

**Form ADV Part 2A**



**Nuveen Fund Advisors, Inc.**

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**This brochure provides information about the qualifications and business practices of Nuveen Fund Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 312-917-7700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Nuveen Fund Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Material Changes**

There were no material changes to this Brochure dated March 27, 2012, from the previous versions dated March 31, 2011. There were minor changes, including additional strategies and changes to related persons, enhancements and clarifications throughout.

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## **ITEM 4            ADVISORY BUSINESS**

Nuveen Fund Advisors (formerly known as Nuveen Asset Management) (“NFA”) provides fund management services primarily to open-end and closed-end investment companies registered under the Investment Company Act of 1940, as amended (the “1940 Act”). NFA also provides management services to a series of products offered through one or more bank collective trusts, and an investment company with variable capital incorporated with limited liability in Ireland and established as an umbrella fund with segregated liability between funds pursuant to the European Communities (Undertaking for Collective Investment in Transferable Securities (“UCITS”)) Regulations, 2011, as amended (each, a “Fund” and collectively, “Funds”).

NFA previously comprised two main business lines: fund management and direct portfolio management to institutional and retail clients. To better align its business with the varying needs of its clients, on January 1, 2011, NFA changed its name and narrowed its focus to providing fund management services, and concurrently formed a direct subsidiary, named Nuveen Asset Management, LLC (“NAM”). NAM has succeeded to NFA’s direct portfolio management business, and also includes the long-term asset management business of FAF Advisors, Inc., which was acquired by NFA’s indirect parent company Nuveen Investments, Inc. (“Nuveen Investments”) from U.S. Bancorp on December 31, 2010. NFA has provided investment management services since 1989. NFA’s indirect parent company, Nuveen Investments, traces its roots in financial services back to 1898.

NFA is a wholly-owned subsidiary of Nuveen Investments. Nuveen Investments is an indirect subsidiary of a holding company formed by equity investors led by Madison Dearborn Partners, LLC (“MDP”). MDP private equity funds (specifically, MDCP Holdco (Windy), LLC, which is indirectly controlled by Madison Dearborn Partners V-A&C, L.P.) are the ultimate principal owner of NFA. See Item 10.

### **Types of Advisory Services**

NFA provides management services primarily to Funds. NFA may also provide management services to other investment vehicles or client types in the future. NFA typically will engage affiliated or unaffiliated subadvisers (“Subadvisers”) who provide discretionary portfolio management services with respect to the assets allocated to each Subadviser. The allocation of responsibilities between NFA and the Subadvisers may vary by Fund. For detailed information about a particular Subadviser, please refer to the relevant Subadviser’s Form ADV. Any description of a Subadviser’s services or practices contained herein is qualified in its entirety by the Subadviser’s Form ADV. Certain actions ascribed herein to NFA may be effectuated by a Subadviser.

NFA’s services for the Funds generally include product development and management, investment oversight and risk management, and fund administration. NFA’s specific services vary by Fund.

In providing Fund management services to the Funds, NFA is involved in new product development and ongoing coordination of Fund management activities. For most Funds, NFA conducts ongoing monitoring of the Fund and the relevant Subadviser’s services, including evaluation and analysis of performance and portfolio characteristics, and provides regular reporting to NFA’s clients, typically the relevant Fund’s governing body (e.g., board of directors/trustees).

For certain multi-asset class or multi-manager Funds, NFA sets asset allocation targets and ranges, and re-allocates assets among asset classes and/or Subadvisers as a result of market movements, asset flows, the need to raise cash for share dividends and distributions, and other factors. For Funds with leverage, NFA sets various parameters with respect to a Fund’s

structural or effective leverage, which may include target levels, ranges and/or upper boundaries; provides ongoing leverage monitoring and oversight; and in certain cases, helps assist or directs implementation.

NFA provides ongoing risk management services for Funds, with an emphasis on the identification and quantification of risk factors, the impact of the use of derivatives, and counterparty exposures. NFA helps oversee the valuation of portfolio securities, and makes or assists in fair valuation determinations for certain Fund portfolio securities for which a fair market value is not readily available or reliable.

NFA may oversee a Fund's utilization of residual cash management programs and vehicles, which are typically associated with the relevant Fund custodian.

NFA is also involved in fund administration, which may include preparing or assisting in the preparation of shareholder reports or other financial information; preparing or verifying Fund characteristics for internal or external purposes; and providing oversight and coordination among Fund service providers (e.g., custodians, transfer agents, administrators, and auditors).

In connection with its management services to a Fund, NFA or its related persons providing services to such Fund may receive advisory, administration, co-administration and/or distribution fees from the Fund and/or from investment advisers to the Fund. Clients should carefully review the Funds' prospectuses or other offering documents for more detailed information regarding services NFA provides to a Fund.

Certain of the foregoing activities are provided in consultation with and/or under the oversight or direction of the relevant Fund's governing body. See also Item 13.

### **Investment Restrictions**

NFA provides Fund management services based upon the investment objectives, goals and restrictions set forth in a Fund's prospectus or other offering materials, and the governance and operational needs of the Fund.

### **Assets Under Management**

As of January 31, 2012, NFA's discretionary assets under management (AUM) were approximately \$101.5 billion.

## **ITEM 5            FEES AND COMPENSATION**

NFA's advisory fees are generally based on a percentage of assets under management and are described in each Fund's prospectus or other official offering materials. Fund fees may vary materially depending on multiple factors including the asset class, size and/or features of the Fund and the markets in which it is offered. Fees are subject to negotiation with a Fund's governing body.

Generally, NFA compensates the Subadvisers for the portfolio management services they provide to the Funds from the Funds' advisory fees. The process for termination of NFA's services may vary by Fund, and is set forth in a Fund's investment management agreement and/or offering or other organizational documents.

For detailed information on the terms, conditions and fees of a particular Fund, see the relevant Fund's prospectus or other official offering materials. With respect to Funds, this brochure is qualified in its entirety by a Fund's prospectus or other official offering materials.

Generally, advisory fees are deducted from Fund assets based on a approach agreed to between NFA and a client.

### **Other Fees and Expenses**

Certain Funds managed by NFA may invest in open-end funds, closed-end funds, exchange traded funds (ETFs), exchange traded notes (ETNs) and other pooled investment vehicles. Unless otherwise agreed and where permitted by law, a Fund will bear its proportionate share of fees and expenses as an investor in such fund or instrument in addition to NFA's investment advisory fees.

As part of the strategies it offers, NFA or its related persons may invest client assets or recommend that clients invest in shares or other interests in certain investment companies which NFA or its related persons advise or provide other services and from which NFA and its affiliates receive advisory, administrative and/or distribution fees. To the extent that NFA or its related persons invest assets of Funds in an affiliated investment company, NFA or its related persons may, depending on any legal requirements, waive investment advisory fees on the client assets invested in such investment company, credit the client account for the fees paid by the investment company to NFA or NFA's related persons, avoid or limit the payment of duplicative fees to NFA and its related persons through other means, or charge fees both at the investment company level and client account level.

Certain NFA supervised persons and related sales personnel are also associated with NFA's affiliated broker-dealer, Nuveen Securities, LLC ("Nuveen Securities"), and in that capacity may engage in marketing or selling activities with respect to shares or interests in the Funds. See Item 10. NFA supervised persons and related sales personnel may be internally compensated for successful marketing or selling activities with respect to shares or interests in certain Funds.

Investors in the Funds will not be advisory clients of NFA or the Subadvisers, and NFA and the Subadvisers will not provide investment advice or recommendations with respect to the merits and suitability of the particular investment and investment decision for the particular investor. Investors in the Funds are encouraged to consult their own financial, tax and legal advisors regarding such decisions. Fund shares are available through many unaffiliated broker-dealers and other financial service firms.

## **ITEM 6                      PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

NFA may manage multiple accounts with different investment objectives, guidelines and policies, and with different fee structures.

NFA may receive both asset-based fees and performance-based fees as compensation for its advisory services. Performance-based fees may create an incentive for NFA to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. In these instances, NFA's compensation may be greater than it would otherwise have been, as the fee will be based on account performance instead of, or in addition to, a percentage of assets under management. To the extent that NFA manages accounts that are charged a performance-based fee side-by-side with accounts are that not charged a performance-based fee, NFA will periodically review allocations of investment opportunities and sequencing of transactions, and will compare the performance of such accounts. Any exceptions or issues arising from the reviews shall be brought to the attention of NFA's Chief Compliance Officer.

**ITEM 7            TYPES OF CLIENTS**

NFA provides management services primarily to Funds. NFA may also provide management services to other funds or client types in the future.



## **ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

NFA typically will engage Subadvisers who provide discretionary portfolio management services with respect to assets allocated to such Subadviser. A Subadviser generally exercises portfolio management regarding the assets under its management under normal circumstances.

From time to time, NFA may assume management of certain asset classes or strategies. In such circumstances, NFA may use a variety of techniques including fundamental, technical and quantitative analysis, and may use a variety of sources of information to facilitate such analysis.

NFA and Subadvisers invest in a wide range of investments depending on the particular Fund's objectives, strategies, policies, applicable law and other relevant factors. Investment in securities involves risk of loss that clients should be prepared to bear. Certain such investments may entail additional or enhanced risks.

General descriptions of NFA and its Subadvisers' investment strategies are included below. NFA reserves the right to limit the availability of any particular strategy at any given time based on factors including asset class capacity, pre-existing relationships, minimum account sizes, fees and distribution channels. In addition, NFA may develop other investment strategies from time to time. Certain strategies may be available only in certain channels or through investing in Funds. The descriptions of the investment strategies below are qualified in their entirety by a Fund's prospectus or other official offering materials. Prior to investing in any Fund, please review the relevant prospectus or other offering materials for important information.

### **Equity**

**Large Cap** portfolios are invested primarily in common stocks of large capitalization U.S. and/or non-U.S. companies, including emerging markets issuers. Large Cap portfolios may reflect growth, value or core (investing in both growth and value stocks) investment approaches.

**Mid Cap** portfolios are invested primarily in common stocks of mid-capitalization U.S. and/or non-U.S. companies, including emerging markets issuers. Mid Cap portfolios may reflect growth, value, select or core (investing in both growth and value stocks) investment approaches.

**Small Cap** portfolios are invested primarily in common stocks of small-capitalization U.S. and/or non-U.S. companies, including emerging markets issuers. Small Cap portfolios may reflect growth, value or core (investing in both growth and value stocks) investment approaches.

**All Cap or Multi-Cap** portfolios are primarily invested in equity securities of U.S. and/or non-U.S. companies, including emerging markets issuers, of any market capitalization. All Cap or Multi-Cap portfolios may reflect growth, value or core (investing in both growth and value stocks) investment approaches

**Equity Income** or Dividend-oriented portfolios are invested primarily in equity securities of U.S. and/or non-U.S. companies, including emerging markets issuers, with an emphasis on dividends. Equity Income or Dividend-oriented portfolios may reflect growth, value or core (investing in both growth and value stocks) investment approaches

**Index** portfolios generally invest a substantial amount of their net assets in common stocks included in a particular broad-based securities index. A portfolio may not always hold all of the stocks included in a particular index, or hold them in the same weighting as the index.

**Enhanced Equity Index/Large Cap Core Quantitative** portfolios follow an actively managed strategy that uses a proprietary quantitative process to invest in common stocks of large-capitalization companies.

**Enhanced Equity** portfolios are invested primarily in equity securities of companies within a particular equity index, with weightings as determined by the investment adviser. The Enhanced Equity Portfolios may reflect Core and Mid-Cap investment approaches.

**Equity Option** strategies invest in various passive and active underlying equity strategies, generally benchmarked to a particular index, and employ, to varying degrees, option overwrite strategies that seek to enhance risk-adjusted performance over time.

**Optimized Alpha** portfolios are invested primarily in equity securities of companies with varying market capitalizations. The portfolios seek to produce long-term returns superior to the market with reduced absolute risk by selecting attractive, low correlated securities that when combined seek to reduce risk in the portfolio. Optimized Alpha portfolios may pursue other strategies or invest in other instruments described in this Brochure.

**Concentrated** portfolios are invested primarily in a relatively small number of securities (for example, 10-20 securities) of companies whose market capitalizations are determined by the investment adviser.

**Tax-Advantaged Total Return Strategy** portfolios are invested primarily in dividend-paying common and, to a certain extent preferred, stocks that at the time of investment are believed eligible to pay dividends that qualify for favorable federal income taxation at rates applicable to long-term capital gains ("tax-advantaged dividends"). A portion of the portfolios' assets may be invested in securities that are not eligible to pay tax-advantaged dividends.

**Diversified Dividend & Income** portfolios invest primarily in (a) U.S. and foreign dividend-paying common stocks, (b) dividend-paying common stocks issued by real estate companies, (c) emerging markets sovereign debt, and (d) senior secured loans. Under normal circumstances, the fund's target weighting is approximately 50% equity and 50% debt. The strategy may employ the use of leverage.

**Energy MLP** portfolios invest primarily in a portfolio of publicly traded master limited partnerships ("MLPs") operating in the energy infrastructure sector of the market.

**Real Estate** portfolios are invested in securities of U.S. and non-U.S. companies, including emerging markets issuers, in the real estate industry.

**Additional Information about Equity Strategies.** Equity securities in which the portfolios invest may include common and preferred stocks, publicly-traded units of master limited partnerships ("MLPs"), real estate investment trusts ("REITs"), exchange traded funds ("ETFs") and other investment companies, convertible preferred stocks and debt securities that are convertible into common stocks. Each of the equity portfolios may pursue other strategies or invest in other instruments described in this Brochure.

Certain of the above equity securities portfolios may use derivatives, specifically options, futures contracts, options on futures contracts, and forward non-U.S. currency exchange contracts, to manage various types of risk, enhance a portfolio's return, equitize cash or hedge against adverse movements in currency exchange rates. In addition, certain portfolios may use derivatives such as swaps, including interest rate swaps, total return swaps, credit default swaps and non-U.S. currency swaps, as well as other derivatives, to hedge the risk of investment in securities, substitute for a position in an underlying security, reduce transaction costs, maintain full market exposure, manage cash flows and preserve capital.

Certain portfolios may also use derivatives, such as participatory notes and equity-linked securities, to gain exposure to equity and other securities of certain issuers. In addition, certain portfolios may write (sell) covered call options or buy put options on an index, or on some or all of

the stocks or other securities they invest in, as well as using call spreads or other types of options to generate premium income and reduce volatility on a portfolio's return, with the intent of improving a portfolio's risk adjusted return.

Certain portfolios may invest in stock index futures contracts, options on stock indices, and options on stock index futures to maintain the liquidity needed to meet redemption requests, to increase the level of Fund assets devoted to replicating an index, and to reduce transaction costs. In addition, certain portfolios may utilize forwards contracts to enhance returns. The portfolios may also be invested in warrants and securities convertible or exchangeable for equity securities, such as convertible bonds.

A portion of a portfolio's assets may be invested in non-dollar denominated equity securities of non-U.S. issuers. In addition, a portion of a portfolio's assets may be invested in non-dollar denominated equity securities of non-U.S. issuers and in dollar-denominated equity securities of non-U.S. issuers that are either listed on a U.S. stock exchange or represented by depositary receipts that may or may not be sponsored by a domestic bank. Certain portfolios may invest primarily in depositary receipts.

NFA may offer balanced strategies that combine equity and fixed income strategies described herein. Certain portfolios may invest in equity securities of companies of various market capitalizations, as determined by the investment adviser. Certain portfolios may pursue a strategy that focuses on undervalued companies. Certain portfolios exclude investments that are deemed inconsistent with environmental, social and governance ("ESG") guidelines.

Certain portfolios may invest a portion of their assets in preferred securities, as well as debt and other fixed income securities, issued or guaranteed by any government, state, local authority or political sub-division of government. These debt securities may be rated below investment grade ("high yield"). Debt securities may also include senior secured and unsecured loans. Additionally, certain portfolios may invest in securities that are not readily marketable (i.e. illiquid).

### **International/Global Equity**

**Global Equity** portfolios are invested primarily in equity securities of U.S. and/or non-U.S. companies, including emerging markets issuers, with market capitalizations determined by the investment adviser. Global portfolios may reflect growth, value or core (investing in both growth and value stocks) investment approaches.

**Global Long-Short Equity** portfolios are invested in long and short positions of U.S. and non-U.S. equity securities. Certain portfolios are not limited to long and short positions of equity securities, and may also invest in exchange-traded funds, fixed income and option securities. The portfolios may use leverage. Certain portfolios pursue a "130-30" strategy, targeting a net "long" market exposure of approximately 100% and a ratio of 130% long and 30% short.

**Global Natural Resources** portfolios are invested primarily in U.S. and non-U.S. securities of global energy and natural resources companies, and companies in associated businesses, utilities companies, and companies that derive a major portion of profits or anticipated profits from energy and related sectors.

**Global Infrastructure** portfolios are invested primarily in U.S. and non-U.S. (including emerging markets) equity securities of infrastructure-related companies. Infrastructure-related companies are generally defined as companies that derive their revenues or profits from the ownership, development, construction, financing or operation of infrastructure assets, or have the fair market value of their assets invested in infrastructure assets. Infrastructure assets are the physical structures and networks upon which the operation, growth and development of a community depends, which includes water, sewer, and energy utilities; transportation and communication networks; health care facilities, government accommodations and other public service facilities;

and shipping, timber, steel, alternative energy, and other resources and services necessary for the construction and maintenance of these physical structures and networks.

**Emerging Markets** portfolios are invested primarily in shares of non-U.S. issuers that are located in emerging market countries, as well as issuers in developed market countries with significant revenues, profits or assets in emerging market countries.

**Japan Equity** portfolios are invested primarily in shares of Japanese issuers.

**International** portfolios invest primarily in non-U.S. issuers that trade in U.S. or non-U.S. markets (including emerging markets). International portfolios may reflect growth, value and select (utilizing a combination of strategies) investment approaches.

**Global Value Opportunities** portfolios are invested primarily in a diversified global portfolio of equity securities, as well as debt securities issued by corporate and governmental entities.

**Real Asset Income** portfolios seek to provide a high level of income and the potential for capital appreciation by investing in infrastructure and real estate related securities (i.e., real assets) across the capital structure.

**Additional Information about International/Global Strategies.** Certain of the above International/Global portfolios may use derivatives, specifically options, future contracts, options on futures contracts, and forward foreign currency exchange contracts, to manage market or business risk, enhance the fund's return, or hedge against adverse movements in currency exchange rates. In addition, certain portfolios may write (sell) covered call options or buy put options on an index, or on some or all of the stocks or other securities they invest in. Certain portfolios may take long and short positions in securities. Certain portfolios may invest a portion of their assets in equity securities issued by U.S. and non-U.S. companies, derivatives, investment companies and money market instruments and other short-term securities in order to facilitate cash flows, meet redemption requests and pay fund expenses. Certain of the International/Global Portfolios may invest in debt securities, including securities rated below investment-grade.

### **Fixed Income**

**Municipal Fixed Income** portfolios invest primarily in municipal securities that pay interest that is exempt from federal income tax. Municipal Fixed Income portfolios pursue a number of strategies, including strategies of investing primarily in investment-grade municipal securities of certain maturities (e.g. short-term, long-term, intermediate-term and limited maturity). Municipal Fixed Income portfolios also may pursue a strategy that invests a small or large portion of their assets in medium- to low-quality municipal securities rated below investment grade ("high yield"). A portion of a portfolio's assets may be invested in municipal securities that are unrated, but that the investment adviser deems to be of comparable quality. Portfolios that invest primarily in investment grade securities may also invest a portion of their assets in high yield securities.

"State-specific" Municipal Fixed Income portfolios invest primarily in municipal securities that are exempt from federal and a particular state's income tax. State-specific Municipal Fixed Income portfolios may also invest a portion of their assets in high yield securities or taxable obligations. The municipal securities in which state-specific Municipal Fixed Income portfolios may invest include municipal bonds and notes, including general obligation and "revenue" bonds, as well as other securities issued to finance and refinance public projects of a state, other related securities and derivatives creating exposure to municipal bonds, and municipal lease obligations, which are participations in lease obligations or installment purchase contract obligations of municipal authorities or entities.

A certain portion of a Municipal Fixed Income portfolio's assets may be invested in inverse floating rate securities. Inverse floating rate securities (sometimes referred to as "inverse floaters") are securities whose interest rates are inversely related to the interest rate on another security or the value of an index. Generally, inverse floating rate securities represent beneficial interests in a special purpose trust formed by a third party sponsor for the purpose of holding municipal bonds. The special purpose trust typically sells two classes of beneficial interests or securities: floating rate securities (sometimes referred to as "tender option bonds") and inverse floating rate securities (sometimes referred to as inverse floaters or residual interest securities). The tender option bond securities have first priority on the cash flow from the municipal bonds held by the special purpose trust. Typically, a third party, such as a bank, broker-dealer or other financial institution, grants the floating rate security holders the option, at periodic intervals, to tender their securities to the institution and receive the face value thereof. The holder of the tender option bond effectively holds a demand obligation that bears interest at the prevailing short-term rate. However, the institution granting the tender option will not be obligated to accept tendered tender option bonds in the event of certain defaults or a significant downgrade in the bond issuer's credit rating.

Municipal Fixed Income portfolios may invest in municipal securities that are secured by insurance (including, in certain portfolios, insurance that guarantees the timely payment of principal and interest), bank credit agreements, or escrow accounts. A certain portion of Municipal Fixed Income portfolios' assets may be invested in taxable bonds.

Inflation-protected municipal bond portfolios seek a current yield that compensates an investor for current inflation expectations, and also seek to mitigate the effect that subsequent increases in inflation expectations may have on the purchasing power of the account by investing in inflation-linked instruments, such as Consumer Price Index (CPI) swaps, in amounts sufficient to approximate the duration characteristics of the account's underlying municipal bond portfolio.

The Municipal Fixed Income portfolios may also utilize investment strategies designed to limit the risk of bond price fluctuations and to preserve capital. These strategies include the use of derivatives, such as financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or other derivatives whose prices, in an investment adviser's opinion, correlate with the prices of the portfolios' investments. A portfolio may also use derivatives strategies to shorten or lengthen the effective duration, and therefore the interest rate risk, of a portfolio, and to adjust other aspects of the portfolio's risk/return profile. A portfolio may use derivatives if it is deemed more efficient from a transaction cost, total return or income standpoint than selling and/or investing in cash securities. A portfolio may also use derivatives to enhance return, hedge the risks of its investments in fixed income securities or as a substitute for a position in an underlying asset. Additionally, a portfolio may use derivatives to manage market, credit and yield curve risk, and to manage the effective maturity or duration of portfolio securities. The portion of a Municipal Fixed Income portfolio that is invested in derivatives at times may be substantial.

Municipal Fixed Income portfolios may pursue other strategies or invest in other instruments described in this Brochure.

**Taxable Fixed Income** portfolios invest primarily in debt securities according to the following strategies:

**Short Term Fixed Income** portfolios invest primarily in short term debt securities. A portfolio normally invests primarily in investment-grade securities.

**Intermediate Term Fixed Income** portfolios invest primarily in intermediate term investment-grade debt securities. A portion of a portfolio's debt securities investments must be either U.S. government securities or securities that are rated A or better or of comparable quality.

**Core Fixed Income** portfolios invest primarily in investment-grade debt securities. A large portion of the portfolio must be either U.S. government securities or securities that are rated A or better or of comparable quality.

**Core Plus Fixed Income** portfolios invest the majority of assets in investment-grade debt securities but also can invest more than 10% in non-investment-grade securities, emerging market debt, and non-dollar denominated debt, and foreign currencies.

**High Yield** portfolios invest primarily in below investment grade debt and other income producing securities.

**Government** portfolios invest in securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, and may also invest in global government debt securities and debt-related derivatives instruments.

**Currency** portfolios are primarily invested in fixed income securities that provide long and short exposure to selected non-U.S. currencies. The fixed income securities include, but are not limited to, non-U.S. sovereign debt securities, securities issued by the U.S. government agencies and instrumentalities and debt obligations of corporate issuers. Currency portfolios also may invest in instruments that provide exposure to selected non-U.S. currencies, including derivatives such as forward currency contracts, non-deliverable forward currency contracts, currency swap contracts and other currency derivatives deemed appropriate by the investment adviser.

**Inflation-Protected Securities** portfolios invest primarily in inflation protected debt securities issued by U.S. and non-U.S. governments, their agencies and instrumentalities, and domestic and non-U.S. corporations. A portion of the portfolio's assets may also be invested in holdings that are not inflation protected. Inflation-Protected Securities portfolios may also use derivatives, including options, futures contracts, options on futures contracts, currency contracts, options on currencies, interest rate caps, collars, and floors, index- and other asset-linked notes, swaps including interest rate, currency, credit default and index swaps, and options on such swaps in order to manage market risk, currency risk, credit risk and yield curve risk, and to manage the effective maturity or duration of the portfolio's securities or for speculative purposes in an effort to increase a portfolio's yield or to enhance returns. A portfolio may also use derivatives to gain exposure to non-dollar denominated securities markets to the extent it does not do so through direct investments. A portfolio's derivatives investments may be exchange-traded or traded over the counter.

**Preferred Securities** portfolios invest primarily in securities that generally pay fixed or adjustable rate distributions to investors, and have preference over common stock in the payment of distributions and the liquidation of a company's assets, but are junior to all forms of the company's debt.

**Credit Opportunities** portfolios are invested primarily in debt instruments (e.g., bonds, loans and convertible securities), a substantial portion of which may be rated below investment-grade or, if unrated, deemed to be of comparable quality.

**Build America Bonds** portfolios are invested primarily in Build America Bonds ("BABs"), which are bonds issued by state and local governments to finance capital projects such as public schools, roads, transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the Build America Bonds program of the American Recovery & Reinvestment Act of 2009 (the "Act"). Interest received on BABs is subject to U.S. federal income tax and may be subject to state income tax. Issuance of BABs commenced in April 2009, and bonds issued after December 31, 2010, do not qualify as BABs. Because Congress has not extended the BABs program, NFA may discontinue offering this strategy. BABs portfolios may also use derivatives such as bond futures or interest rate swaps to hedge interest rate risks. Additionally, BABs

portfolios may use leverage, including through investment in inverse floating rate securities and borrowings.

**Tax-Advantaged Floating Rate Income** portfolios are invested primarily in adjustable rate securities that are eligible to pay dividends consisting primarily of tax-advantaged dividend income, including preferred stock and other adjustable rate securities, including securities issued by special purpose vehicle pools (the assets of which will consist of such preferred stock or other adjustable rate securities), some of which may be issued by banks and other financial institutions.

**Quality Preferred Income** portfolios are invested primarily in fully taxable preferred securities, including both fixed rate preferred and adjustable rate preferred securities.

**Mortgage and Mortgage Related** portfolios invest in mortgage-related assets that directly or indirectly represent a participation in or are secured by and payable from mortgage loans. The portfolio may also invest in asset-backed securities, U.S. government securities, corporate-debt securities, municipal obligations, unregistered securities, and mortgage-servicing rights.

**Senior Income** portfolios are invested primarily in adjustable rate, U.S. dollar-denominated secured and unsecured senior loans ("Senior Loans"), which may be secured by specific collateral, made to corporations and other entities to finance various transactions. These corporations and other entities may be organized or located in countries outside the U.S.

**Floating Rate Income** portfolios invest primarily in adjustable rate loans, primarily secured senior loans. Portfolios also may invest in unsecured senior loans and secured and unsecured subordinated loans made to U.S. and non-U.S. corporations and other entities. Senior loans may be secured by specific collateral.

**Global Total Return Bond** portfolios primarily invest in investment-grade fixed income securities issued across a broad range of markets (including developed and emerging markets) and denominated in multiple global currencies, and potentially include below investment grade securities.

**Total Return Bond** portfolios invest primarily in U.S. government securities (issued or guaranteed by the U.S. government or its agencies or instrumentalities), residential and commercial mortgage-backed securities, asset-backed securities, domestic and foreign corporate debt obligations, including obligations issued by special-purpose entities that are backed by corporate debt obligations, and/or debt obligations of foreign governments. Such securities may include below investment grade securities.

**Additional Information about Taxable Fixed Income Strategies.** Taxable Fixed Income portfolios may invest in securities rated investment grade or below investment grade ("high yield"), and such investments for certain portfolios may be substantial. Additionally, a Taxable Fixed Income portfolio may invest a portion of its assets in securities and other instruments that are, at the time of investment, illiquid. A Taxable Fixed Income portfolio's assets may also be invested in U.S. dollar and non-dollar denominated debt obligations of non-U.S. corporations and governments, including those located in emerging market countries. Taxable Fixed Income portfolios may pursue other strategies or invest in other instruments described in this Brochure.

Taxable Fixed Income portfolios may also invest in other types of fixed income securities, such as asset-backed securities, residential and commercial mortgage-backed securities, corporate debt obligations, municipal securities and inverse floating rate securities.

Taxable Fixed Income portfolios may invest in and employ derivatives including, but not limited to, futures; interest rate swaps, caps, collars and floors; index swaps, total return swaps, credit default swaps and non-U.S. currency swaps; forward currency contracts and non-deliverable forward currency contracts; options on futures, non-U.S. currencies and swaps (as well as selling

call options and purchasing put options on individual or a basket of securities, as well as on swaps); and/or other derivatives. The derivatives in which the Taxable Fixed Income portfolios may invest may be exchange traded or traded over the counter. Taxable Fixed Income portfolios may also invest a portion of their total assets in dollar roll transactions.

A Taxable Fixed Income portfolio may utilize derivatives strategies to enhance return, hedge some of the risks of their investments in securities, as a substitute for a position in an underlying asset, to reduce transaction costs, to maintain full market exposure, to manage or generate cash flows, to manage the effective maturity and duration of portfolio securities, to increase yield or enhance returns, to create debt or non-U.S. currency exposure, to limit exposure to losses due to changes to non-U.S. currency exchange rates, to preserve capital, and/or other reasons to the extent permitted by client guidelines.

The portion of a Taxable Fixed Income portfolio that is invested in derivatives at times may be substantial.

Taxable Fixed Income portfolios may also invest a portion of their assets in cash and cash equivalents. Additionally, certain Taxable Fixed Income portfolios may invest in equity securities and warrants acquired in connection with investments made in certain fixed income securities.

### **Asset Allocation**

**Allocation** portfolios invest primarily in other mutual funds, closed-end funds, ETFs, ETNs, and other pooled investment vehicles, including in some cases funds that are also advised by the portfolio's investment adviser or its affiliates. The portfolios seek to achieve their respective objectives by investing in mutual funds that invest in certain types of securities. Certain allocation portfolios pursue the following strategies: aggressive growth and growth (investments in underlying funds that invest in equity securities, including small company and international company equity securities, with relatively little emphasis on underlying funds that invest in fixed income securities); balanced (investments in underlying funds that invest in both equity securities and fixed income securities, but with a higher allocation to equity securities under most market conditions); and conservative (investments primarily in underlying funds that invest in fixed income securities, with limited exposure to investments in equity securities). Other allocation portfolios invest in underlying funds according to a portfolio's risk profile (conservative, moderate, or growth).

**Intelligent Risk Portfolios®** are designed to maintain a stable level of investment risk regardless of the level of volatility of the overall market. Intelligent Risk Portfolios may invest in ETFs, ETNs, futures, forwards, total return swaps, and other investment vehicles, dependent upon the specified mandate and client restrictions. Asset classes may include, but are not limited to, U.S. large cap equity, U.S. small cap equity, international equity, emerging markets equity, short-term U.S. Treasuries, long-term U.S. Treasuries, U.S. investment grade credit, US aggregate bond, U.S. high yield credit, U.S. municipal bonds, U.S. TIPS, gold, diversified commodities, natural resources, U.S. real estate. At any time an allocation may include some or all of these asset classes or others, and such allocation may vary over time. Target risk profiles include Conservative, Moderate, and Aggressive.

**Tactical Market Opportunities** portfolios invest across the following asset classes: U.S., international and emerging market equity securities; U.S., international and emerging market debt securities, including high-yield debt securities; commodities; currencies and high quality, short-term debt securities and money market funds. Tactical Market Opportunities portfolios may pursue other strategies or invest in other instruments described in this Brochure. The strategy generally gains exposure to these asset classes by investing in derivative instruments, ETFs, U.S. Treasury obligations, certain non-U.S. government obligations and money market funds.



**Additional Information about Allocation and Tactical Market Opportunities Portfolios.**

Allocation and Tactical Market Opportunities portfolios may pursue other strategies or invest in other instruments described in this Brochure. Portfolio assets may also be invested in ETFs, ETNs, closed-end investment companies and other pooled investment vehicles. A portfolio may utilize the following derivatives: options; futures contracts; options on futures contracts, including futures on equity and commodities indices; interest rate and currency futures; interest rate caps, collars, and floors; non-U.S. currency contracts; options on non-U.S. currencies; and interest rate, total return, currency and credit default swaps, and options on the foregoing types of swap agreements. A portfolio may use these derivatives in an attempt to manage market risk, currency risk, credit risk and yield curve risk; to manage the effective maturity or duration of securities in the portfolio; or for speculative purposes in an effort to increase yield or to enhance returns.

As with any investment, loss of principal is a risk of investing in accordance with any of the investment strategies described above. The strategies described above also are subject to the risks listed below.

**Material Risks for Significant Investment Strategies**

As with any investment, loss of principal is a risk of investing in accordance with any of the investment strategies described above. The strategies described above also are subject to the risks listed below.

General Risks

The following risks are generally applicable to Equity, Fixed Income, International/Global, Asset Allocation and other strategies. Such risks are in addition to the risks described more specifically with respect to Equity, Fixed Income, International/Global and Asset Allocation in this Item.

*Concentration Risk*—A portfolio's concentration of investments in securities of issuers located in a particular industry, or a particular state, country or region subjects a portfolio to economic conditions that may adversely affect an industry or state. In addition, concentration of investments of issuers located in a particular state subjects a portfolio to government policies within that state. As a result, a portfolio will be more susceptible to factors that adversely affect issuers in a particular industry or state than a portfolio that does not have as great a concentration in such issuers.

*Derivatives Risk*—The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives and changes in the value of the derivative may not correspond, as intended, with changes in the value of the underlying asset, index or rate. These risks are heightened when the adviser uses derivatives to enhance a portfolio's return or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held by the portfolio. In addition, when the portfolios invest in certain derivative securities, including, but not limited to, when-issued securities, forward commitments, futures contracts and interest rate swaps, they are effectively leveraging their investments, which could result in exaggerated changes in the portfolios' holdings and can result in losses that exceed the amount originally invested.

A portfolio may be subject to credit risk with respect to the counterparties to certain derivatives agreements entered into by the portfolio. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the portfolio may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The portfolio may obtain only a limited recovery or may obtain no recovery in such circumstances.

Writing (selling) covered call options on some or all of a portfolio's holdings subjects the portfolio to additional risks. Because a covered call strategy limits participation in the appreciation of the underlying asset, in this case the securities, owning securities in a portfolio is not the same as an investment linked to the performance of the securities. By writing covered call options on the securities, a portfolio will give up the opportunity to benefit from potential increases in the value of the securities above the exercise prices of the options, but will continue to bear the risk of declines in the value of the securities. The premiums received from the options may not be sufficient to offset any losses sustained from the volatility of the securities over time.

A portfolio may purchase index put options to protect against a significant market decline over a short period of time. When index put options become expensive relative to the protection afforded a portfolio, the portfolio may reduce the amount of index put options to a level that is less than the full value of the portfolio. If a put option purchased by the portfolio is not sold or exercised when it has remaining value, the portfolio will lose its entire investment in the index put option. Also, where an index put option is purchased to hedge all or part of the portfolio, the price of the index put option may move more or less than the value of the index.

*Diversification Risk* — A non-diversified portfolio may invest a large portion of its assets in a fewer number of issuers than a diversified portfolio. If a relatively high percentage of a portfolio's assets may be invested in the securities of a limited number of issuers, a portfolio may be more susceptible to any single, economic, political or regulatory occurrence than a diversified portfolio.

*Management/Asset Allocation Risk* — Actively managed portfolios, particularly asset allocation portfolios, are dependent upon an adviser or sub-adviser's ability to make investment decisions to achieve a portfolio's investment objective. As a result, a portfolio may underperform its benchmark or other portfolios with similar investment objectives.

*Market Risk* — The market values of securities owned by the portfolios may decline, at times sharply and unpredictably. Market values of securities are affected by a number of different factors. For equity securities, market risk may be more significant in small and mid-capitalization companies. Market values of fixed income securities may be affected by changes in interest rates, the credit quality of issuers, and general economic and market conditions. These risks may be magnified for lower-quality fixed income securities.

*Real Estate Securities and Sector Risk* — Certain of the portfolios may invest in REITs. Equity REITs will be affected by changes in the values of and incomes from the properties they own, while mortgage REITs may be affected by the credit quality of the mortgage loans they hold. REITs are also dependent on specialized management skills, which may affect their ability to generate cash flow for operating purposes and to pay distributions. Additionally, REITs may have limited diversification and are subject to the risks associated with obtaining financing for real property. A real estate securities portfolio may invest a majority of its assets in REITs and in the real estate sector. Stocks within specific industries or sectors can periodically perform differently than the overall stock market due to changes impacting that particular industry or sector.

## Fixed Income Risks

### General Fixed Income Risks

*Credit Risk* — Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for portfolios that invest in "high yield" securities.

*Income Risk* — The income earned from a portfolio may decline because of falling market interest rates. Also, if a portfolio invests in inverse floating rate securities, whose income payments vary

inversely with changes in short-term market rates, the portfolio's income may decrease if short-term interest rates rise.

*Interest Rate Risk* — Interest rate risk is the risk that the value of a portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments. Duration is a common measure of interest rate risk. Duration measures a bond's expected life on a present value basis, taking into account the bond's yield, interest payments and final maturity. The longer the duration of a bond, the greater the bond's price sensitivity to changes in interest rates.

*Prepayment Risk* — During periods of declining interest rates, the issuer of certain types of securities may exercise its option to prepay principal earlier than scheduled, forcing a portfolio to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

During periods of rising interest rates, the average life of certain types of securities may be extended because of lower 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. Market interest rates for investment grade fixed-income securities are currently significantly below the historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

*Inflation Risk* – The value of assets or income from investments may be lower in the future as inflation decrease the value of money. As inflation increases, the value of a portfolio's assets can decline, as can the value of a portfolio's distributions.

#### Fixed Income Risks Relating to Particular Strategies

*Alternative Minimum Tax Risk*— Certain municipal bond strategies are not limited in as to the amount that can be invested in alternative minimum tax bonds, therefore, all or a portion of the an account's otherwise exempt-interest dividends may be taxable to those account holder's subject to the federal alternative minimum tax.

*Build America Bond Risk* – Build America Bonds ("BABs") are bonds issued by state and local governments to finance capital projects such as public schools, roads, transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the Build America Bonds program of the American Recovery & Reinvestment Act of 2009 (the "Act"). Interest received on BABs is subject to U.S. federal income tax and may be subject to state income tax. The Act, enacted in February 2009, authorizes state and local governments to issue taxable bonds on which, assuming certain specified conditions are satisfied, issuers may either (i) receive payments from the U.S. Treasury equal to a specified percentage of its interest payments (known as "direct pay" BABs) or (ii) cause investors in the bonds to receive federal tax credits ("tax credit" BABs).

Direct pay BABs entitle issuers to receive reimbursement from the U.S. Treasury equal to a certain percentage of the interest paid on the bonds, which allows such issuers to issue bonds that pay interest rates that are expected to be competitive with the rates typically paid by private bond issuers in the taxable fixed income market. The portfolios may invest in either direct pay BABs or tax credit BABs in any amount at any time. Issuance of BABs commenced in April 2009 and bonds issued after December 31, 2010, do not qualify as BABs. If, during a time period specified by the investment adviser, there are no new issuances of BABs or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the portfolios may terminate on a specified date.

BABs portfolios may also use derivatives such as bond futures or interest rate swaps to hedge interest rate risks. Additionally, BABs portfolios may utilize leverage, including through investment in inverse floating rate securities and borrowings.

*Corporate Loan Risk* – The corporate loans in which portfolios may invest may not be (i) rated at the time of investment, (ii) registered with the Securities and Exchange Commission or (iii) listed on a securities exchange. In addition, the amount of public information available with respect to such loans may be less extensive than that available for more widely rated, registered and exchange-listed securities. Because no active trading market currently exists for some corporate loans, such loans may be illiquid and more difficult to value than more liquid instruments for which a trading market does exist. Portfolio transactions in corporate loans may settle in as short as seven days, but typically can take up to two or three weeks, and in some cases much longer. Unlike the securities markets, there is no central clearinghouse for trading corporate loans, and the corporate loan market has not established enforceable settlement standards or remedies for failure to settle. Because the interest rates of floating-rate corporate loans may reset frequently, if market interest rates fall, the loans' interest rates will be reset to lower levels, potentially reducing a portfolio's income.

*Convertible Securities Risk* — Convertible securities generally offer lower interest or dividend yields than non-convertible fixed-income securities of similar credit quality because of the potential for capital appreciation. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before that company's common stockholders. Consequently, an issuer's convertible securities generally entail less risk than its common stock. However, convertible securities rank below debt obligations of the same issuer in order of preference or priority in the event of a liquidation or reorganization and are typically unrated or rated lower than such debt obligations. Different types or subsets of convertible securities may carry further risk of loss.

*Dollar Roll Transaction Risk* – In a dollar roll transaction, a portfolio sells mortgage-backed securities for delivery in the current month while contracting with the same party to repurchase similar securities at a future date. Because the portfolio gives up the right to receive principal and interest paid on the securities sold, a mortgage dollar roll transaction will diminish the investment performance of a portfolio unless the difference between the price received for the securities sold and the price to be paid for the securities to be purchased in the future, plus any fee income received, exceeds any income, principal payments, and appreciation on the securities sold as part of the mortgage dollar roll. Whether mortgage dollar rolls will benefit a portfolio may depend upon the adviser's ability to predict mortgage prepayments and interest rates. In addition, the use of mortgage dollar rolls by a portfolio increases the amount of the portfolio's assets that are subject to market risk, which could increase the volatility of the price of the portfolio's total value.

*High Yield Securities Risk* — High yield or below investment grade securities may be more susceptible to real or perceived adviser economic conditions than investment grade securities. In addition, the secondary trading market for below investment grade securities may be less liquid. High yield securities generally have more volatile prices and carry more risk to principal than investment grade securities.

*Inflation-Protected Securities Risk* – Interest payments on inflation protected debt securities will vary with the rate of inflation, as measured by a specified index. There can be no assurance that the CPI-U (used as the inflation measure by U.S. Treasury inflation protected securities) or any non-U.S. inflation index will accurately measure the real rate of inflation in the prices of goods and services. Moreover, there can be no assurance that the rate of inflation in a non-U.S. country will be correlated to the rate of inflation in the United States. If the market perceives that the adjustment mechanism of an inflation protected security does not accurately adjust for inflation, the value of the security could be adversely affected. There may be a lag between the time a

security is adjusted for inflation and the time interest is paid on that security. This may have an adverse effect on the trading price of the security, particularly during periods of significant, rapid changes in inflation. In addition, to the extent that inflation has increased during the period of time between the inflation adjustment and the interest payment, the interest payment will not be protected from the inflation increase.

*Inflation-Protected Municipal Bond Strategy Risk* - In addition to other risks, this strategy may entail additional risks described below:

*Declining Inflation Risk* — Certain inflation-hedging strategies involve the use of Consumer Price Index (CPI) swaps. Such accounts will benefit from a CPI swap if actual inflation during the swap's period is greater than the level of inflation expected for that period at the time the swap was initiated. However, if actual inflation turns out to be less than expected, the account will lose money on the swap. In such circumstances, the account will underperform an otherwise identical municipal bond account that had not utilized such inflation hedges.

*Inflation-Linked Instruments Risk* — The returns of CPI swaps or other inflation-linked instruments reflect a specified index of inflation. There can be no assurance that the inflation index used will accurately measure either the actual future rate of inflation or the rate of expected future inflation reflected in the prices and yields of municipal bonds. As a result, an account's inflation-hedging strategy may not perform as expected. CPI swaps may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions and could result in losses that significantly exceed the account's original investment. CPI swaps create leverage, which may cause the account's net asset value and returns to be more volatile than they would be if the account had not used swaps. CPI swaps also expose the account to counterparty risk, which is the risk that the swap counterparty will not fulfill its contractual obligations.

*Insurance Risk* — Many significant providers of insurance for municipal securities have recently incurred significant losses as a result of exposure to sub-prime mortgages and other lower credit quality investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. Such losses have reduced the insurers' capital and called into question their continued ability to perform their obligations under such insurance if they are called upon to do so in the future. The insurance feature of a municipal security does not guarantee the full payment of principal and interest when due through the life of an insured obligation, the market value of the insured obligation or the net asset value of the common shares represented by the insured obligation.

*Inverse Floating Rate Securities/Leveraged Securities Risk* — Inverse floating rate securities create leveraged exposure to underlying municipal bonds. In other words, the value of these securities will vary by more than the value of the underlying bonds due to the leveraged nature of the investments. As a result, the amount a portfolio invests in such securities exposes it to risks and potential returns to a greater extent than the amount actually invested. The interest payments the portfolio receives on such securities vary inversely with the short-term financing rates paid by the securities' issuers, and those interest payments will decrease if short-term interest rates increase. Also, the holder of the floating rate securities that has provided the leverage associated with a portfolio's inverse floating rate securities may cause the portfolio to purchase or otherwise retire those floating rate securities (i.e., to effectively cause the portfolio to repay the leverage provided by such holder), which may require the portfolio to raise cash through the sale of portfolio securities at times and at prices that are not desirable for the portfolio.

*Liquidity Risk* — The portfolios may invest in lower-quality debt instruments. Lower-quality debt tends to be less liquid than higher-quality debt. If the economy experiences a sudden downturn, or if the debt markets for a particular security become distressed, a portfolio may have particular

difficulty selling its assets in sufficient amounts, at reasonable prices and in a sufficiently timely manner to raise the cash necessary to meet any potentially heavy redemption request.

*Preferred Securities Risk* — Preferred securities risk involves credit risk, which is the risk that a preferred security will decline in price or fail to make dividend payments when due because the issuer of the security experiences a decline in its financial status. In addition, certain preferred securities carry provisions that allow an issuer under certain circumstances to skip distributions (in the case of "non-cumulative" preferred securities) or defer distributions (in the case of "cumulative" preferred securities). If a portfolio owns a preferred security that is deferring its distributions, the portfolio may be required to report income for tax purposes while it is not receiving income from that security. In certain circumstances, an issuer may redeem its preferred securities prior to a specified date in the event of certain tax or legal changes or at the issuer's call, and the portfolio may not be able to reinvest the proceeds at comparable rates of return. Preferred securities typically do not provide any voting rights, except in cases where dividends are in arrears for a specified number of periods. Preferred securities are subordinated to bonds and other fixed income instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than those fixed income instruments.

*Mortgage/Asset-Backed Securities Risk* — The value of a portfolio's mortgage-related securities can fall if the owners of the underlying mortgages pay off their mortgages sooner than expected, which could happen when interest rates fall, or later than expected, which could happen when interest rates rise. With respect to asset-backed securities, the payment of interest and the repayment of principal may be impacted by the cash flows generated by the assets backing the securities. The downturn in the housing market and the resulting recession in the United States have negatively affected, and may continue to negatively affect, both the price and liquidity of mortgage-related and asset-backed securities. The federal conservatorship of Fannie Mae and Freddie Mac and any changes in laws and regulations affecting the relationship between these agencies and the U.S. Government may adversely affect the agency mortgage market. If Fannie Mae and Freddie Mac were eliminated, or their structures were to change radically (i.e., limitation or removal of the guarantee obligation), or their market share reduced because of required price increases or lower limits on the loans they can guarantee, an account could be unable to acquire additional agency mortgage investments and an account's existing agency mortgage investments could be materially and adversely impacted.

*Risks Related to Changes in Tax Laws* — Income from municipal bonds held by a portfolio could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. In addition, a portion of a portfolio's otherwise exempt dividends may be taxable to those shareholders subject to the federal alternative minimum tax.

*Risks Related to Investments in Public Private Investment Program ("PPIP") Eligible Assets* — PPIP Eligible Assets generally are debt securities that entitle the holders thereof to receive payments of interest and principal that depend primarily on the cash flow from or sale proceeds of a specified pool of assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. Investments in these securities may be speculative. Investing in PPIP Eligible Assets entails various risks: credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks, geographical concentration risks, basis risks and legal risks. PPIP Eligible Assets are subject to the significant credit risks inherent in the underlying collateral and to the risk that the servicer fails to perform. PPIP Eligible Assets are subject to risks associated with their structure and execution, including the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such PPIP Eligible Assets, whether the collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the PPIP Eligible

Asset) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such PPIP Eligible Asset. In addition, concentrations of PPIP Eligible Assets of a particular type, as well as concentrations of PPIP Eligible Assets issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject the PPIP Eligible Assets to additional risk.

Loans and other assets underlying any PPIP Eligible Asset may be situated outside the United States. Non-U.S. investments are generally denominated in non-U.S. currencies and involve certain risks not typically associated with investments in the United States. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less governmental supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Furthermore, restrictions imposed to prevent capital flight may make it difficult or impossible to exchange or repatriate non-U.S. currency.

*Senior Loan Risk* — Senior loans may not be rated by an NRSRO at the time of investment, generally will not be registered with the Securities and Exchange Commission and generally will not be listed on a securities exchange. In addition, the amount of public information available with respect to senior loans generally will be less extensive than that available for more widely rated, registered and exchange-listed securities. Because the interest rates of senior loans reset frequently, if market interest rates fall, the loans' interest rates will be reset to lower levels, potentially reducing a portfolio's income.

No active trading market currently exists for many senior loans. Senior loans are thus relatively illiquid. Liquidity relates to the ability of a portfolio to sell an investment in a timely manner at a price approximately equal to its value on the portfolio's books. The illiquidity of senior loans may impair a portfolio's ability to realize the full value of its assets in the event of a voluntary or involuntary liquidation of such assets. Because of the lack of an active trading market, illiquid securities are also difficult to value, and prices provided by external pricing services may not reflect the true fair value of the securities. However, many senior loans are of a large principal amount and are held by a large number of financial institutions. To the extent that a secondary market does exist for certain senior loans, the market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. If a substantial portion of a portfolio's assets are invested in senior loans, it may restrict the ability of the portfolio to dispose of its investments in a timely fashion and at a fair price, and could result in capital losses to the portfolio. The market for senior loans could be disrupted in the event of an economic downturn or a substantial increase or decrease in interest rates.

Borrowers under senior loans may default on their obligations to pay principal or interest when due. This non-payment would result in a reduction of income to a portfolio and a reduction in the value of a senior loan experiencing non-payment. Although some senior loans in which a portfolio will invest will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of bankruptcy of a borrower, the portfolio could experience delays or limitations in its ability to realize the benefits of any collateral securing a senior loan.

A portfolio also may purchase a participation interest in a senior loan, and by doing so acquire some or all of the interest of a bank or other lending institution in a loan to a corporate borrower. A participation interest typically will result in the portfolio having a contractual relationship only with the lender, not the borrower. In this instance, the portfolio will have the right to receive

payments of principal, interest and any fees to which it is entitled only from the lender selling the participation interest, and only upon receipt by the lender of the payments from the borrower. If the portfolio only acquires a participation interest in the loan made by a third party, the portfolio may not be able to control the exercise of any remedies that the lender would have under the senior loan. Such third party participation arrangements are designed to give senior loan investors preferential treatment over high yield investors in the event of deterioration in the credit quality of the issuer. Even when these arrangements exist, however, there can be no assurance that the principal and interest owed on the senior loan will be repaid in full.

## Equity Risks

### General Equity Risks

*Common Stock Risk* — Stocks may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of stocks in which a particular fund invests, such as value stocks, growth stocks, large-capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or micro-capitalization stocks, may underperform the market as a whole. In addition, growth stocks can be more volatile than other types of stocks. Value stocks can continue to be undervalued by the market for long periods of time. Additionally, dividends paid on common stocks can vary significantly over the short-term and long-term. Dividends on common stocks are not fixed, but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of common stocks in which a portfolio invests will declare dividends in the future, or that if declared they will remain at current levels or increase over time.

### Equity Risks Related to Particular Strategies

*Commodities Risk* — Certain portfolios may invest in instruments providing exposure to commodities. Commodities markets historically have been extremely volatile, and the performance of securities that provide an exposure to those markets therefore also may be highly volatile. Commodity prices are affected by factors such as the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments. Suspensions or disruptions of market trading in the commodities markets and related futures markets may adversely affect the value of securities providing an exposure to the commodities markets.

*Illiquid Securities Risk* — Illiquid securities are securities that are not readily marketable, and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the Securities Act or, 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 or at prices approximating the value at which a portfolio is carrying the securities on its books.

*Mid-Cap/Small-Cap Stock Risk* — Small-cap companies may lack the management expertise, financial resources, product diversification, and competitive strengths of larger companies. In addition, the frequency and volume of their trading may be less than is typical of larger companies, making them subject to wider price fluctuations. In some cases, there could be difficulties in selling the stocks of small-cap companies at the desired time and price. Mid-cap companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group. Stocks of small-cap and mid-cap companies may be



subject to more abrupt or erratic market movements than those of large, more established companies or the market averages in general.

**MLP Risk —**

*MLP Units Risk.* An investment in MLP units involves some risks that differ from an investment in the common stock of a corporation. Holders of MLP units generally have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units. MLPs generally are organized by the owners of an existing business who determine that the use of the MLP structure will allow the operations of the business to be conducted in a more tax efficient manner. As these owners may retain other businesses that are not transferred to the MLP, conflicts of interest may arise between the MLP and the other businesses retained by its sponsor. Business opportunities that arise that are desirable for both the MLP and the retained businesses, for example, may cause significant conflicts of interest. It is impossible to predict whether these conflicts will be resolved to the detriment of the limited partners of the MLP.

In addition, the use of capital to seek to increase incentive distribution payments to the general partner may conflict with the interests of limited partners. Generally, incentive distribution payments involve the general partner receiving an increasing progressive share of MLP distributions. Although limited partners will receive an increased total distribution if the general partner achieves its incentive benchmarks, the percentage of the increased distribution received by the limited partners generally decreases at each benchmark level. As a result, any increased risk associated with the management of the MLP for the purpose of increasing distributions may not correspond with the incremental benefit received by the limited partners. Holders of MLP units are exposed to a remote possibility of liability for all of the obligations of that MLP in the event that a court determines that the rights of the unit holders to take certain action under the limited partnership agreement would constitute “control” of the business of that MLP, or if a court or governmental agency determines that the MLP is conducting business in a state without complying with the limited partnership statute of that state.

Holders of MLP interests also are exposed to the risk that they may be required to repay amounts to the MLP that are wrongfully distributed to them. In addition, the value of a portfolio’s investment in MLPs depends largely on the MLPs being treated as partnerships for U.S. federal income tax purposes. If an MLP does not meet current legal requirements to maintain partnership status, or if it is unable to do so because of tax law changes, it would be taxed as a corporation and there could be a material decrease in the value of its securities. In that case, the MLP would be subject to U.S. federal income taxation and distributions received by the portfolio generally would be taxed as dividend income.

*General Risks of MLPs.* MLPs historically have shown sensitivity to interest rate movements. In an increasing interest rate environment, MLPs may experience upward pressure on their yields in order to stay competitive with other interest rate sensitive securities. Also, a significant portion of the market value of an MLP may be based upon its current yield. Accordingly, the prices of MLP units may be sensitive to fluctuations in interest rates and may decline when interest rates rise. In addition, rising interest rates could adversely impact the financial performance of MLPs by increasing their costs of capital. Also, because MLPs normally pay out the majority of their operating cash flows to partners, they may rely significantly on capital markets for access to equity and debt financing in order to fund organic growth projects and acquisitions. Should market conditions limit MLPs’ access to capital markets, their distribution growth prospects could be at risk. Increased costs of capital also may reduce an MLP’s ability to execute acquisitions or expansion projects in a cost-effective manner.

*Energy and Natural Resources Risk —* Equity securities of energy and natural resources companies are especially affected by developments in the commodities markets, the supply of and demand for specific resources, products and services, the price of oil and gas, exploration and production spending, government regulation, economic conditions, international political

developments, energy conservation efforts and the success of exploration projects. A portfolio that focuses its investments in these companies may present more risks than if it were broadly diversified over numerous industries and sectors of the economy.

*Short Sales Risk* — When a portfolio sells a stock short, it sells borrowed securities in anticipation that the borrowed securities will underperform the market, thereby enabling the portfolio to replace the borrowed securities at a lower price. Short sales expose the portfolio to the risk that it will be required to buy the security sold short (also known as “covering” the short position) at a time when the security has appreciated in value, thus resulting in a loss to the portfolio. Short selling is considered “leverage” and may magnify gains or losses for the portfolio. Clients with portfolios that may hold long and short positions should be aware that the value of the stocks held “long” could decline, or could decline at the same time that the value of the stocks held short could increase, resulting in greater losses. The portfolio’s investment adviser may not be able to close out short positions at an advantageous time or at a favorable price. Unlike stocks held long, the potential of loss on stocks sold short is unlimited.

*Style-Specific Risk* – Different types of stocks tend to shift in and out of favor depending on market and economic conditions. To the extent a portfolio emphasizes a value or growth style of investing, a portfolio runs the risk that undervalued companies’ valuations will never improve or that growth companies may be more volatile than other types of investments, respectively.

*Index Replication/Tracking Risk* – The ability of portfolios to replicate the performance of their respective broad-based indices may be affected by, among other things, changes in securities markets, the manner in which performance of the index is calculated, changes in the composition of the index, the amount and timing of cash flows into and out of the portfolio, commissions, sales charges (if any), and other expenses.

*Frequent Trading Risk* – Frequent trading of portfolio securities may produce capital gains, which are taxable to shareholders when distributed. Frequent trading may also increase the amount of commissions or mark-ups to broker-dealers that a portfolio pays when it buys and sells securities, which may detract from portfolio performance.

*Initial Public Offering Risk* – By virtue of its size and institutional nature, an adviser may have greater access to IPOs than individual investors. Most IPOs involve a high degree of risk not normally associated with offerings of more seasoned companies. Companies involved in IPOs generally have limited operating histories, and their prospects for future profitability are uncertain. These companies often are engaged in new and evolving businesses, and are particularly vulnerable to competition and to changes in technology, markets and economic conditions. They may be dependent on certain key managers and third parties, need more personnel and other resources to manage growth and require significant additional capital. They may also be dependent on limited product lines and uncertain property rights, and need regulatory approvals. Investors in IPOs can be affected by substantial dilution in the value of their shares, by sales of additional shares and by concentration of control in existing management and principal shareholders. Stock prices of IPOs can also be highly unstable, due to the absence of a prior public market, the small number of shares available for trading and limited investor information. IPOs will frequently be sold within 12 months of purchase. This may result in increased short-term capital gains, which will be taxable to shareholders as ordinary income.

*Infrastructure Sector Risk*— Because Global Infrastructure portfolios concentrate their investments in infrastructure-related securities, the portfolios have greater exposure to adverse economic, regulatory, political, legal, and other changes affecting the issuers of such securities. Infrastructure-related businesses are subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, costs associated with environmental and other regulations, the effects of economic slowdown and surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy

conservation policies and other factors. Additionally, infrastructure-related entities may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, service interruption and/or legal challenges due to environmental, operational or other mishaps and the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. There is also the risk that corruption may negatively affect publicly-funded infrastructure projects, especially in emerging markets, resulting in delays and cost overruns.

## **International/Global Risks**

### **General International/Global Risks**

*Correlation Risk* – The U.S. and non-U.S. equity markets often rise and fall at different times or by different amounts due to economic or other developments particular to a given country or region. This phenomenon would tend to lower the overall price volatility of a portfolio that included both U.S. and non-U.S. stocks. Sometimes, however, global trends will cause the U.S. and non-U.S. markets to move in the same direction, reducing or eliminating the risk reduction benefit of international investing.

*International Investing Risk* — Investing in securities or issuers in markets other than the United States involves risks not typically associated with U.S. investing, such as currency risk, risks of trading in non-U.S. securities markets, and political and economic risks.

*Currency Risk* — Because the foreign securities in which the portfolios invest, with the exception of depositary receipts, generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the portfolio's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. A strong U.S. dollar relative to these other currencies will adversely affect the value of a portfolio. Depositary receipts are also subject to currency risk.

*Non-U.S. Securities Market Risk* — Securities of many non-U.S. companies or U.S. companies with significant non-U.S. operations may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for securities. In addition, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

*Political and Economic Risks* — International investing is subject to the risk of political, social, or economic instability in the country of the issuer of a security, the difficulty of predicting international trade patterns, the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, and nationalization of assets.

*Recent Market Conditions* - The global financial crisis over the past several years, including the European sovereign debt crisis, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Liquidity in some markets has decreased; the ability to obtain credit has become challenging worldwide; and the values of some sovereign debt and of securities of issuers that hold that sovereign debt have fallen. These market conditions may continue or possibly deteriorate further, and may add significantly to the risk of short-term volatility in accounts. Under such conditions, it may also become very difficult to execute portfolio transactions in affected markets. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibility that conditions in one country or region might impact issuers in a different country or region, sometimes adversely. In

response to the crisis, the European Union, the U.S. and various governments, as well as the European Central Bank, the U.S. Federal Reserve and other central banks, have taken steps to support financial markets. Withdrawal of this support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding, could adversely impact the value and liquidity of certain securities. The severity or duration of these conditions may also be affected by policy changes made by governments or quasigovernmental organizations. Because the situation is widespread and largely unprecedented, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions, and therefore the effects of these potential events on an account is impossible to predict.

Additionally, a portfolio's income from non-U.S. issuers may be subject to non-U.S. withholding taxes. Non-U.S. companies generally are not subject to uniform accounting, auditing, and financial reporting standards or to other regulatory requirements that apply to U.S. companies; therefore, less information may be available to investors concerning non-U.S. issuers. In addition, some countries restrict to varying degrees foreign investment in their securities markets. These restrictions may limit investment in certain countries or may increase the cost of such investments.

The above risks may be particularly significant in emerging markets countries. To the extent a portfolio invests in depositary receipts, a portfolio will be subject to many of the same risks as when investing directly in non-U.S. securities.

#### International/Global Risks Related to Particular Strategies

*Emerging Markets Risk* — Investing in emerging markets generally involves exposure to economic structures that are less diverse and mature, and to political systems that are less stable, than those of developed countries. In addition, issuers in emerging markets typically are subject to a greater degree of change in earnings and business prospects than are companies in developed markets.

*Foreign Government/Sovereign Debt Risk* — Investment in the debt of foreign governments can involve a high degree of risk. The governmental or non-U.S. sovereign issuer that controls the repayment of debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. An issuer's willingness or ability to repay the principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole and the political constraints to which a governmental entity may be subject. Governmental entities also may be dependent on expected disbursements from other foreign governments, multilateral agencies and others abroad to reduce the principal and interest due on their debt.

#### **Asset Allocation Risk**

*Underlying Fund Risk*—Investing in underlying funds and in unaffiliated investment companies, particularly in an asset allocation portfolio, causes a shareholder in a portfolio to indirectly bear the portfolio's portion of the costs and expenses of the underlying fund, in addition to portfolio expenses. Investing in underlying funds also subjects a shareholder to the same risks associated with directly investing in securities held by the underlying fund.

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The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment strategy. Prospective clients and clients are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of an investment manager for a

particular strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed herein.

**ITEM 9            DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of or the integrity of NFA or its management persons.

## **ITEM 10            OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain management persons of NFA are associated persons of Nuveen Securities, a broker-dealer affiliated with NFA, to the extent necessary or appropriate to perform their job responsibilities.

Certain management persons of NFA are associated persons of Nuveen Commodities Asset Management, LLC, a commodity pool operator and a commodity trading advisor affiliated with NFA, to the extent necessary or appropriate to perform their job responsibilities.

As discussed above, NFA is a subsidiary of Nuveen Investments. Nuveen Investments is an indirect subsidiary of Windy City Investments Holdings, L.L.C. ("Holdings"), a holding company formed by equity investors led by MDP, a registered investment adviser. Equity investors of Holdings include certain MDP private equity funds and other institutional investors including divisions or subsidiaries of U.S. Bancorp and other financial services companies. Except for MDP, none of the other investors has an economic position in Holdings that is greater than 9.5%. See Item 4.

The equity securities of Holdings do not confer voting rights. All management authority of Holdings resides with its board of managers (the "Board"). The current Board structure contemplates: (i) six manager positions designated by investors affiliated with MDP; (ii) one manager position designated by an investor affiliated with U.S. Bancorp; (iii) one manager position held by the Nuveen Investments Chief Executive Officer; and (iv) three independent manager positions agreed upon by a majority of the members of the Board after consultation with MDP.

As a result of the facts described above, MDP is considered a "control person" of NFA under the Investment Advisers Act of 1940, as amended ("Advisers Act"); an "affiliated person" of NFA under the 1940 Act; and an "affiliate" of NFA under the Employee Retirement Income Security Act of 1974 ("ERISA"). With respect to NFA, except for MDP, no other investor in Holdings is subject to restrictions arising from such status under the Advisers Act, 1940 Act and ERISA, respectively.

Neither MDP nor the other investors in Holdings will have any involvement in the day-to-day investment or other business operations of NFA, including with respect to NFA's investment and voting determinations on behalf of clients. NFA exercises its own independent investment and voting discretion in accordance with its investment philosophy, fiduciary duties and client guidelines.

At any given time, each of NFA, on one hand, and MDP and other investors in Holdings and their affiliates, on the other hand, will engage in their own respective commercial activities with a view toward advancing their own respective business interests. These activities and interests potentially include multiple advisory, transactional, financial, and other interests in securities, financial instruments and companies, and a wide variety of financial services activities. NFA is committed to putting the interests of its clients first, and seeks to act in a manner consistent with its fiduciary and contractual obligations to its clients and applicable law. At times, NFA may determine, in an exercise of its discretion, to limit or refrain from entering into certain transactions, for some or all clients, in order to seek to avoid a potential conflict of interest, or where the legal, regulatory, administrative or other costs associated with entering into the transaction are deemed by NFA to outweigh the expected benefits. Further, certain regulatory and legal restrictions or limitations and internal policies may restrict certain investment or voting activities of NFA on behalf of its clients.

To the extent permitted by the Advisers Act, the 1940 Act, ERISA, and other law, as applicable, NFA may give advice, take action or refrain from acting in limiting purchases, selling existing investments, or otherwise restricting or limiting the exercise of rights, including voting rights, in the performance of its duties for certain client accounts that may differ from such advice or action, or

the timing or nature of such advice or action, for other client accounts including, for example, for clients subject to one or more regulatory frameworks.

NFA is under common control with Tradewinds Global Investors, LLC ("Tradewinds"), Nuveen Investments Advisers Inc. ("NIA"), NWQ Investment Management Company, LLC ("NWQ"), Symphony Asset Management LLC ("Symphony"), Santa Barbara Asset Management, LLC ("SBAM"), Winslow Capital Management, Inc., Nuveen Asset Management, LLC ("NAM") and Gresham Investment Management, LLC ("Gresham"), each an investment adviser registered with the SEC that provides services to individual and/or institutional clients (which may include registered investment companies and/or private investment funds). Gresham is also a commodity pool operator and commodity trading advisor. "Nuveen Investments" is sometimes used to refer collectively to the advisory businesses of Nuveen Investments, Inc. Certain personnel may provide services for multiple Nuveen Investments advisory affiliates. NFA is also under common control with Nuveen Global Operations ("NGO"), a division of Nuveen Investments Holdings, Inc., which may perform administrative services for NFA and certain affiliates. NFA is also under common control with Nuveen Investments Canada Co., a Canadian exempt market dealer in Ontario, Canada. NFA is also under common control with Nuveen Commodities Asset Management, LLC, a commodity pool operator and a commodity trading advisor. NFA and its advisory affiliates maintain procedures (including certain information barriers) designed generally to provide for independent exercise of investment and voting power. NFA's arrangements with its affiliates may or may not be material to its advisory business at any particular time.

NFA is also under common control with Nuveen Securities. Certain employees of NFA also may be affiliated with Nuveen Securities, and in that capacity may engage in marketing or selling activities with respect to shares or interests in investment companies or private investment funds affiliated with NFA or its related persons. To the extent that NFA or its related persons invest assets of Funds in an affiliated investment company, NFA or its related persons may, depending on any legal requirements, waive investment advisory fees on the client assets invested in such investment company, credit the client account for the fees paid by the investment company to NFA or NFA's related persons, avoid or limit the payment of duplicative fees to NFA and its related persons through other means, or charge fees both at the investment company level and client account level. For certain accounts, including certain wrap and other program accounts, all or a portion of the account may be invested in certain Funds advised by NFA or its affiliates.

NFA has arrangements with certain of its affiliates under which NFA may provide investment advisory (as adviser or sub-adviser), administrative, marketing or educational services to or for such affiliated adviser or its clients, or NFA or its clients may receive such services from such affiliates. NFA and certain affiliated advisers also may refer clients to each other.

NFA's affiliates may provide it with account administration, trading, operations, client service, sales and marketing, risk management, and legal and compliance services.

To the extent that NFA has engaged (or otherwise allocates assets to) an affiliated Subadviser (as opposed to an unaffiliated Subadviser), a potential conflict of interest may arise since NFA and its affiliates are retaining a greater amount of the total fees than if NFA had engaged (or otherwise allocated to) to an unaffiliated Subadviser. For asset allocation Funds, a similar conflict may arise with respect to an allocation to underlying Funds with higher fees than other underlying Funds. NFA addresses these conflicts by disclosing in Fund prospectuses and other official offering materials its affiliation with a Subadviser or underlying Fund.



**ITEM 11            CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

NFA has adopted policies and procedures (Code of Ethics) designed to detect and prevent conflicts of interest relating to personal trading by its access persons, and to ensure that NFA effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. NFA's access persons who wish to purchase or sell most types of securities may do so only in compliance with certain procedures outlined in the Code of Ethics, such as pre-approval by compliance personnel and periodic holdings reporting.

NFA's Code of Ethics prohibits the misuse of material nonpublic information. Under the Code of Ethics, employees are subject to certain limitations regarding the receipt of gifts and other benefits in the form of entertainment, including meals, golfing and tickets to cultural and sporting events from parties with whom Nuveen Investments does business. Employees are also subject to certain limitations regarding the giving of corporate gifts and other benefits to others. To the extent NFA determines that there is no conflict of interest, certain officers and employees of NFA from time to time may engage in outside business activities. A copy of NFA's Code of Ethics will be provided upon request of any client or prospective client.

Initially and from time to time, employees of NFA and its affiliates may invest in an affiliated fund of NFA or its affiliates. Such investments may represent all of or a significant percentage of the affiliated fund's assets. NFA or its affiliated entities also may establish proprietary separate accounts, including seed capital accounts.

To the extent that NFA or its employees have established a separate proprietary account or have made investments in an affiliated fund that is equal to or greater than 25% of the affiliated fund's assets, NFA has adopted a policy intended to address the potential conflicts of interest resulting from this situation. Under the policy, such affiliated funds or proprietary accounts are managed in a manner consistent with NFA's fiduciary duty to its other clients. It is the general policy that affiliated funds or proprietary accounts should receive neither special advantages nor disadvantages.

NFA and its related persons may invest in securities for their personal accounts that are also recommended to NFA clients. Potential conflicts may arise in this situation because NFA or its related persons may have a material interest in or relationship with the issuer of a security or may use knowledge about pending or currently considered securities transactions for clients to profit personally. To address these potential conflicts, each employee is required to provide NFA and/or certain related persons with securities trading activity reports and securities holding reports upon commencement of employment and thereafter on a quarterly and annual basis. In addition, employee transactions are subject to limitations regarding the type and timing of transactions, including certain trading prohibitions, and pre-approval and monitoring by compliance professionals of NFA and/or certain related persons.

NFA, its employees and its affiliates may give advice and take action in the performance of their duties for some clients that may differ from advice given, or the timing or nature of actions taken, for other clients or for their proprietary or personal accounts.

Subject to the restrictions described above, NFA and its employees may at any time hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which a client account may have an interest from time to time. NFA has no obligation to acquire for a client account a position in any investment which it, acting on behalf of another client, or an employee, may acquire, and the client accounts shall not have first refusal, co-investment or other rights in respect of any such investment.

The following restrictions apply to related persons of NFA who (i) in connection with their regular functions or duties make or participate in making recommendations regarding the purchase or sale of securities for a client account, or (ii) are natural persons in a control relationship with NFA or its affiliates and obtain information concerning recommendations made to a client account, portfolio managers, portfolio assistants, securities analysts, traders, or any other persons designated as such by NFA or any affiliated entity (each such person is an "Investment Person"):

In the event that a client account transacts within seven (7) days preceding or following an Investment Person's transaction in the same (or related, or equivalent) security, the Investment Person may be required to dispose of the security and/or disgorge any profits associated with his or her transaction. Such disposal and/or disgorgement may be required notwithstanding any prior written approval granted.

If an Investment Person has executed a transaction in a security for his or her own account and within seven (7) days thereafter such security is considered for purchase or sale by a client account, the Investment Person shall endeavor to submit a written memorandum to the Investment Person's supervisor, the Director of Compliance, and the Chief Compliance Officer (if applicable based on the affiliate) prior to entering of the purchase or sale order for the client account. Such memorandum shall describe the circumstances underlying the consideration of such transaction for the client account. However, if the time frame for acting upon the opportunity for the client account does not permit prior submission and review of the circumstances, the Investment Person must ultimately act for the benefit of the client account and submit the memorandum as soon as possible after the fact with the understanding that the result could be disgorgement of profit, or transacting at loss, in the Investment Person's own account.

With respect to other related persons that are not Investment Persons, NFA and its advisory affiliates maintain procedures (including certain information barriers) designed generally to provide for independent exercise of investment and voting power.

## **ITEM 12      BROKERAGE PRACTICES**

### **Broker-Dealer Selection**

NFA typically will engage affiliated or unaffiliated Subadvisers who provide discretionary investment management services to the assets allocated to the Subadviser. A Subadviser generally exercises investment, brokerage and voting discretion regarding the assets under its management under normal circumstances. NFA provides general investment services oversight with respect to the Fund and the Subadviser's services, including identifying and quantifying the impact of the use of derivatives and counterparty exposures. For detailed information about a particular Subadviser and its services, including the factors it considers in selecting or recommending broker-dealers for client transactions, please refer to the relevant Subadviser's Form ADV; any description of a Subadviser's services and practices contained herein is qualified in its entirety by the Subadviser's Form ADV.

A Subadviser may execute securities and investment transactions through financial firms that use, offer or include Nuveen Investments products or services in a particular program or preferred list. Subadvisers are instructed not to consider such distribution-related business arrangements when selecting firms for securities transactions.

### **Research and Other Soft Dollar Benefits**

Subject to constraints that may be imposed by the relevant Fund or other client accounts, the Subadviser's own internal policies and applicable law, Subadvisers may use client commissions to the extent permitted under Section 28(e) of the Securities Exchange Act of 1934 or as otherwise permissible under applicable law. Under such standards, a Subadviser may cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollars ("paying up"). NFA has policies and procedures in place to monitor the use of Fund commissions.

When a Subadviser uses client brokerage commissions to obtain research products and services, it receives a benefit because it does not have to produce or pay for such research or products.

A Subadviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

While brokerage and research products and services received in connection with client commissions are generally used to service or support all of the Subadviser's advisory accounts or investment platforms, a particular brokerage and research product or service may be used to service fewer than all advisory accounts, and may not directly benefit the particular account or accounts that generated the brokerage commissions used to acquire the product or service. For example, equity commissions may be used for brokerage and research products and services utilized in managing fixed income accounts. In addition, accounts that do not generate any commissions used to acquire brokerage and research products and services may benefit from those that do.

For a description of the types of products and services the Subadvisers acquired with client commissions within the last fiscal year, please refer to the relevant Subadviser's Form ADV.

For an explanation of the Subadvisers' procedures used during the last fiscal year to direct client transactions to a particular broker-dealer in return for research or other products or services, please refer to the relevant Subadviser's Form ADV.

NFA does not consider, in selecting or recommending broker-dealers, whether NFA or a related person receives client referrals from a broker-dealer or third party.

### **Directed Brokerage**

NFA does not routinely recommend, request or require that, nor does it permit, a client to direct NFA to execute transactions through a specified broker-dealer. For additional information regarding whether and under what conditions a Subadviser may require or permit directed brokerage arrangements, see the Subadviser's Form ADV.

### **Aggregation of Trades**

As noted above, a Subadviser generally exercises brokerage discretion regarding the assets it manages. Many Subadvisers aggregate purchases or sales of securities for multiple Fund and other client accounts. For a discussion of whether and under what conditions a Subadviser aggregates the purchase or sale of securities for various client accounts, including the Funds, see the Subadviser's Form ADV.

### **Trade Errors**

In the event of a trade error in a Fund or other client account, it is NFA's general policy to reimburse clients so that the client is made whole. NFA generally consults its Chief Compliance Officer or appropriate legal or compliance officers regarding resolution of any such errors.

## **ITEM 13      REVIEW OF ACCOUNTS**

### **General Description**

NFA performs regular reviews of Funds it manages. NFA's Investment Services department ("Investment Services"), headed by an Executive Vice President, provides ongoing monitoring of the Funds NFA advises and the relevant Subadviser's services, including (i) regular evaluation and analysis of performance and portfolio characteristics; (ii) reviews of asset allocation for applicable multi-class Funds based on various factors; (iii) reviews of leverage, both on a periodic, policy-level basis and by reviewing the daily exception reports produced by Compliance; and (iv) reviews of derivatives and counterparty exposures, generally on a weekly basis. Investment Services may conduct additional reviews of the foregoing as material economic and market events, or other circumstances, warrant.

NFA's Compliance department, headed by its Chief Compliance Officer, conducts additional reviews, generally on a daily exception report basis, for compliance with account guidelines and regulatory requirements.

In addition to the foregoing, each Subadviser generally employs its own review processes with respect to the assets under its discretionary management. For a description of a Subadviser's review process, see the Subadviser's Form ADV.

Additional reviews may be based on material changes to the Fund and/or Subadviser, such as changes to key personnel, material asset flows and new product launches, during periods of material economic and market events, and in other circumstances.

### **Client Reports**

NFA generally provides the relevant Fund's governing body (e.g., board of directors/trustees) with regular periodic reports, typically on an annual, quarterly and/or monthly basis. Such written reports may include holdings and transaction information, performance and attribution analysis, risk analysis, expenses, brokerage allocations, best execution analysis, conflict analysis, and other information. The specific reports may vary by Fund. Such reports are intended to assist Fund's governing body in performing its duties. NFA also provides special reports as may be requested. NFA also assists in coordinating reports of Subadvisers to the relevant Fund's governing body (e.g., board of directors/trustees). See Item 4.

## **ITEM 14            CLIENT REFERRALS AND OTHER COMPENSATION**

### Payment to Others- General

In the ordinary course of business, NFA or a related person may send corporate gifts or pay for meals and entertainment such as golfing and tickets to cultural and sporting events for individuals of firms that do business with NFA or its affiliates. NFA employees may also be the recipients of corporate gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to limitations under NFA's Code of Ethics.

NFA may pay fees to consultants for their advice and services, industry information or data, or conference attendance. If a particular payment constitutes, in NFA's judgment, a client solicitation arrangement under Rule 206(4)-3 under the Advisers Act, NFA will comply with the provisions of the Rule.

NFA is affiliated with the Nuveen Investments Wealth Management Services group, a division of Nuveen Investments that provides free general educational services to financial intermediaries who typically offer or use products or services of NFA and/or its advisory affiliates. Nuveen Investments Wealth Management Services makes available various financial and educational tools, reports, materials and presentations on current industry topics relevant to a financial advisor. Certain financial tools and illustrations may use data provided by a financial advisor. Materials and services provided by Nuveen Investments Wealth Management Services group are not intended to constitute financial planning, tax, legal, or investment advice and are for educational purposes only.

### Payments to others - Funds

NFA or a related person may make payments to firms or individuals who use, offer or sell shares of the Funds advised by NFA, or place the Funds on a recommended list. Please review carefully a Fund's prospectus (or statement of additional information) or other official offering materials for important information about such Fund-related payments.

## **ITEM 15        CUSTODY**

Clients should receive quarterly or monthly account statements from the broker-dealer, bank or other financial services firm that serves as qualified custodian, and clients should carefully review those statements. Clients who do not receive such account statements are encouraged to follow-up directly with their custodian and request such statements. Clients who receive additional reports from NFA are urged to compare these reports to the account statements they receive from the qualified custodian. NFA's reports are generally preliminary and may vary from custodial statements based on accounting procedures, reporting dates, valuation methodologies and other factors. They are not intended to be a substitute for account statements provided by a qualified custodian, and should not be used for official purposes.

In the event of an inadvertent receipt of check or other financial instrument payable to a client, NFA reserves the right to send the check or instrument to the client or its custodian rather than back to the original sender when it believes that such procedure provides the best overall protection for the underlying assets.

**ITEM 16            INVESTMENT DISCRETION**

NFA provides discretionary Fund management services primarily to open-end and closed-end investment companies, bank collective trusts and UCITS according to the investment objectives, goals and restrictions set forth in a Fund's prospectus or other official offering materials. Generally, a Fund will enter into an investment management agreement with NFA pursuant to which NFA provides investment advisory services. NFA typically will engage affiliated or unaffiliated Subadvisers who provide discretionary portfolio management services with respect to the assets allocated to each Subadviser. See Item 4.



## **ITEM 17      VOTING CLIENT SECURITIES**

NFA may be given authority to vote client securities, which it generally delegates to a Subadviser. A Subadviser is generally responsible for voting proxies relating to the assets under its discretionary management in accordance with the Subadviser's proxy voting policies and procedures. For detailed information about a particular Subadviser's proxy voting policies and procedures, including how a Subadviser addresses conflicts of interest, please refer to the relevant Subadviser's Form ADV. NFA will assist a Fund client in obtaining proxy voting information for purposes of any necessary Fund reports or regulatory filings. With respect to proxy voting policies and procedures pertaining to a particular Fund, this brochure is qualified in its entirety by the proxy voting policies and procedures disclosed in a Fund's prospectus or other official offering materials.

**ITEM 18        FINANCIAL INFORMATION**

NFA does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. NFA is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has NFA been the subject of a bankruptcy petition at any time during the past ten years.