed to have the same classification as the underlying securities they represent, except that ADRs, EDRs and GDRs shall be treated as indirect non-U.S. investments. Thus, an ADR, EDR or GDR representing ownership of Common Shares will be treated as Common Shares. ADRs, EDRs and GDRs do not eliminate all of the risks associated with directly investing in the securities of non-U.S. companies, such as changes in non-U.S. currency exchange rates. However, by investing in ADRs rather than directly in non-U.S. companies stock, the Fund avoids currency risks during the settlement period. Some ADRs may not be sponsored by the issuer. Other types of depositary receipts include American Depositary Shares (ADSs), Global Depositary Certificates (GDCs) and International Depositary Receipts (IDRs). ADSs are shares issued under a deposit agreement representing the underlying ordinary shares that trade in the issuer s home market. An ADR, described above, is a certificate that represents a number of ADSs. GDCs and IDRs are typically issued by a non-U.S. bank or trust company, although they may sometimes also be issued by a U.S. bank or trust company. GDCs and IDRs are depositary receipts that evidence ownership of underlying securities issued by either a non-U.S. or a U.S. corporation. Depositary receipts may be available through sponsored or unsponsored facilities. A sponsored facility is established jointly by a depositary and the issuer of the security underlying the receipt. An unsponsored facility may be established by a depositary without participation by the issuer of the security underlying the receipt. There are greater risks associated with holding unsponsored depositary receipts. For example, if the Fund holds an unsponsored depositary receipt, it will generally bear all of the costs of establishing the unsponsored facility. In addition, the depositary of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited security. Whether a sponsored or unsponsored facility, there is no assurance that either would pass through to the holders of the receipts voting rights with respect to the deposited securities. In considering whether to invest in the securities of a non-U.S. company, the portfolio managers consider such factors as the characteristics of the particular company, differences between economic trends, and the performance of securities markets within the United States and those within other countries. The portfolio managers also consider factors relating to the general economic, governmental and social conditions of the country or countries where the company is located. Securities transactions conducted outside the United States may not be regulated as rigorously as in the United States, may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, non-U.S. securities, currencies and other instruments. The value of such positions also could be adversely affected by (i) other complex non-U.S. political, legal and economic factors, (ii) lesser availability than in the United States of data on which to make trading decisions, (iii) delays in the Fund s ability to act upon economic events occurring in non-U.S. markets during non-business hours in the United States, (iv) the imposition of different exercise and settlement terms and procedures and the margin requirements than in the United States, (v) currency exchange rate changes, and (vi) lower trading volume and liquidity.

Financial Services Company Securities. The Fund intends to invest at least 25% of its Managed Assets in securities issued by companies principally engaged in financial services. A company is principally engaged in financial services if it owns financial services-related assets that constitute at least 50% of its revenues from providing financial services. Companies in the financial services sector include commercial banks, industrial banks, savings institutions, finance companies, diversified financial services companies, investment banking firms, securities brokerage houses, investment advisory companies, leasing companies, insurance companies and companies providing similar services.

Common Stock. Common Stock acquired by the Fund pursuant to a convertible feature will be subject to the 20% limitation noted above. Common stock generally represents an ownership interest in an issuer.

Derivatives. The Fund may engage in hedging and other transactions from time to time for the purpose of hedging some of its portfolio. The use of derivatives for purposes of hedging the portfolio will be restricted to reducing the portfolio s exposure to increases in interest rates. The specific derivative instruments will be limited to (A) U.S. Treasury security or U.S. Government Agency security futures contracts and (B) options on U.S. Treasury security or U.S. Government Agency security futures contracts. All such instruments must 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. The Fund, in implementing its hedging strategies, may enter into futures transactions with a notional principal amount that will not exceed 35% of its Managed Assets, and may invest in options on futures the purchase price for which will not exceed 0.5% of Managed Assets in any calendar quarter. See Other Policies in the Fund s Statement of Additional Information for further information on hedging transactions.

The Fund has filed a notice of eligibility for exclusion from the definition of the term commodity pool operator with the CFTC and the National Futures Association, which regulate trading in the futures markets. As a result of the Trust s filing with the CFTC and the National Futures Association, the Trust, its officers and directors are not subject to the registration requirements of the Commodity Exchange Act, as amended (the CEA), and are not subject to regulation as commodity pool operators under the CEA. The Trust reserves the right to engage in transactions involving futures and options thereon to the extent allowed by CFTC regulations in effect from time to time and in accordance with the Fund s policies.

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

Illiquid Securities. While the Fund does not currently intend to invest in illiquid securities (*i.e.*, any security which cannot be sold or disposed of in the ordinary course of business within seven (7) days at the approximate price at which the client account values the security), it may invest up to 10% of its Managed Assets in illiquid securities. For this purpose, illiquid securities 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 Securities Act of 1933, as amended (the Securities Act) but that are deemed to be illiquid, and repurchase agreements with maturities in excess of seven days. The Board of Trustees or its delegate has the ultimate authority to determine, to the extent permissible under the federal securities laws, which securities are liquid or illiquid for purposes of this 10% limitation. The Board of Trustees has delegated to Spectrum and NFA the day-to-day determination of the illiquidity of any security held by the Fund, although it has retained oversight and ultimate responsibility for such determinations. Although no definitive liquidity criteria are used, the Board of Trustees has directed Spectrum and NFA to look for such factors as (i) the nature of the market for a security (including the institutional private resale market; the frequency of trades and quotes for the security; the number of dealers willing to purchase or sell the security; the amount of time normally needed to dispose of the security; and the method of soliciting offers and the mechanics of transfer), (ii) the terms of certain securities or other instruments allowing for the disposition to a third party or the issuer thereof (*e.g.*, certain repurchase obligations and demand instruments), and (iii) other permissible relevant factors.

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 Securities 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. To the extent that the Board of Trustees or its delegate determines that the price of any illiquid security provided by the pricing service is inappropriate, such security will be priced at a 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 10% 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.

Cash Equivalents and Short-Term Investments. Upon Spectrum s recommendation, during temporary defensive periods and in order to keep the Fund s cash fully invested, the Fund may deviate from its investment objectives and may invest any percentage of its net assets in short-term investments including high quality, short-term debt securities (or in securities of other open- or closed-end investment companies that invest primarily in preferred securities of the types in which the Fund may invest directly).

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 securities prior to settlement and, because securities are subject to market fluctuations, the value of the securities 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 equivalents or liquid securities having a market value at all times at least equal to the amount of the commitment.

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 exchange-traded funds (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 the NFA, Spectrum or their respective affiliates to the extent permitted by applicable law and/or pursuant to exemptive relief from the Securities and Exchange Commission. The Fund has not received or applied for, nor does it currently intend to apply for, any 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.

Spectrum 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.

Portfolio Turnover

The Fund may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving the Fund s investment objectives. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is generally not expected to exceed % under normal circumstances. However, there are no limits on the Fund s rate of portfolio turnover, and investments may be sold without regard to length of time held when, in Spectrum s opinion, investment considerations warrant such action. A higher portfolio turnover rate would result in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. Although these commissions and expenses are not reflected in the Fund s Total Annual Expenses **[on page 13]** of this prospectus, they will be reflected in the Fund s total return. In addition, high portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to shareholders, will be taxable as ordinary income. See Tax Matters.

USE OF LEVERAGE

The amounts and forms of leverage used by the Fund may vary with prevailing market or economic conditions. The timing and terms of any leverage transactions is determined by the Fund s Board of Trustees. Currently, the Fund employs financial leverage through bank borrowings. The Fund has entered into a prime brokerage facility with BNP Paribas Prime Brokerage, Inc. The Fund s maximum commitment amount under these borrowings is $427,000,000. Interest is charged on the Fund s borrowings at 3-Month London Inter-Bank Offered Rate (LIBOR) plus 0.85% on the amounts borrowed and 0.50% on the undrawn balance. For the fiscal year ended July 31, 2012, the average daily balance outstanding and average annual interest rate on the Fund s borrowings were $377,395,082 and 1.35%, respectively.

Following an offering of additional Common Shares from time to time, the Fund s leverage ratio will decrease as a result of the increase in net assets attributable to Common Shares. The Fund s leverage ratio may decline further to the extent that the net proceeds of an offering of Common Shares are used to reduce the Fund s financial leverage. A lower leverage ratio may result in lower (higher) returns to Common Shareholders over a period of time to the extent that net returns on the Fund s investment portfolio exceed (fall below) its cost of leverage over that period, which lower (higher) returns may impact the level of the Fund s distributions. See Risk Factors Leverage Risk.

The Fund has issued preferred shares in the past, but does not currently have any preferred shares outstanding. The Fund may issue preferred shares in the future to increase the Fund s leverage.

Changes in the value of the Fund s portfolio, including costs attributable to Borrowings or preferred shares, if any, will be borne entirely by the Common Shareholders. If there is a net decrease (or increase) in the value of the Fund s investment portfolio, the leverage will decrease (or increase) the net asset value per Common Share to a greater extent than if the Fund were not leveraged.

Given the current economic and debt market environment with historically low short-term to intermediate-term interest rates, the Fund may use derivatives such as interest rate swaps, with terms that may range from one to seven years, to fix the effective rate paid on a significant portion of the Fund s leverage. The interest rate swap program, if implemented, will seek to achieve potentially lower leverage costs over an extended period. This strategy would enhance common shareholder returns if short-term interest rates were to rise over time to exceed on average the effective fixed interest rate for that time period. This strategy, however, would add to effective leverage costs immediately (because the effective swap costs would likely be higher than current benchmark adjustable short term rates) and would increase overall leverage costs over the entirety of any such time period, in the event that short-term interest rates do not rise sufficiently during the period to exceed on average the effective fixed interest rate for that time period.

The Fund pays NFA a management fee based on a percentage of net assets. Net assets for this purpose include the proceeds realized from the Fund s use of financial leverage. See Management of the Fund Investment Management and Sub-Advisory Agreements. NFA will base its decision whether and how much to leverage the Fund based solely on its assessment of whether such use of leverage will advance the Fund s investment objective. NFA will be responsible for using leverage to achieve the Fund s investment objective. However, the fact that a decision to increase the Fund s leverage will have the effect of increasing net assets and therefore NFA s management fee means that NFA may have an incentive to increase the Fund s use of leverage. NFA will seek to manage that incentive by only increasing the Fund s use of leverage when it determines that

such increase is consistent with the Fund s investment objective, and by periodically reviewing the Fund s performance and use of leverage with the Fund s Board of Trustees.

Under the 1940 Act, the Fund generally is not permitted to issue commercial paper or notes or borrow unless immediately after the borrowing or commercial paper or note issuance the value of the Fund s total assets less liabilities other than the principal amount represented by commercial paper, notes or borrowings, is at least 300% of such principal amount. If the Fund borrows, the Fund intends, to the extent possible, to prepay all or a portion of the principal amount of any outstanding commercial paper, notes or borrowing to the extent necessary in order to maintain the required asset coverage. Failure to maintain certain asset coverage requirements could result in an event of default and entitle the debt holders to elect a majority of the Board of Trustees.

Under the 1940 Act, the Fund is not permitted to issue preferred shares unless immediately after such issuance, the value of the Fund s asset coverage is at least 200% of the liquidation value of the outstanding preferred shares (*i.e*., such liquidation value may not exceed 50% of the Fund s asset coverage). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless, at the time of such declaration, the value of the Fund s asset coverage less liabilities other than borrowings is at least 200% of such liquidation value. If preferred shares are issued in the future, the Fund intends, to the extent possible, to purchase or redeem preferred shares from time to time to the extent necessary in order to maintain coverage of any preferred shares. Though it does not currently, if the Fund were to have preferred shares outstanding, two of the Fund s trustees would be elected by the holders of preferred shares, voting separately as a class. The remaining trustees of the Fund would be elected by holders of Common Shares and preferred shares voting together as a single class. In the event the Fund would fail to pay dividends on for two years, preferred shareholders would be entitled to elect a majority of the trustees of the Fund.

The Fund may be subject to certain restrictions imposed by either guidelines of one or more rating agencies that may issue ratings for commercial paper or notes, preferred shares, or, if the Fund borrows from a lender, by the lender. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act. It is not anticipated that these covenants or guidelines will impede NFA and Spectrum from managing the Fund s portfolio in accordance with the Fund s investment objectives and policies. In addition to other considerations, to the extent that the Fund believes that the covenants and guidelines required by the rating agencies or lenders would impede its ability to meet its investment objective, or if the Fund is unable to obtain the rating on borrowings (expected to be at least AA/Aa or the equivalent short-term ratings) or preferred shares (also expected to be at least AA/Aa), the Fund will not incur borrowings or issue preferred shares.

Assuming the utilization of leverage through borrowings in the aggregate amount of approximately 29.00% of the Fund s Managed Assets, at a combined interest or payment rate of 1.35% payable on such leverage, the income generated by the Fund s portfolio (net of non-leverage expenses) must exceed 0.39% in order to cover such interest or payment rates and other expenses specifically related to borrowing. Of course, these numbers are merely estimates, used for illustration. Actual interest or payment rates may vary frequently and may be significantly higher or lower than the rate estimated above.

The Fund may also borrow money for repurchase of its shares or as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on Common Share total return, assuming investment portfolio total returns (comprised of income and changes in the value of bonds held in the Fund s portfolio net of expenses) at the assumed portfolio total return rates provided in the table. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns expected to be experienced by the Fund. The table

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further reflects the use of borrowings representing 29.00% of the Fund s total capital and the Fund s currently projected annual dividend rate, borrowing interest rate or payment rate set by an interest rate transaction of 1.35%. See Risk Factors Leverage Risk and Use of Leverage.

Assumed Portfolio Total Return	-10.00%	-5.00%	0.00%	5.00%	10.00%
Common Share Total Return	-14.64%	-7.59%	-0.55%	6.49%	13.53%

Common Share total return is composed of two elements the Common Share dividends paid by the Fund (the amount of which is largely determined by the net investment income of the Fund after paying interest on any borrowings) and gains or losses on the value of the securities the Fund owns. As required by SEC rules, the table assumes that the Fund is more likely to suffer capital losses than capital appreciation.

RISK FACTORS

Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you invest in Common Shares.

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. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably.

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 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 (estimated to be an additional 0.17% of the offering price assuming a Common Share offering price of $9.35 (the Fund s closing price on the Exchange on October 23, 2012)).

Interest Rate Risk

Interest rate risk is the risk that the fixed-rate securities in which the Fund invests, such as preferred and debt securities, will fluctuate in value with changes in interest rates. In general, fixed-rate securities will increase in value when interest rates fall and decrease in value when interest rates rise. Longer-term fixed-rate securities are generally more sensitive to interest rate changes. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund s value. In typical market interest rate environments, the prices of longer-term securities generally fluctuate more than prices of shorter-term securities as interest rates change. The Fund s use of leverage, as described herein, will also tend to increase Common Share interest rate risk.

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 Shares market price or their overall returns.

Preferred Securities Risks

There are special risks associated with investing in preferred securities:

Limited voting rights. Generally, preferred security holders (such as the fund) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer s board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights.

In the case of certain preferred securities, holders generally have no voting rights, except (i) if the issuer fails to pay dividends for a specified period of time or (ii) if a declaration of default occurs and is continuing. In such an event, preferred security holders generally would have the right to appoint and authorize a trustee to enforce the trust or special purpose entity s rights as a creditor under the agreement with its operating company.

Special redemption rights. In certain circumstances, an issuer of preferred securities may redeem the securities prior to their stated maturity date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by the fund.

Payment deferral. Generally, preferred securities may be subject to provisions that allow an issuer, under certain conditions, to skip (non-cumulative preferred securities) or defer (cumulative preferred securities) distributions. Non-cumulative preferred securities can defer distributions indefinitely. Cumulative preferred securities typically contain provisions that allow an issuer, at its discretion, to defer distributions payments for up to 10 years. If the fund owns a preferred security that is deferring its distribution, the fund may be required to report income for tax purposes while it is not receiving any income.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company s capital structure and therefore are subject to greater credit risk than those debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as U.S. government securities or Common Shares.

Financial services industry. The preferred securities market is comprised predominately of securities issued by companies in the financial services industry. Therefore, preferred securities present substantially increased risks at times of financial turmoil, which could affect financial services companies more than companies in other sectors and industries.

Tax risk. The Fund may invest in preferred securities or other securities the federal income tax treatment of which may not be clear or may be subject to re-characterization by the Internal Revenue Service. It could be more difficult for the Fund to comply with the tax requirements applicable to regulated investment companies if the tax characterization of the Fund s investments or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service.

Regulatory risk. Issuers of preferred securities may be in industries that are heavily regulated and that may receive government funding. The value of preferred securities issued by these companies may be affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation or reduced government funding.

Convertible Security Risk

Convertible securities have characteristics of both equity and debt securities and, as a result, are exposed to certain additional risks that are typically associated with debt. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, a convertible security s market value also tends to reflect the market price of the Common Shares of the issuing company. Convertible securities are also exposed to the risk that an issuer is unable to meet its obligation to make dividend or interest and principal payments when due as a result of changing financial or market conditions.

Leverage Risk

Leverage risk is the risk associated with the use of the Fund s borrowings, outstanding preferred shares, if issued in the future, to leverage the Common Shares. There can be no assurance that the Fund s leveraging strategy will be successful. Because the preferred shares 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 fix the effective rate paid on all or a portion of the Fund s leverage 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- or intermediate-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 returns to Common Shareholders. This could occur even if 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 expenses relating to the issuance and ongoing maintenance of any borrowings, as well as any one-time costs (*e.g.*, issuance costs) and ongoing fees and expenses associated with such leverage.

The risk of loss attributable to the Fund s use of leverage is borne by Common Shareholders. The Fund s use of financial leverage can result in a greater decrease in net asset values in declining markets. The Fund s use of financial leverage similarly can magnify the impact of changing market conditions on Common Share market prices. See Inverse Floating Rate Securities Risk. Furthermore, the amount of fees paid to Spectrum (which in turn pays a portion of its fees to Spectrum) 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 NFA and Spectrum to leverage the Fund. The Fund is required to maintain certain regulatory and rating agency asset coverage requirements in connection with its outstanding borrowings, in order to be able to maintain the ability to declare and pay Common Share distributions and to maintain the rating of preferred shares if issued in the future. In order to maintain required asset coverage levels, the Fund may be required to alter the composition of its investment portfolio or take other actions, such as redeeming preferred shares, if any, or prepaying borrowings with the proceeds from portfolio transactions, at what might be an inopportune time in the market. Such actions could reduce the net earnings or returns to Common Shareholders over time.

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.

The Fund seeks to manage the risks associated with its use of financial leverage as described below under How the Fund Manages Risk Investment Portfolio and Capital Structure Strategies to Manage Leverage Risk.

Tax Risk

To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, among other things, the Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources and satisfy a diversification test on a quarterly basis. If the Fund fails to satisfy the qualifying income or diversification requirements in any taxable year, the Fund may be eligible for relief provisions if the failures are due to reasonable cause and not willful neglect and if a penalty tax is paid with respect to each failure to satisfy the applicable requirements. Additionally, relief is provided for certain *de minimis* failures of the diversification requirements where the Fund corrects the failure within a specified period. If these relief provisions are not available to the Fund for any year in which it fails to qualify as a regulated investment company (RIC), all of its taxable income (including its net capital gain) would be subject to Fund-level tax at regular corporate rates without any deduction for distributions to stockholders, and such distributions would be taxable as ordinary dividends to the extent of the Fund s current and accumulated earnings and profits, subject to the dividends received deduction for corporate shareholders and, for taxable years beginning before January 1, 2013, to the lower tax rates applicable to qualified dividend income distributed to individuals. To requalify for treatment as a RIC in a subsequent taxable year, the Fund would be required to satisfy the RIC qualification requirements for that year and to distribute any earnings and profits from any year in which the Fund failed to qualify for tax treatment as a RIC. If the Fund failed to qualify as a RIC for a period greater than two taxable years, it would generally be required to pay a Fund-level tax on certain net built-in gains recognized with respect to certain of its assets upon a disposition of such assets within ten years of qualifying as a RIC in a subsequent year.

The Fund may invest in preferred securities or other securities the federal income tax treatment of which may not be clear or may be subject to recharacterization by the Internal Revenue Service. It could be more difficult for the fund to comply with the tax requirements applicable to RICs if the tax characterization of the fund s investments or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service.

Borrowing Risks

In addition to borrowing for leverage (See Use of Leverage), the Fund may borrow for temporary or emergency purposes, including to meet redemption requests, pay dividends, repurchase its shares, or clear portfolio transactions. Borrowing may exaggerate changes in the net asset value of the Fund s shares and may affect the Fund s net income. When the Fund borrows money, it must pay interest and other fees, which will reduce the Fund s returns if such costs exceed the returns on the portfolio securities purchased or retained with such borrowings. Any such borrowings are intended to be temporary. However, under certain market conditions, including periods of low demand or decreased liquidity in the preferred securities market, such borrowings might be outstanding for longer periods of time. The Fund will not purchase additional portfolio securities while outstanding such temporary or emergency borrowings exceed 5% of the value of its total assets.

Inflation Risk

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of Common Shares and the distributions can decline. In addition, during any period of rising inflation, interest rates on borrowings would likely increase, which would tend to further reduce returns to Common Shareholders.

Concentration Risk

The Fund intends to invest at least 25% of its assets in the preferred securities of companies principally engaged in financial services. This policy makes the fund more susceptible to adverse economic or regulatory occurrences affecting the financial services sector. Concentration of investments in the financial services sector poses the following risks:

Financial services companies may suffer a setback if regulators change the rules under which they operate.

Unstable interest rates can have a disproportionate effect on the financial services sector.

Financial services companies whose securities the Fund may purchase may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that sector.

Financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies.

Financial services companies have been significantly and negatively affected by the downturn in the subprime mortgage lending market and the resulting impact on the world s economies.

Derivatives Risk, Including the Risk of Swaps

The use of derivatives for purposes of hedging the portfolio will be restricted to reducing the portfolio s exposure to increases in interest rates. The specific derivative instruments will be limited to (A) U.S. Treasury security or U.S. Government Agency security futures contracts and (B) options on U.S. Treasury security or U.S. Government Agency security futures contracts. All such instruments must be traded and listed on an exchange. The positions in derivatives will be marked-to-market daily at the closing price established on the relevant exchange. The Fund, in implementing its hedging strategies, may enter into futures transactions with a notional principal amount that will not exceed 35% of its Managed Assets, and may invest in options on futures the premiums for which will not exceed 0.5% of Managed Assets in any calendar quarter.

Futures Contracts and Options. U.S. Treasury and U.S. Government Agency futures contracts are standardized contracts for the future delivery of a U.S. Treasury Bond or U.S. Treasury Note or a U.S. Government Agency security or their equivalent at a future date at a price set at the time of the contract. An option on a U.S. Treasury or U.S. Government Agency futures contract, as contrasted with the direct investment in such a contract, gives the purchaser of the option the right, in return for the premium paid, to assume a position in a U.S. Treasury or U.S. Government Agency futures contract at a specified exercise price at any time on or before the expiration date of the option. Upon exercise of an option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer s futures margin account, which represents the amount by which the market price of the futures contract exceeds the exercise price of the option on the futures contract.

Under regulations of the Commodity Futures Trading Commission currently in effect, which may change from time to time, with respect to futures contracts to purchase securities and call options on futures contracts purchased by the Fund, the Fund will set aside in a segregated account liquid securities with a value at least equal to the value of instruments underlying such futures contracts less the amount of initial margin on deposit for such contracts. The current view of the staff of the Securities and Exchange Commission is that the Fund s long and short positions in futures contracts must be collateralized with cash or certain liquid assets held in a segregated account or covered in order to counter the impact of any potential leveraging.

There are several risks associated with the use of futures contracts and futures options. A purchase or sale of a futures contract may result in losses in excess of the amount invested in the futures contract. While the Fund may enter into futures contracts and options on futures contracts for hedging purposes, the use of futures contracts and options on futures contracts might result in a poorer overall performance for the Fund than if it had not engaged in any such transactions. There may be an imperfect correlation between the Fund s portfolio holdings and futures contracts or options on futures contracts entered into by the Fund, which may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. The degree of imperfection of correlation depends on circumstances such as: variations in speculative market demand for futures, futures options and the related securities, including technical influences in futures and futures options trading and differences between the securities markets and the securities underlying the standard contracts available for trading. Further, the Fund s use of futures contracts and options on futures contracts to reduce risk involves costs and will be subject to Spectrum s ability to predict correctly changes in interest rate relationships or other factors.

The Fund also may invest in relatively new instruments without a significant trading history. See Other Policies in the Fund s Statement of Additional Information for further information on hedging transactions.

Interest Rate Transactions. In connection with the Fund s anticipated use of leverage through its sale of preferred shares or Borrowings, the Fund may enter into interest rate swap or cap transactions. Interest rate swaps involve the Fund s agreement with the swap counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that is intended to approximate the Fund s variable rate payment obligation on preferred shares or any variable rate borrowing. The payment obligation would be based on the notional amount of the swap.

The Fund may use an interest rate cap, which would require it to pay a premium to the cap counterparty and would entitle it, to the extent that a specified variable rate index exceeds a predetermined fixed rate, to receive from the counterparty payment of the difference based on the notional amount. The Fund would use interest rate swaps or caps only with the intent to reduce or eliminate the risk that an increase in short-term interest rates could have on Common Share net earnings as a result of leverage.

The Fund will usually enter into swaps or caps 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 intends to maintain in a segregated account with its custodian cash or liquid securities having a value at least equal to the Fund s net payment obligations under any swap transaction, marked-to-market daily.

The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on the state of interest rates in general, the Fund s use of interest rate swaps or caps could enhance or harm the overall performance of the Common Shares. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, and could result in a decline in the net asset value of the Common Shares. In addition, if short-term interest rates are lower than the Fund s fixed rate of payment on the interest rate swap, the swap will reduce Common Share net earnings. If, on the other hand, short-term interest rates are higher than the fixed rate of payment on the interest rate swap, the swap will enhance Common Share net earnings. Buying interest rate caps could enhance the performance of the Common Shares by providing a maximum leverage expense. Buying interest rate caps could also decrease the net earnings of the Common Shares in the event that the premium paid by the Fund to the counterparty exceeds the additional amount the Fund would have been required to pay had it not entered into the cap agreement. The Fund has no current intention of selling an interest rate swap or cap. The Fund will not enter into interest rate swap or cap transactions in an aggregate notional amount that exceeds the outstanding amount of the Fund s leverage.

Interest rate swaps and caps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that the Fund is contractually obligated to make. If the counterparty defaults, the Fund would not be able to use the anticipated net receipts under the swap or cap to offset the dividend payments on preferred shares or interest payments on Borrowings. Depending on whether the Fund would be entitled to receive net payments from the

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counterparty on the swap or cap, 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.

Although this will not guarantee that the counterparty does not default, the Fund will not enter into an interest rate swap or cap transaction with any counterparty that Spectrum believes does not have the financial resources to honor its obligation under the interest rate swap or cap transaction. Further, Spectrum will continually monitor the financial stability of a counterparty to an interest rate swap or cap transaction in an effort to proactively protect the Fund s investments.

In addition, at the time the interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will 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 may choose or be required to redeem some or all preferred shares or prepay any Borrowings. This redemption would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Such early termination of a swap could result in a termination payment by or to the Fund. An early termination of a cap could result in a termination payment to the Fund.

See also, Counterparty Risk , Hedging Risk and the Statement of Additional Information.

Hedging Risk

The Fund s use of derivatives or other transactions to reduce risk involves costs and will be subject to Spectrum 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 Spectrum 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. Further, these hedging strategies may generate taxable income.

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.

Illiquid Securities Risk

The Fund may invest in securities and other instruments that, at the time of investment, are illiquid. Illiquid securities are any security which cannot be sold or disposed of in the ordinary course of business within seven (7) days at the approximate price at which the client account values the security and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the 1933 Act, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. 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.

Non-Diversification

Because the Fund is classified as non-diversified under the 1940Act, it can invest a greater portion of its assets in obligations of a single issuer than a diversified fund. As a result, the Fund will be more susceptible than a more widely diversified fund to any single corporate, economic, political or regulatory occurrence. See The Fund s Investments and Risk Factors Non-Diversification.

Market Disruption Risk

Certain events have a disruptive effect on the securities markets, such as terrorist attacks (including the terrorist attacks in the U.S. on September 11, 2001), war and other geopolitical events. The Fund cannot predict the effects of similar events in the future on the U.S. economy. Below investment grade securities tend to be more volatile than higher rated securities so that these events and any actions resulting from them may have a greater impact on the prices and volatility of below investment grade securities than on higher rated securities.

Impact of Offering Methods Risk

The issuance of Common Shares through the various methods described in the Prospectus may have an adverse effect on prices in the secondary market for the Fund s Common Shares by increasing the number of Common Shares available for sale. In addition, the Common Shares may be issued at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Fund.

Certain Affiliations

Certain broker-dealers may be considered to be affiliated persons of the Fund, NFA and/or Nuveen Investments. Absent an exemption from the SEC or other regulatory relief, the Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate, including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. This could limit the Fund s ability to engage in securities transactions, purchase certain adjustable rate senior loans, if applicable, and take advantage of market opportunities. In addition, unless and until the underwriting syndicate is broken in connection with the initial public offering of the Common Shares, the Fund will be precluded from effecting principal transactions with brokers who are members of the syndicate.

Anti-Takeover Provisions

The Fund s Declaration includes 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.

HOW THE FUND MANAGES RISK

Investment Limitations

The Fund has adopted certain investment limitations designed to limit investment risk and maintain portfolio diversification. These limitations are fundamental and may not be changed 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, if issued in the future, the approval of the holders of a majority of the outstanding preferred shares 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.

The Fund may become subject to guidelines which are more limiting than the investment limitations referred to above in order to obtain and maintain ratings from Moody s, S&P or Fitch on the preferred shares, if issued in the future, including with respect to the Fund s hedging strategies described below. The Fund does not anticipate that such guidelines would have a material adverse effect on the Fund s Common Shareholders or the

Fund s ability to achieve its investment objectives. See Investment Objectives in the SAI for information about these guidelines and a complete list of the fundamental and non-fundamental investment policies of the Fund.

Quality Investments

The Fund invests its net assets in securities that are investment grade quality at the time of investment. Investment grade quality securities are those rated within the four highest grades by all of the NRSROs that rate such security, or are unrated but judged to be of comparable quality by Spectrum. Investment grade securities may include split-rated securities. The Fund may invest up to 10% of its Managed Assets in split-rated securities.

Limited Issuance of Preferred Shares

Under the 1940 Act, the Fund could issue preferred shares having a total liquidation value (original purchase price of the shares being liquidated plus any accrued and unpaid dividends) of up to one-half of the value of the asset coverage of the Fund. If the total liquidation value of the preferred shares was ever more than one-half of the value of the Fund s asset coverage, the Fund would not be able to declare dividends on the Common Shares until the liquidation value, as a percentage of the Fund s assets, was reduced. The Fund has issued preferred shares in the past, but does not currently have any preferred shares outstanding. The Fund may issue preferred shares in the future to increase the Fund s leverage. This higher than required margin of net asset value provides a cushion against later fluctuations in the value of the Fund s portfolio and will subject Common Shareholders to less income and net asset value volatility than if the Fund were more leveraged. The Fund would to purchase or redeem preferred shares, if necessary, to keep the liquidation value of the preferred shares below one-half of the value of the Fund s asset coverage.

Investment Portfolio and Capital Structure Strategies to Manage Leverage Risk

Common Shareholders are subject to the risks of leverage primarily in the form of additional Common Share earnings and net asset value risk, associated with the Fund s use of financial leverage in the form of preferred shares, if issued in the future, and borrowings. See Risk Factors Leverage Risk.

In an effort to mitigate these risks, the Fund and its investment adviser seek to maintain the Fund s financial leverage within an established range, and to rebalance leverage levels if the Fund s leverage ratio moves outside this range to a meaningful degree for a persistent period of time. The Fund may rebalance leverage levels in one or more ways, including by increasing/reducing the amount of leverage outstanding and issuing/repurchasing Common Shares. Reducing leverage may require the Fund to raise cash through the sale of portfolio securities at times and/or at prices that would otherwise be unattractive for the Fund. The Fund may also seek to diversify its capital structure and the risks associated with leverage by employing multiple forms of leverage. The Fund and its Adviser will weigh the relative potential benefits and risks as well as the costs associated with a particular action, and will take such action only if it determines that on balance the likely potential long-term benefits outweigh the associated risks and costs.

Common Shareholders also bear incremental net asset value risk from leverage because they bear the full impact of price changes in the Fund s investment portfolio, including assets attributable to leverage. In seeking to manage the net asset value risk from leverage, the Fund may alter the composition of its investment portfolio in one or more ways, including increasing portfolio credit quality, reducing portfolio duration and increasing the level of short-term cash equivalents. Depending on subsequent market conditions, any such action may increase or reduce Common Share net earnings and/or returns compared to if the Fund had taken no action.

Currently, the Fund may not invest in inverse floating rate securities, which are securities that pay interest at rates that vary inversely with changes in prevailing interest rates and which represent a leveraged investment in an underlying security. This restriction is a non-fundamental policy of the Fund that may be changed by vote of the Fund s Board of Trustees.

MANAGEMENT OF THE FUND

Trustees and Officers

The Board of Trustees is responsible for the management of the Fund, including supervision of the duties performed by NFA. The names and business addresses of the trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under Management of the Fund in the SAI.

Investment Adviser, Sub-Adviser and Portfolio Managers

Investment Adviser. NFA, the Fund s investment adviser, offers advisory and investment management services to a broad range of mutual funds and closed-end fund clients. NFA is responsible for the Fund s overall investment strategy and its implementation. NFA also is responsible for managing the Fund s business affairs and providing certain clerical, bookkeeping and other administrative services.

NFA, 333 West Wacker Drive, Chicago, Illinois 60606, is a wholly owned subsidiary of Nuveen Investments, Inc. (Nuveen Investments). Founded in 1898, Nuveen Investments and its affiliates had approximately $212 billion of assets under management as of June 30, 2012.

Investment Sub-Adviser. Spectrum Asset Management, Inc., 2 High Ridge Park, Stamford, Connecticut 06905, serves as investment sub-adviser to the Fund and, as such, provides day-to-day investment management of the Fund. Spectrum is an independently run, wholly-owned subsidiary of Principal Global Investors, LLC (PGI), which is an indirectly wholly-owned subsidiary of Principal Financial Group (PFG), a publicly traded, diversified, insurance and financial services company. Spectrum managed over $13.8 billion in assets as of June 30, 2012.

Portfolio Managers. Mark A. Lieb and L. Phillip Jacoby are co-portfolio managers of the Fund. Mr. Lieb is the Founder, President and Chief Executive Officer of Spectrum. Mr. Jacoby is an Executive Director and Chief Investment Officer of Spectrum. Biographical information for Messrs. Lieb and Jacoby is as follows:

Mark A. Lieb. Mr. Lieb is the Founder, President and Chief Executive Officer of Spectrum. Prior to founding Spectrum in 1987, Mr. Lieb was a Founder, Director and Partner of DBL Preferred Management, Inc., a wholly owned corporate cash management subsidiary of Drexel Burnham Lambert, Inc. Mr. Lieb was instrumental in the formation and development of all aspects of DBL Preferred Management, Inc., including the daily management of preferred stock portfolios for institutional clients, hedging strategies, and marketing strategies. Mr. Lieb s prior employment included the development of the preferred stock trading desk at Mosley Hallgarten & Estabrook. Mr. Lieb holds a BA in Economics from Central Connecticut State College and an MBA in Finance from the University of Hartford.

L. Phillip Jacoby, IV. Mr. Jacoby is an Executive Director and Chief Investment Officer of Spectrum. Mr. Jacoby joined Spectrum in 1995 as a Portfolio Manager and most recently held the position of Managing Director and Senior Portfolio Manager until his appointment as Chief Investment Officer on January 1, 2010, following the planned retirement of his predecessor. Prior to joining Spectrum, Mr. Jacoby was a Senior Investment Officer at USL Capital Corporation (a subsidiary of Ford Motor Corporation) and co-manager of the preferred stock portfolio of its U.S. Corporate Financing Division for six years. Mr. Jacoby began his career in 1981 with The Northern Trust Company, Chicago and then moved to Los Angeles to join E.F. Hutton & Co. as a Vice President and Institutional Salesman, Generalist Fixed Income Sales through most of the 1980s. Mr. Jacoby holds a BSBA in Finance from the Boston University School of Management.

Spectrum may act as broker for the Fund in connection with the purchase or sale of securities by or to the Fund if and to the extent permitted by procedures adopted from time to time by the Board of Trustees of the

Fund. The Board of Trustees, including a majority of the trustees who are not interested trustees, has determined that portfolio transactions for the Fund may be executed through Spectrum if, in the judgment of NFA and Spectrum, the use of Spectrum is likely to result in prices and execution at least as favorable to the Fund as would be available from other qualified brokers and if, in such transactions, Spectrum charges the Fund commission rates at least as favorable to the Fund as those charged by Spectrum to comparable unaffiliated customers in similar transactions. The Board of Trustees also has adopted procedures that are reasonably designed to provide that any commission, fee or other remuneration paid to Spectrum is consistent with the foregoing standard. The Fund will not affect principal transactions with Spectrum. In executing transactions through Spectrum, the Fund will be subject to, and intends to comply with, Section 17(e) of the 1940 Act and the rules thereunder. See Portfolio Transactions and Brokerage in the Statement of Additional Information.

Additional information about the portfolio manager s compensation, other accounts managed by the portfolio manager and the portfolio manager s ownership of securities in the Fund is provided in the SAI. The SAI is available free of charge by calling (800) 257-8787 or by visiting the Fund s website at www.nuveen.com. The information contained in, or that can be accessed through, the Fund s website is not part of this Prospectus or the SAI.

Investment Management and Sub-Advisory Agreements

Investment Management Agreement. Pursuant to an investment management agreement between NFA and the Fund (the Investment Management Agreement), the Fund has agreed to pay an annual management fee for the services and facilities provided by NFA, payable on a monthly basis, based on the sum of a fund-level fee and a complex-level fee, as described below.

Fund-Level Fee. The annual fund-level fee for the Fund, payable monthly, is calculated according to the following schedule:

Average Daily Managed Assets*	Fund-Level Fee Rate
For the first $500 million	0.7000%
For the next $500 million	0.6750%
For the next $500 million	0.6500%
For the next $500 million	0.6250%
For managed assets over $2 billion	0.6000%

Complex-Level Fee. The annual complex-level fee for the Fund, payable monthly, is calculated according to the following schedule:

Complex-Level Managed Asset Breakpoint Level*	Effective Rate at Breakpoint Level
$55 billion	0.2000%
$56 billion	0.1996%
$57 billion	0.1989%
$60 billion	0.1961%
$63 billion	0.1931%
$66 billion	0.1900%
$71 billion	0.1851%
$76 billion	0.1806%
$80 billion	0.1773%

$91 billion	0.1691%
$125 billion	0.1599%
$200 billion	0.1505%
$250 billion	0.1469%
$300 billion	0.1445%

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* For the fund-level and complex-level fees, managed assets include closed-end fund assets managed by NFA that are attributable to financial leverage. For these purposes, financial leverage includes the funds use of preferred stock and borrowings and certain investments in the residual interest certificates (also called inverse floating rate securities) in tender option bond (TOB) trusts, including the portion of assets held by a TOB trust that has been effectively financed by the trust s issuance of floating rate securities, subject to an agreement by NFA as to certain funds to limit the amount of such assets for determining managed assets in certain circumstances. The complex-level fee is calculated based upon the aggregate daily managed assets of all Nuveen funds that constitute eligible assets. Eligible assets consist of managed assets of all Nuveen funds but do not include (i) assets attributable to investments in other Nuveen funds (to avoid the double counting of such assets) or (ii) assets in excess of a determined amount (originally $2 billion) added to the Nuveen fund complex in connection with NFA s assumption of the management of the former First American Funds effective January 1, 2011. As of July 31, 2012, the complex-level fee rate for the Fund was 0.1709%.

A discussion regarding the basis for the Board of Trustees decision to renew the Investment Management Agreement for the Fund is available in the Fund s annual report to shareholders dated July 31 of each year.

Investment Sub-Advisory Agreement. Pursuant to an investment sub-advisory agreement between NFA and Spectrum (the Sub-Advisory Agreement), Spectrum will receive from NFA a management fee equal to 40% of NFA s net management fee from the Fund.

The management fee compensates NFA for overall investment advisory and administrative services and general office facilities. The Fund pays all other costs and expenses of its operations, including compensation of its trustees (other than those affiliated with NFA or Spectrum), custodian, transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses associated with any borrowings, expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

A discussion regarding the basis for the Board of Trustees decision to renew the Sub-Advisory Agreement for the Fund is available in the Fund s annual report to shareholders dated July 31 of each year.

NET ASSET VALUE

The Fund s net asset value per share is determined as of the close of regular session trading (normally 4:00 p.m. eastern time) on each day the New York Stock Exchange is open for business. Net asset value is calculated by taking the market value of the Fund s total assets, including interest or dividends accrued but not yet collected, less all liabilities, and dividing by the total number of shares outstanding. The result, rounded to the nearest cent, is the net asset value per share. All valuations are subject to review by the Fund s Board of Trustees or its delegate.

In determining net asset value, expenses are accrued and applied daily and securities and other assets for which market quotations are available are valued at market value. The prices of municipal bonds are provided by a pricing service approved by the Fund s Board of Trustees. When market price quotes are not readily available (which is usually the case for municipal securities), the pricing service, or, in the absence of a pricing service for a particular security, the Board of Trustees of the Funds, or its designee, may establish fair market value using a wide variety of market data including yields or prices of municipal bonds of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from securities dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor s credit characteristics considered relevant by the pricing service or the Board of Trustees designee. Exchange-listed securities are generally valued at the last sales price on the securities exchange on which such

securities are primarily traded. Securities traded on a securities exchange for which there are no transactions on a given day or securities not listed on a securities exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. Temporary investments in securities that have variable rate and demand features qualifying them as short-term investments are valued at amortized cost, which approximates market value. See Net Asset Value in the SAI for more information.

DISTRIBUTIONS

The Fund pays regular monthly cash distributions to Common Shareholders at a level rate (stated in terms of a fixed cents per Common Share dividend rate) that reflects the past and projected performance of the Fund. Distributions can only be made from net investment income after paying any accrued dividends to preferred shareholders, if any, or interest and required principal payments on borrowings. The Fund does not currently have any preferred shares outstanding.