

NATIONAL FUND ADVISORS, LLC

This Brochure provides information about the qualifications and business practices of NATIONAL FUND ADVISORS, LLC (NFA). NFA is a registered as an investment adviser with the U.S. Securities and Exchange Commission. Please note that SEC registration does not imply any level of skill or training, and that the information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about NFA is available on the SEC's website at www.adviserinfo.sec.gov. NFA's IARD firm number is 160441.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may provide other information about material changes as necessary, and we will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

If you have any questions about this Brochure, please contact us at (212) 415-6500 or jhgrady@nationalfa.com.

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Advisory Business

NFA is a privately owned, SEC-registered investment advisor providing investment services to pooled investment vehicles and other institutional clients. NFA was formed in 2011 to serve as the portfolio manager for registered investment companies, including both open-end and closed-end funds, as well as real estate investment trusts (“REITs”) and other pooled vehicles. NFA is a wholly-owned subsidiary of AR Capital, LLC (“AR Capital” and, collectively with its affiliates, “ARC”), which is part of the American Realty Capital group of companies that were founded in 2007 by Nicholas S. Schorsch and William M. Kahane. As of December 31, 2013, NFA managed \$110 million of client assets on a discretionary basis.

Fees and Compensation

NFA charges a percentage amount on assets placed under our discretionary management. The fees charged are negotiated with each client and paid pursuant to an investment advisory agreement with each client. NFA does not hold customer funds or securities.

Performance-Based Fees

Currently, NFA does not offer or charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

Types of Clients

NFA provides portfolio management services to investment companies and other pooled vehicles. As of March 31, 2014, NFA’s only non-investment company clients are non-traded real estate investment trusts sponsored by ARC (“Non-Traded REITs”). It does not currently serve high net worth clients, trusts, charitable institutions, foundations, or pension and profit-sharing plans.

Methods of Analysis, Investment Strategies and Risk of Loss

NFA’s portfolio management process is based upon its quantitative and qualitative research processes, as bounded by investment objectives, restrictions and requirements adopted by its clients or imposed by law. For its investment company clients, NFA’s methods of analysis, investment strategies and risk of loss are disclosed in the applicable prospectus and statement of additional information. For its Non-Traded REIT clients, NFA invests cash awaiting deployment by each Non-Traded REIT to provide income and exposure to the real estate market generally prior to the money being invested in accordance with the Non-Traded REIT’s investment strategies. The risks of loss associated with NFA’s investment strategies for Non-Traded REIT clients include the following:

Real Estate Industry Concentration Risk. This is the risk associated with factors generally affecting the value of real estate and the earnings of companies engaged in the real estate industry. These include, among others: (i) changes in general economic and market conditions; (ii) risks related to local economic conditions, overbuilding, development, and increased competition; (iii) increases in property taxes and operating expenses; (iv) changes in

zoning laws; (v) casualty and condemnation losses; (vi) variations in rental income, neighborhood values, or the appeal of property to tenants; (vii) the availability of financing and (viii) changes in interest rates. The value of investments in the real estate industry may go through cycles of relative under-performance and over-performance in comparison to the broader securities markets in general.

REIT Risk. In addition to the general risks associated with investments in the real estate industry, investing in REITs involves various risks. REITs can be classified as equity REITs, mortgage REITs, and hybrid REITs. Equity REITs invest primarily in real property and earn rental income from leasing those properties. They may also realize gains or losses from the sale of properties. Equity REITs will be affected by conditions in the real estate rental market and by changes in the value of the properties they own. Mortgage REITs invest primarily in mortgages and similar real estate interests and receive interest payments from the owners of the mortgaged properties. Mortgage REITs will be affected by changes in creditworthiness of borrowers and changes in interest rates. Hybrid REITs invest both in real property and in mortgages. REITs are dependent upon management skills, may not be diversified, and are subject to the risks of financing projects. Changes in interest rates may make REIT shares less attractive than other income-producing investments. REITs are also subject to heavy cash flow dependency, defaults by borrowers, and self-liquidation.

Market Risk. Like all financial instruments, the value of securities may move up or down, sometimes rapidly and unpredictably. The value of an investment at any point in time may be worth less than the value of the original investment, even after taking into account any reinvestment of dividends and distributions.

Medium- and Small-Capitalization Company Risk. Many issuers of real estate securities are medium- or small-capitalization companies which may be newly formed or have limited product lines, distribution channels, and financial or managerial resources. The risks associated with these investments are generally greater than those associated with investments in the securities of larger, more-established companies. This may cause an investment to be more volatile when compared to investment companies that focus only on large capitalization companies. Generally, securities of medium- and small-capitalization companies are more likely to experience sharper swings in market values or less liquid markets, in which it may be more difficult for NFA to sell at times and at prices that NFA believes appropriate. Compared to large companies, smaller companies are more likely to have (i) less information publicly available; (ii) more limited product lines or markets and less mature businesses; (iii) fewer capital resources; (iv) more limited management depth; and (v) shorter operating histories. Further, the equity securities of smaller companies are often traded over-the-counter and generally experience a lower trading volume than is typical for securities that are traded on a national securities exchange. Consequently, NFA may be required to dispose of these securities over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies, offering greater potential for gains and losses and associated tax consequences.

Common Stock Risk. While common stock has historically generated higher average returns than debt securities, common stock has also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of

common stock. Also, the price of common stock is sensitive to general movements in the stock market. A drop in the stock market may depress the price of common.

Preferred Stock Risk. There are various risks associated with investing in preferred stock, including credit risk, liquidity risk, interest rate risk, deferral and omission of distributions, subordination to bonds and other debt securities in a company's capital structure, limited liquidity, limited voting rights, and special redemption rights.

Debt Securities Risk. When NFA invests in debt securities, the value of the investment will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of debt securities. In general, the market price of debt securities with longer maturities will increase or decrease more in response to changes in interest rates than shorter-term securities. Other risk factors include credit risk (the debtor may default) and prepayment risk (the debtor may pay its obligation early, reducing the amount of interest payments). These risks could affect the value of a particular investment, possibly causing total return to be reduced and fluctuate more than other types of investments.

Credit Risk. There is a risk that debt issuers will not make payments, resulting in losses. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security. Lower credit quality also may affect liquidity and make it difficult to sell the security. Default, or the market's perception that an issuer is likely to default, could reduce the value and liquidity of securities, thereby reducing the value of an investment. In addition, default may result in an increase in expenses in seeking recovery of principal or interest on its portfolio holdings.

High Yield Bond (Junk Bond) Risk. Compared to higher quality debt securities, high yield bonds (commonly referred to as junk bonds) involve a greater risk of default or price changes due to changes in the credit quality of the issuer because they are generally unsecured and may be subordinated to other creditors' claims. The values of junk bonds often fluctuate more in response to company, political, regulatory or economic developments than higher quality bonds. Their values can decline significantly over short periods of time or during periods of economic difficulty when the bonds could be difficult to value or sell at a fair price. Credit ratings on junk bonds do not necessarily reflect their actual market value.

Mortgage-Backed Securities Risk. Mortgage-backed securities that are subject to prepayment or call risk, which is the risk that the borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. Faster prepayments often happen when interest rates are falling. As a result, the reinvestment of these early payments at lower interest rates will result in lower income. Conversely, when interest rates rise, prepayments may happen more slowly, causing the security to lengthen in duration. Longer duration securities tend to be more volatile. Securities may be prepaid at a price less than the original purchase value. An unexpectedly high rate of defaults on the mortgages held by a mortgage pool may adversely affect the value of mortgage-backed securities and could result in losses. The risk of such defaults is generally higher in the case of mortgage pools that include subprime mortgages. Subprime mortgages refer to loans made to borrowers with weakened credit histories or with lower capacity to make timely payments on their mortgages. Many of the risks of investing in commercial mortgage-backed securities reflect the risks of investing in the

real estate securing the underlying mortgage loans. These risks reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make loan payments, and the ability of a property to attract and retain tenants. CMBSs may be less liquid and exhibit greater price volatility than other types of mortgage- or asset-backed securities.

Investment in other Investment Companies Risk. Investment in another investment company will indirectly expose the investment to the underlying risks of the investment company. Such investment will be a proportionate share of the underlying investment company's fees and expenses, which are in addition to the fees and expenses associated with managing the investment. Shares of closed-end funds may trade at prices that reflect a premium above or a discount below the investment company's net asset value, which may be substantial. If investment company securities are purchased at a premium to net asset value, the premium may not exist when those securities are sold and a loss may result.

Liquidity Risk. A security may be deemed illiquid due to a lack of trading volume in the security or if the security is privately placed and not traded in any public market or is otherwise restricted from trading. Illiquid securities may be difficult to sell at the desired time or price and may lose their value. Further, certain restricted securities require special registration, liabilities and costs, and could pose valuation difficulties.

Management Risk. NFA's judgments about the attractiveness, value and potential appreciation of particular real estate segment and securities may prove to be incorrect and may not produce the desired results.

Disciplinary Information

NFA has no disciplinary information to disclose.

Other Financial Industry Activities and Affiliations

NFA is not registered in any other capacity. Certain principals and employees of the firm are registered representatives of Realty Capital Securities, LLC ("RCS"), a registered broker-dealer that is a Financial Industry Regulatory Authority ("FINRA") member firm and is under common control with NFA. Personnel of RCS conduct sales activity for investment company and other pooled investment vehicle clients of NFA. NFA does not direct any trades to trading partners because of these sales.

BDCA Adviser, LLC ("BDCA Adviser"), is a registered investment adviser that is also under common control with NFA and acts as sub-adviser to investment companies managed by NFA. NFA and BDCA Adviser share common resources within ARC, including legal and compliance.

Employees of NFA may serve as officers or directors for investment companies or other investment vehicles that are sponsored by ARC that are also clients of NFA.

NFA does not believe these affiliations would lead to any conflicts of interest with the investment management of client accounts.

Code of Ethics and Personal Trading

NFA has adopted a set of policies and procedures, including a code of ethics, describing its high standard of business conduct, and fiduciary duty to the firm's clients. These procedures include provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and personal securities trading procedures, among other things. NFA employee trading activity is monitored to prevent conflicts of interest between the Firm's personnel and its clients. All NFA personnel must acknowledge the policies and comply with the procedures. NFA will provide a copy of its code of ethics to any client or prospective client upon request.

Brokerage Practices

NFA is authorized to select broker-dealers to effect transactions for the account of its clients. Firms will be chosen based upon the quality of their execution and their costs, as well as (where relevant), their experience and past performance. NFA receives certain products and services from broker-dealers in connection with client securities transactions that may be considered in choosing a particular broker-dealer to effect a transaction. Within the last fiscal year, NFA used brokerage commission markups to pay for services from Bloomberg. When NFA uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, it receives a benefit because NFA does not have to produce or pay for the research, products or services. NFA may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution. Soft dollar benefits resulting from the commissions paid by one client may be used to service other clients' accounts.

Review and Reporting

NFA reviews its client portfolios daily, and prepares monthly, quarterly, semi-annual and annual reports for transmission to clients and their shareholders.

Client Referrals

NFA does not receive client referrals.

Custody

NFA does not act as custodian for client assets. All client accounts are held at banks or independent brokerage firms that provide separate monthly or quarterly accounting directly to the client.

Investment Discretion

NFA receives written discretionary authority from its client at the outset of the advisory relationship. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives of the particular client. When selecting securities, NFA observes the investment policies, limitations and restrictions (as amended from time to time) of the clients for which it advises.

Voting Client Securities

NFA affirmatively votes proxies associated with securities held in client accounts. NFA has adopted a set of proxy voting policies to guide its actions in this regard.

Financial Information

NFA has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and has not at any time during the past ten years been the subject of a bankruptcy proceeding.

Privacy Statement

NFA is committed to safeguarding the confidential information of its clients. We hold all personal information provided to the Firm in the strictest confidence. We do not disclose information to nonaffiliated third parties, except as permitted by law, and do not anticipate doing so in the future. If we were to anticipate such a change in firm policy, we would be prohibited under the law from doing so without advising clients first.