

BlackRock Resources & Commodities Strategy Trust  
Form N-14 8C/A  
September 17, 2014

As filed with the Securities and Exchange Commission on September 17, 2014

Securities Act File No. 333-197857

Investment Company Act File No. 811-22501

## **SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

### **FORM N-14**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**Pre-Effective Amendment No. 1**

**Post-Effective Amendment No.**

(Check appropriate box or boxes)

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## **BLACKROCK RESOURCES & COMMODITIES STRATEGY TRUST**

(Exact Name of Registrant as Specified in Charter)

100 Bellevue Parkway Wilmington, Delaware 19809

(Address of Principal Executive Offices: Number, Street, City, State, Zip Code)

(800) 882-0052

(Area Code and Telephone Number)

**John M. Perlowski**

**President and Chief Executive Officer**

**BlackRock Resources & Commodities Strategy Trust**

**55 East 52nd Street**

**New York, New York 10055**

(Name and Address of Agent for Service)

*With copies to:*

**Thomas A. DeCapo, Esq.**

**Skadden, Arps, Slate, Meagher & Flom LLP**

**500 Boylston Street**

**Boston, Massachusetts 02116**

**Janey Ahn, Esq.**

**BlackRock Advisors, LLC**

**40 East 52nd Street**

**New York, New York 10022**

**AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT**

(Approximate Date of Proposed Public Offering)

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

<b>Title of Securities Being Registered</b>	<b>Amount Being Registered(1)</b>	<b>Proposed Maximum Offering Price</b>	<b>Proposed Maximum Aggregate</b>	<b>Amount of Registration Fee(3)</b>
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		Per Unit(2)	Offering Price(1)	
Common shares \$0.001 par value	62,069,999	\$13.60	\$844,151,986.40	\$108,726.78

- (1) Estimated solely for the purpose of calculating the filing registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.
- (2) Net asset value per common share on September 11, 2014.
- (3) \$128.80 previously paid in connection with the registration of \$1,000,000 worth of common shares on August 5, 2014. The amount stated represents the \$128.80 previously paid with respect to the registration of \$1,000,000 worth of common shares on August 5, 2014, plus \$128.80 per million with respect to the \$62,069,999 worth of common shares registered hereby.

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

**EXPLANATORY NOTE**

**This Registration Statement is organized as follows:**

- a. Letter to Shareholders of BlackRock Real Asset Equity Trust ( BCF ), BlackRock EcoSolutions Investment Trust ( BQR ) and BlackRock Resources & Commodities Strategy Trust ( BCX ).
- b. Questions and Answers for Shareholders of BCF, BQR and BCX.
- c. Notice of Joint Special Meeting of Shareholders of BCF, BQR and BCX.
- d. Joint Proxy Statement/Prospectus for BCF, BQR and BCX.
- e. Statement of Additional Information regarding the proposed Reorganizations of BCF, BQR and BCX.
- f. Part C: Other Information.
- g. Exhibits.

**BLACKROCK REAL ASSET EQUITY TRUST**

**BLACKROCK ECOSOLUTIONS INVESTMENT TRUST**

**BLACKROCK RESOURCES & COMMODITIES STRATEGY TRUST**

**100 Bellevue Parkway**

**Wilmington, Delaware 19809**

**(800) 882-0052**

September 17, 2014

Dear Shareholder:

You are cordially invited to attend a joint special shareholder meeting (the **Special Meeting**) of BlackRock Real Asset Equity Trust ( **BCF** ), BlackRock EcoSolutions Investment Trust ( **BQR** ) and BlackRock Resources & Commodities Strategy Trust ( **BCX** and together with BCF and BQR, the **Funds**, and each, a **Fund** ), to be held at the offices of BlackRock Advisors, LLC, 1 University Square Drive, Princeton, New Jersey 08540-6455, on November 10, 2014 at 9:00 a.m. (Eastern time). Before the Special Meeting, I would like to provide you with additional background information and ask for your vote on important proposals affecting the Funds which are described in the enclosed Joint Proxy Statement/Prospectus.

Shareholders of BCF and BQR will be asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: the reorganization of their Fund into BCX, a Fund with similar (but not identical) investment objectives and investment restrictions, and investment policies and strategies that focus on investments in the commodities, natural resources, basic materials and/or energy sectors.

Shareholders of BCX will be asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: the issuance of additional common shares of BCX in connection with its reorganizations with BCF and BQR.

The Board of Trustees of each Fund believes the proposal applicable to its respective Fund is in the best interests of that Fund and its shareholders and unanimously recommends that you vote **FOR** such proposal.

The enclosed materials explain these proposals in more detail, and I encourage you to review them carefully. As a shareholder, your vote is important, and we hope that you will respond today to ensure that your shares will be represented at the Special Meeting. You may vote using one of the methods below by following the instructions on your proxy card:

By touch-tone telephone;

By internet;

By returning the enclosed proxy card in the postage-paid envelope; or

In person at the Special Meeting.

If you do not vote using one of these methods described above, you may be contacted by Georgeson Inc., our proxy solicitor, to vote your shares over the telephone.

As always, we appreciate your support.

Sincerely,

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JOHN M. PERLOWSKI

President and Chief Executive Officer of the Funds

Please vote now. Your vote is important.

To avoid the wasteful and unnecessary expense of further solicitation(s), we urge you to indicate your voting instructions on the enclosed proxy card, date and sign it and return it promptly in the postage-paid envelope provided, or record your voting instructions by telephone or via the internet, no matter how large or small your holdings may be. If you submit a properly executed proxy but do not indicate how you wish your shares to be voted, your shares will be voted **FOR** each proposal, as applicable. If your shares are held through a broker, you must provide voting instructions to your broker about how to vote your shares in order for your broker to vote your shares as you instruct at the Special Meeting.

September 17, 2014

**IMPORTANT NOTICE**  
**TO SHAREHOLDERS OF**  
**BLACKROCK REAL ASSET EQUITY TRUST**  
**BLACKROCK ECOSOLUTIONS INVESTMENT TRUST**  
**BLACKROCK RESOURCES & COMMODITIES STRATEGY TRUST**  
**QUESTIONS & ANSWERS**

Although we urge you to read the entire Joint Proxy Statement/Prospectus, we have provided for your convenience a brief overview of some of the important questions concerning the issues to be voted on.

**Q: Why is a shareholder meeting being held?**

A: Shareholders of BlackRock Real Asset Equity Trust ( BCF ) and BlackRock EcoSolutions Investment Trust ( BQR ): You are being asked to vote on the reorganization (each, a Reorganization ) of each of BCF and BQR, respectively (each such fund being referred to herein as a Target Fund ) into BlackRock Resources & Commodities Strategy Trust ( BCX or the Acquiring Fund and, together with the Target Funds, each, a Fund ). The Funds have similar (but not identical) investment objectives and investment restrictions, the same investment advisor, BlackRock Advisors, LLC (the Investment Advisor ), and investment policies and strategies that focus on investments in the commodities, natural resources, basic materials and/or energy sectors. See Comparison of the Funds Investments for additional information about the Funds investment objectives and investment policies.

Shareholders of BCF and BQR are being asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: the Reorganization of their Fund with BCX, the termination of their Fund s registration under the Investment Company Act of 1940, as amended (the 1940 Act ) and the dissolution of their Fund under Delaware law.

*Shareholders of BlackRock Resources & Commodities Strategy Trust ( BCX ):* You are being asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: the issuance of additional common shares of BCX in connection with each Reorganization (each, an Issuance ).

The term Combined Fund will refer to BCX as the surviving Fund after the Reorganizations.

A Reorganization will be consummated if a Target Fund s shareholders approve the Reorganization with respect to that Target Fund and the Acquiring Fund s shareholders approve the Reorganization with respect to that Target Fund. A Reorganization is not contingent upon the approval of the other Reorganization. If a Reorganization is not consummated, then the Target Fund for which such Reorganization was not consummated would continue to exist and operate on a stand-alone basis.

In the event a Reorganization is consummated, shareholders of the Combined Fund, including former shareholders of the applicable Target Fund, would be subject to the investment policies of the Acquiring Fund following the Reorganization. See Comparison of the Funds Investments in the Joint Proxy Statement/Prospectus for a comparison of the Funds investment objectives and significant investment strategies and operating policies.

**Q: Why are the Reorganizations being recommended?**

A: The Board of Trustees of each Fund (each, a Board and collectively, the Boards ), considered a number of factors in reaching its determination, including, but not limited to, the following, which are discussed in further detail in the Joint Proxy Statement/Prospectus



under Information about the Reorganizations Reasons for the Reorganizations :

potential for improved economies of scale and a lower Total Expense Ratio with respect to each Fund;

alternatives to the Reorganizations for each Fund;

the potential effects of the Reorganizations on the earnings and distributions of each Fund;

the potential effects of the Reorganizations on each Fund's premium/discount to NAV;

the compatibility of the Funds' investment objectives, investment policies and related risks and risk profiles (see "How similar are the Funds?" for additional information);

consistency of portfolio management and portfolio composition (see "How similar are the Funds?" for additional information);

the potential for improved secondary market trading, including the potential for greater secondary market liquidity for the Combined Fund's common shares, which may result in tighter bid-ask spreads and better trade execution for the Combined Fund's shareholders when purchasing or selling the Combined Fund's common shares;

the potential for operating and administrative efficiencies, including the potential for the following benefits:

greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions and more favorable transaction terms;

benefits from having fewer closed-end funds offering similar products in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and

benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors;

the anticipated tax-free nature of the Reorganizations (except with respect to taxable distributions from any Fund prior to, or after, the consummation of the Reorganizations) (see "Will I have to pay any U.S. federal taxes as a result of the Reorganizations?" for additional information);

the potential effects on the Funds' capital loss carryforwards;

the potential effects on each Fund's undistributed net investment income;

the expected costs of the Reorganizations (see "Will I have to pay any sales load, commission or other similar fees in connection with the Reorganizations?" for additional information);

the terms of the Reorganizations and whether the Reorganizations would dilute the interests of shareholders of the Funds;

the effect of the Reorganizations on shareholder rights; and

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any potential benefits of the Reorganizations to the Investment Advisor and its affiliates.

Because the shareholders of each Fund will vote separately on its respective Reorganization or Issuance, as applicable, there are multiple potential combinations of Reorganizations. The Board of each Fund and the Investment Advisor believe that the most likely result of the potential combinations of Reorganizations is the combination of all the Funds. To the extent that one of the Reorganizations is not completed, but the other Reorganization is completed, any expected expense savings by the Combined Fund, or other potential benefits resulting from the Reorganizations, may be reduced.

If the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of that Target Fund and its product line, recommend alternative proposals to the Board of that Target Fund.

### **Q: How will the Reorganizations affect the fees and expenses of the Funds?**

A: For the fiscal year ended October 31, 2013, the Total Expense Ratios of BCF, BQR and BCX were 1.19%, 1.41% and 1.07%, respectively. For the 12-month period ended April 30, 2014, the Total Expense Ratios of

BCF, BQR and BCX were 1.21%, 1.38% and 1.07%, respectively. Total Expenses means a Fund's total annual operating expenses (including applicable fee waivers). Total Expense Ratio means a Fund's Total Expenses expressed as a percentage of its average net assets attributable to its common shares.

The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.06% on a historical and pro forma basis for the 12-month period ended April 30, 2014, representing a reduction in the Total Expense Ratio for the shareholders of BCF, BQR and BCX of 0.15%, 0.32% and 0.01%, respectively.

Each Fund entered into an Investment Management Agreement with the Investment Advisor to provide investment advisory services. For such services, BCF pays the Investment Advisor a monthly fee at the annual rate of 1.20% of its average weekly net assets, and each of BQR and BCX pays the Investment Advisor a monthly fee at the annual rate of 1.20% of its respective average daily net assets. The Investment Advisor waives a portion of the investment management fee of each of BCF, BQR and BCX at an annual rate of 0.05%, 0.05% and 0.20%, respectively.

If any of the Reorganizations are consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 1.00% of the average daily net assets of the Combined Fund, which is lower than the contractual investment management fee rate of any individual Fund, lower than the current effective investment management fee rate of BCF and BQR, and the same as the current effective investment management fee rate of BCX. The Combined Fund will not be subject to a separate fee for administration services or benefit from any fee waivers.

Based on a pro-forma Lipper expense group for the Combined Fund, the estimated Total Expense Ratio and net management fee rate are each projected to be in the first quartile.

The level of expense savings (or increases) will vary depending on the combination of the Funds in the proposed Reorganizations, and furthermore, there can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of any Reorganization.

**Q: How will the Reorganizations affect the earnings and distributions of the Funds?**

A: The Combined Fund's earnings yield on NAV is expected to be comparable (i.e., the same or slightly lower or higher) when compared with that of each Fund prior to the Reorganizations; thus, assuming that all of the Reorganizations are consummated and that BCX's distribution policy remains in place after the Reorganizations, shareholders of each Target Fund are expected to experience a comparable (i.e., the same or slightly lower or higher) distribution yield on NAV after the Reorganizations. The Combined Fund's earnings and distribution yield on NAV may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield on NAV prior to the Reorganizations.

Each Fund intends to make monthly distributions to shareholders. Distributions may consist of net investment income, net options premium, net realized and unrealized gains on investments, and/or return of capital.

Each Fund has adopted a plan, consistent with its investment objectives and policies, to support a level distribution of income, capital gains and/or return of capital (a Plan). The goal of each Plan is to provide shareholders with consistent and predictable cash flows by setting distribution rates based on expected long-term returns of a Fund. Under its Plan, each Fund will distribute all available investment income to its shareholders in order to maintain a level distribution. Such distributions, under certain circumstances, may exceed a Fund's total return performance. When distributions exceed total return performance for the period, the difference will reduce the Fund's total assets and net asset value per share and, therefore, could have the effect of increasing the Fund's expense ratio and reducing the amount of assets the Fund has available for long term investment. In order to make these distributions, a Fund may have to sell portfolio securities at less than opportune times. Shareholders should not draw any conclusions about a Fund's investment performance from the amount of the Fund's distributions or from the terms of a Plan.

The final tax characterization of distributions is determined after the end of a Fund's fiscal year and is reported to shareholders on Form 1099. Distributions will be characterized as ordinary income, capital gains and/or return of capital. A Fund's taxable net investment income or net realized capital gains (taxable income) may not be sufficient to support the level of distributions paid. To the extent that distributions exceed a Fund's current and accumulated earnings and profits in the current fiscal year, the excess may be treated as a return of capital. A return of capital distribution does not necessarily reflect a Fund's investment performance and should not be confused with yield or income. A return of capital is a return of a portion of an investor's original investment. A return of capital is generally not taxable, but it reduces a shareholder's tax basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent disposition by the shareholder of his or her shares. It is possible that a substantial portion of the distributions paid during a calendar year may ultimately be classified as return of capital for income tax purposes when the final determination of the source and character of the distributions is made.

As described above, the portion of distributions that exceeds a Fund's current and accumulated earnings and profits, which are calculated under tax principles, will constitute a non-taxable return of capital. Although capital loss carryforwards from prior years can offset realized net capital gains, capital loss carryforwards will offset current earnings and profits only if they were generated in the Fund's 2012 taxable year or thereafter. If distributions in any tax year are less than the Fund's current earnings and profits but are in excess of net investment income and net realized capital gains (which would occur, for example, if the Fund utilizes pre-2012 capital loss carryforwards to offset capital gains in that tax year), such excess is not treated as a non-taxable return of capital but rather may be taxable to shareholders at ordinary income rates even though it may economically represent a return of capital. Under certain circumstances, such taxable excess distributions could be significant. BCF and BCX currently do not have any pre-2012 capital loss carryforwards, however, a substantial portion of BQR's capital loss carryforwards are from pre-2012 tax years. The Combined Fund may acquire a portion of BQR's pre-2012 capital loss carryforwards as a result of the Reorganizations; thus, shareholders of BCF and BCX may be subject to taxable excess distributions as shareholders of the Combined Fund.

**Q: What happens if shareholders of one Target Fund do not approve their Reorganization but shareholders of the other Target Fund approve their Reorganization?**

A: An unfavorable vote on a proposed Reorganization by the shareholders of one Target Fund will not affect the implementation of the Reorganization of the other Target Fund if the other Reorganization is approved by the shareholders of each of the Acquiring Fund and the other Target Fund.

If the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of that Target Fund and its product line, recommend alternative proposals to the Board of that Target Fund.

**Q: What happens if shareholders of the Acquiring Fund do not approve the Issuance with respect to the Reorganization of one Target Fund but approve the Issuance with respect to the Reorganization of the other Target Fund?**

A: An unfavorable vote by shareholders of the Acquiring Fund on the Issuance in connection with one Reorganization will not affect the implementation of the other Reorganization, provided the Issuance for such Reorganization is approved by shareholders of the Acquiring Fund and such Reorganization is approved by the shareholders of the Target Fund.

If the Issuance with respect to one Target Fund's Reorganization is not approved, the Investment Advisor may, in connection with ongoing management of that Target Fund and its product line, recommend alternative proposals to the Board of that Target Fund.

**Q: How similar are the Funds?**

A: The Funds have the same investment advisor and sub-advisor, certain common portfolio managers, and the same board members. Each Fund is organized as a Delaware statutory trust with its common shares listed on the New York Stock Exchange. The investment objectives, significant investment strategies and operating policies, and investment restrictions of the Combined Fund will be those of BCX.

Diversification Status: BQR is a diversified, closed-end management investment company registered under the 1940 Act. BCF and BCX are each a non-diversified, closed-end management investment company registered under the 1940 Act. This means that BCX and BCF may invest a greater percentage of their assets in the obligations of a single issuer than BQR. The Combined Fund will be a non-diversified investment company under the 1940 Act. To the extent the Combined Fund invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Combined Fund may be more susceptible than a diversified investment company, such as BQR, to any single corporate, economic, political or regulatory occurrence.

Investment Objectives: The Funds have similar (but not identical) investment objectives.

BCF's investment objective seeks to provide total return through a combination of current income, current gains and long-term capital appreciation.

BQR's investment objective seeks to provide total return through a combination of current income, current gains and long-term capital appreciation.

BCX's primary investment objective is to seek high current income and current gains, with a secondary objective of capital appreciation.

Investment Policies: The Funds have similar (but not identical) investment policies, except with respect to certain differences summarized below.

*Sector Concentration.* Each Fund's investments are concentrated in the commodities, natural resources, basic materials and/or energy sectors, which may present more risks than if the Fund was broadly diversified over numerous industries and sectors of the economy. Each Fund may have different concentrations with respect to such sectors. A downturn in any one of the sectors in which a Fund invests a significant portion of its assets would have a larger impact on the Fund than on another Fund that does not concentrate in such sector.

BCX has a broader investment policy with respect to investments in the commodities and natural resources sectors permitting BCX to invest in broader segments of the commodities and natural resources sectors than BCF and BQR. After the Reorganizations, while the Combined Fund's broader investment policy with respect to the commodities and natural resources sectors may provide benefits of additional diversification, it may also expose former shareholders of BCF and BQR to additional risks in the commodities and natural resources sectors that they are not subject to prior to the Reorganizations.

BCF invests, under normal market conditions, at least 80% of its assets in equity securities of energy, natural resources and basic materials companies and equity derivatives with exposure to companies in the energy, natural resources and basic materials industries.

BQR invests, under normal market conditions, at least 80% of its assets in equity securities issued by companies that are engaged in one or more of New Energy, Water Resources and Agriculture business segments. BQR considers (i) the New Energy business segment to include products, technologies and services connected to the efficient use of energy or to the provision or manufacture of alternative forms of energy (e.g., wind, solar and hydroelectric power), including renewable energy, energy infrastructure, energy generation and distribution and energy storage; (ii) the Water Resources business segment to include products, technologies and services connected to the provision of potable and non-potable water; the disinfection or desalination of water; the production, filtering, storage and distribution of water; water

control; water surveys; water infrastructure; and the improvement of water quality; and (iii) the Agriculture business segment to include products, technologies and services connected to agricultural biotechnology and bioengineering; biofuel production and distribution; farm land and forestry; agricultural commodities and food; agricultural infrastructure; farm and other agricultural equipment; fertilizer and other agriculture-related chemicals; and agricultural and food distribution.

BCX invests, under normal market conditions, at least 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources. BCX's economic exposure to securities and derivatives linked to the underlying price movements of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives will not exceed 20% of its total assets. While permitted, BCX does not currently expect to invest in securities and derivatives linked to the underlying price movement of commodities or natural resources.

*Option Writing Strategy.* Each Fund may employ a strategy of writing (selling) covered call and put options on common stocks.

*Non-Investment Grade Debt Securities.* BCF and BQR may each invest up to 10% of its total assets in debt securities rated below investment grade. BCX does not have such a limitation and could potentially have greater exposure to the risks associated with below investment grade securities. To the extent the Combined Fund invests a larger proportion of its assets than BCF and BQR in below investment grade securities, former shareholders of BCF and BQR could potentially have greater exposure to the risks associated with below investment grade securities. Below investment grade quality securities (rated Ba/BB or below) are commonly referred to as high yield or junk bonds and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Issuers of high yield bonds are not perceived to be as strong financially as those with higher credit ratings. These issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments.

*Leverage:* The Funds' ability to borrow or use leverage is subject to limitations prescribed in the 1940 Act. In addition to such 1940 Act limitations, each Target Fund has a non-fundamental restriction prohibiting such Target Fund from issuing senior securities or borrowing money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward commitment transactions and similar investment strategies). BCX does not have such non-fundamental restriction. None of the Funds currently intend to incur indebtedness or issue preferred shares for investment purposes, except the Funds may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

See Comparison of the Funds' Investments in the Joint Proxy Statement/Prospectus for a comparison of the Funds' investment objectives, significant investment strategies and operating policies and investment restrictions.

**Q: How will the Reorganizations be effected?**

A: Assuming Target Fund shareholders approve the Reorganizations of the Target Funds and Acquiring Fund shareholders approve each Issuance of the Acquiring Fund, the assets and liabilities of the Target Funds will be combined with those of the Acquiring Fund. Each Target Fund will terminate its registration under the 1940 Act after the completion of its Reorganization and dissolve under Delaware law.

*Shareholders of the Target Funds:* You will become shareholders of the Acquiring Fund. You will receive newly issued common shares of the Acquiring Fund, par value \$0.001 per share, the aggregate NAV (not the

market value) of which will equal the aggregate NAV (not the market value) of the common shares of the particular Target Fund you held immediately prior to such Reorganization, less the applicable costs of the Reorganization (though you may receive cash for fractional shares).

*Shareholders of the Acquiring Fund:* You will remain shareholders of BCX, which will have additional common shares outstanding after the Reorganizations.

**Q: Have common shares of the Target Funds and the Acquiring Fund historically traded at a premium or discount?**

A: The common shares of BCX have historically traded at a discount to NAV and the common shares of BCF and BQR have historically fluctuated between a discount and a premium to NAV. As of August 31, 2014, the NAV per common share of BCF was \$10.65 and the market price per common share of BCF was \$9.30, representing a discount to NAV of 12.68%, the NAV per common share of BQR was \$9.35 and the market price per common share of BQR was \$8.25, representing a discount to NAV of 11.76% and the NAV per common share of BCX was \$14.04 and the market price per common share of BCX was \$12.23, representing a discount to NAV of 12.89%.

To the extent a Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of the Reorganizations, the shareholders of such Target Fund would have the potential for an economic benefit by the narrowing of the discount/premium if the Reorganizations are consummated. To the extent a Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of the Reorganizations, the shareholders of such Target Fund may be negatively impacted if the Reorganizations are consummated. The Acquiring Fund shareholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves. There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at, above or below NAV. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAVs (not the market values) of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganizations.

**Q: Will I have to pay any sales load, commission or other similar fees in connection with the Reorganizations?**

A: You will pay no sales loads or commissions in connection with the Reorganizations. Regardless of whether the Reorganizations are completed, however, the costs associated with these proposed Reorganizations, including the costs associated with the shareholder meeting, will be borne directly by each of the respective Funds incurring the expense or will otherwise be allocated among the Funds proportionately or on another reasonable basis as discussed more fully in the Joint Proxy Statement/Prospectus.

The expenses of the Reorganizations (assuming all of the Reorganizations are consummated) are estimated to be \$560,000 for BCF, \$345,000 for BQR and \$565,000 for BCX. Because of the expected expense savings and other benefits for BCF and BQR, the Investment Advisor recommended and the Boards of such Funds have approved that such Funds be responsible for their own Reorganization expenses. See

Information About the Reorganizations Reasons for the Reorganizations in the attached Joint Proxy Statement/Prospectus. The Investment Advisor will bear all of the costs of the Reorganizations for BCX because the shareholders of BCX are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BCF and BQR.

Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations (e.g., expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Reorganizations or other action taken by the shareholder in connection with the Reorganizations). The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.



**Q: Will I have to pay any U.S. federal taxes as a result of the Reorganizations?**

A: Each of the Reorganizations is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). If a Reorganization so qualifies, in general, shareholders of a Target Fund will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund common shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, the Target Fund will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganization. Neither the Acquiring Fund nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to any Reorganization.

On or prior to the closing date of the Reorganizations (the Closing Date), each of the Target Funds will declare a distribution to its shareholders that, together with all previous distributions, will have the effect of distributing to each respective Target Fund's shareholders all of its investment company taxable income (computed without regard to the deduction for dividends paid), if any, through the Closing Date, all of its net capital gains, if any, through the Closing Date, and all of its net tax-exempt interest income, if any, through the Closing Date. Such a distribution will be taxable to each Target Fund's shareholders for U.S. federal income tax purposes.

The Funds' shareholders should consult their own tax advisers regarding the U.S. federal income tax consequences of the Reorganizations, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax laws.

**Q: Why is the vote of shareholders of the Acquiring Fund being solicited in connection with the Reorganizations?**

A: Although the Acquiring Fund will continue its legal existence and operations after the Reorganizations, the rules of the New York Stock Exchange (on which the Acquiring Fund's common shares are listed) require the Acquiring Fund's shareholders to approve the Issuances in connection with the Reorganizations. If the Issuance in connection with a Reorganization is not approved, then such Reorganization will not occur.

**Q: How does the Board of my Fund suggest that I vote?**

A: After careful consideration, the Board of your Fund unanimously recommends that you vote FOR each of the items proposed for your Fund.

**Q: How do I vote my proxy?**

A: You may cast your vote by mail, phone, internet or in person at the Special Meeting. To vote by mail, please mark your vote on the enclosed proxy card and sign, date and return the card in the postage-paid envelope provided. If you choose to vote by phone or internet, please refer to the instructions found on the proxy card accompanying the Joint Proxy Statement/Prospectus. To vote by phone or internet, you will need the control number that appears on the proxy card.

**Q: Whom do I contact for further information?**

A: You may contact your financial advisor for further information. You may also call Georgeson Inc., the Funds' proxy solicitor, at 1-866-647-8869.

**BLACKROCK REAL ASSET EQUITY TRUST**

**BLACKROCK ECOSOLUTIONS INVESTMENT TRUST**

**BLACKROCK RESOURCES & COMMODITIES STRATEGY TRUST**

**100 Bellevue Parkway**

**Wilmington, Delaware 19809**

**(800) 882-0052**

**NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON NOVEMBER 10, 2014**

Notice is hereby given that a joint special meeting of shareholders (the *Special Meeting*) of BlackRock Real Asset Equity Trust ( *BCF* ), BlackRock EcoSolutions Investment Trust ( *BQR* and collectively with BCF, the *Target Funds* ) and BlackRock Resources & Commodities Strategy Trust ( *BCX* or the *Acquiring Fund* and collectively with the Target Funds, the *Funds* ) will be held at the offices of BlackRock Advisors, LLC, 1 University Square Drive, Princeton, New Jersey 08540-6455, on November 10, 2014 at 9:00 a.m. (Eastern time) for the following purposes:

**1. The Reorganizations of the Target Funds**

*Shareholders of BlackRock Real Asset Equity Trust ( BCF ):*

Proposal 1(A): The shareholders of BCF are being asked to approve an Agreement and Plan of Reorganization between BCF and BCX (the *BCF Reorganization Agreement* ), the termination of BCF's registration under the Investment Company Act of 1940 (the *1940 Act* ) and the dissolution of BCF under Delaware law.

*Shareholders of BlackRock EcoSolutions Investment Trust ( BQR ):*

Proposal 1(B): The shareholders of BQR are being asked to approve an Agreement and Plan of Reorganization between BQR and BCX (the *BQR Reorganization Agreement* ), the termination of BQR's registration under the 1940 Act and the dissolution of BQR under Delaware law.

**2. The Reorganizations of the Acquiring Fund and the Issuances of the Acquiring Fund's Common Shares**

*Shareholders of BlackRock Resources & Commodities Strategy Trust ( BCX ):*

Proposal 2(A): The shareholders of BCX are being asked to approve the issuance of additional common shares of BCX in connection with the BCF Reorganization Agreement.

Proposal 2(B): The shareholders of BCX are being asked to approve the issuance of additional common shares of BCX in connection with the BQR Reorganization Agreement.

Shareholders of record as of the close of business on September 12, 2014 are entitled to vote at the Special Meeting or any adjournment or postponement thereof.

**THE BOARD OF TRUSTEES (EACH, A BOARD ) OF EACH OF THE FUNDS RECOMMENDS THAT YOU VOTE YOUR SHARES BY INDICATING YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, DATING AND SIGNING SUCH PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED, WHICH IS ADDRESSED FOR YOUR CONVENIENCE AND NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES, OR BY RECORDING YOUR VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET.**

**THE BOARD OF EACH TARGET FUND UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:**

- **FOR THE REORGANIZATION OF YOUR TARGET FUND PURSUANT TO YOUR TARGET FUND S REORGANIZATION AGREEMENT AS DESCRIBED IN THE JOINT PROXY STATEMENT/PROSPECTUS, THE TERMINATION OF YOUR TARGET FUND S REGISTRATION UNDER THE 1940 ACT AND THE DISSOLUTION OF YOUR TARGET FUND UNDER DELAWARE LAW.**

**THE BOARD OF BCX UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:**

- **FOR THE ISSUANCE OF ADDITIONAL COMMON SHARES OF BCX IN CONNECTION WITH EACH REORGANIZATION AGREEMENT.**

**IN ORDER TO AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION, WE ASK THAT YOU MAIL YOUR PROXY CARD OR RECORD YOUR VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET PROMPTLY.**

For the Board of Trustees of the Funds

JOHN M. PERLOWSKI

*President and Chief Executive Officer of the Funds*

September 17, 2014

**YOUR VOTE IS IMPORTANT.**

**PLEASE VOTE PROMPTLY BY SIGNING AND RETURNING THE  
ENCLOSED PROXY CARD OR BY RECORDING YOUR VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET,  
NO MATTER HOW MANY SHARES YOU OWN.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON NOVEMBER 10, 2014.**

**THE PROXY STATEMENT FOR THIS MEETING IS AVAILABLE AT:**

**[HTTPS://WWW.PROXY-DIRECT.COM/BLK-25973](https://www.proxy-direct.com/BLK-25973)**

**THE INFORMATION IN THIS JOINT PROXY STATEMENT/PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.**

**SUBJECT TO COMPLETION, DATED SEPTEMBER 17, 2014**

**JOINT PROXY STATEMENT/PROSPECTUS**

**BLACKROCK REAL ASSET EQUITY TRUST**

**BLACKROCK ECOSOLUTIONS INVESTMENT TRUST**

**BLACKROCK RESOURCES & COMMODITIES STRATEGY TRUST**

**100 Bellevue Parkway**

**Wilmington, Delaware 19809**

**(800) 882-0052**

**JOINT SPECIAL MEETING OF SHAREHOLDERS**

**NOVEMBER 10, 2014**

This Joint Proxy Statement/Prospectus is furnished to you as a shareholder of (i) BlackRock Real Asset Equity Trust ( BCF ), (ii) BlackRock EcoSolutions Investment Trust ( BQR and collectively with BCF, the Target Funds ) and/or (iii) BlackRock Resources & Commodities Strategy Trust ( BCX or the Acquiring Fund and collectively with the Target Funds, the Funds ). Each Fund is organized as a Delaware statutory trust. BCX and BCF are each a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act ). BQR is a diversified, closed-end management investment company registered under the 1940 Act. A joint special meeting (the Special Meeting ) of shareholders of each Fund will be held at the offices of BlackRock Advisors, LLC (the Investment Advisor ), 1 University Square Drive, Princeton, New Jersey 08540-6455, on November 10, 2014 at 9:00 a.m. (Eastern time) to consider the items listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. If you are unable to attend the Special Meeting or any adjournment or postponement thereof, the Board of Trustees of each Fund (each, a Board ) recommends that you vote your common shares of beneficial interests ( common shares ) by completing and returning the enclosed proxy card or by recording your voting instructions by telephone or via the internet. The approximate mailing date of this Joint Proxy Statement/Prospectus and accompanying form of proxy is September 22, 2014.

The purposes of the Special Meeting are:

**1. The Reorganizations of the Target Funds**

*Shareholders of BlackRock Real Asset Equity Trust ( BCF ):*

Proposal 1(A): The shareholders of BCF are being asked to approve an Agreement and Plan of Reorganization between BCF and BCX (the BCF Reorganization Agreement ), the termination of BCF s registration under the 1940 Act and the dissolution of BCF under Delaware law.

*Shareholders of BlackRock EcoSolutions Investment Trust ( BQR ):*

Proposal 1(B): The shareholders of BQR are being asked to approve an Agreement and Plan of Reorganization between BQR and BCX (the BQR Reorganization Agreement and together with the BCF Reorganization Agreement, the Reorganization Agreements ), the termination of BQR s registration under the 1940 Act and the dissolution of BQR under Delaware law.

**2. The Reorganizations of the Acquiring Fund and the Issuances of the Acquiring Fund's Common Shares**

*Shareholders of BlackRock Resources & Commodities Strategy Trust ( BCX ):*

Proposal 2(A): The shareholders of BCX are being asked to approve the issuance of additional common shares of BCX in connection with the BCF Reorganization Agreement.

Proposal 2(B): The shareholders of BCX are being asked to approve the issuance of additional common shares of BCX in connection with the BQR Reorganization Agreement.

Shareholders of record as of the close of business on September 12, 2014 are entitled to vote at the Special Meeting or any adjournment or postponement thereof.

Each Reorganization Agreement that Target Fund shareholders and Acquiring Fund shareholders are being asked to consider involves transactions that will be referred to in this Joint Proxy Statement/Prospectus as a Reorganization. The Fund surviving any or all Reorganizations is referred to herein as the Combined Fund.

The Reorganizations seek to achieve certain economies of scale and other operational efficiencies by combining three Funds that have similar (but not identical) investment objectives and investment restrictions, the same investment advisor and investment policies and strategies that focus on investments in the commodities, natural resources, basic materials and/or energy sectors. In each Reorganization, the Acquiring Fund will acquire substantially all of the assets and assume substantially all of the liabilities of each Target Fund in exchange for an equal aggregate value of newly-issued common shares of the Acquiring Fund, par value \$0.001 per share ( Acquiring Fund Shares ) in the form of book entry interests. Each Target Fund will distribute Acquiring Fund Shares to common shareholders of such Target Fund, and will then terminate its registration under the 1940 Act and dissolve under Delaware law. The Acquiring Fund will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objectives, investment policies and investment restrictions described in this Joint Proxy Statement/Prospectus.

The aggregate net asset value ( NAV ) (not the market value) of the Acquiring Fund Shares received by the shareholders of the Target Fund in each Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (although Target Fund shareholders may receive cash for their fractional common shares). The Investment Advisor will bear all of the costs of the Reorganization for BCX because the shareholders of BCX are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BCF and BQR. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAV (not the market value) of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of a Target Fund prior to the Reorganizations.

The Board of each Fund has determined that including these proposals in one Joint Proxy Statement/Prospectus will reduce costs and is in the best interests of each Fund's shareholders.

In the event that shareholders of a Target Fund do not approve their Reorganization, such Target Fund would continue to exist and operate on a stand-alone basis. In the event the Acquiring Fund shareholders do not approve a Reorganization, then the affected Target Fund would continue to exist and operate on a stand-alone basis. However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with the ongoing management of that Target Fund and its product line, recommend alternative proposals to the Board of that Target Fund. An unfavorable vote by one of the Target Funds or the Acquiring Fund with respect to one of the Reorganizations will not affect the implementation of the Reorganization by the other Target Fund.

This Joint Proxy Statement/Prospectus sets forth concisely the information that shareholders of each Fund should know before voting on the proposals for their Fund and constitutes an offering of Acquiring Fund Shares. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated 2014, relating to this Joint Proxy Statement/Prospectus (the Statement of Additional Information ) has been filed with the United States Securities and Exchange Commission (the SEC ) and is incorporated herein by reference. Copies of each Fund's most recent annual report and semi-annual report can be obtained on a website maintained by BlackRock, Inc. ( BlackRock ) at [www.blackrock.com](http://www.blackrock.com). In addition, each Fund will furnish, without charge, a copy of the Statement of Additional Information, or its most recent annual report or semi-annual report to any shareholder upon request. Any such request should be directed to BlackRock by calling (800) 882-0052 or by writing to the respective Fund at 100 Bellevue Parkway, Wilmington, Delaware 19809. The Statement of

Additional Information and the annual and semi-annual reports of each Fund are available on the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov). The address of the principal executive offices of the Funds is 100 Bellevue Parkway, Wilmington, Delaware 19809, and the telephone number is (800) 882-0052.

The Funds are subject to the informational requirements of the Securities Exchange Act of 1934 (the Exchange Act) and the Investment Company Act of 1940 and, in accordance therewith, file reports, proxy statements, proxy materials and other information with the SEC. Materials filed with the SEC can be reviewed and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or downloaded from the SEC's website at [www.sec.gov](http://www.sec.gov). Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at (202) 551-8090. You may also request copies of these materials, upon payment at the prescribed rates of a duplicating fee, by electronic request to the SEC's e-mail address ([publicinfo@sec.gov](mailto:publicinfo@sec.gov)) or by writing the Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549-0102.

BlackRock updates performance information for the Funds, as well as certain other information for the Funds, on a monthly basis on its website in the Closed-End Funds section of [www.blackrock.com](http://www.blackrock.com). Shareholders are advised to periodically check the website for updated performance information and other information about the Funds. References to BlackRock's website are intended to allow investors public access to information regarding the Funds and do not, and are not intended to, incorporate BlackRock's website in this Joint Proxy Statement/Prospectus.

Please note that only one copy of shareholder documents, including annual or semi-annual reports and proxy materials, may be delivered to two or more shareholders of the Funds who share an address, unless the Funds have received instructions to the contrary. This practice is commonly called "householding" and it is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. To request a separate copy of any shareholder document or for instructions as to how to request a separate copy of these documents or as to how to request a single copy if multiple copies of these documents are received, shareholders should contact the Fund at the address and phone number set forth above.

The common shares of BlackRock Resources & Commodities Strategy Trust are listed on the New York Stock Exchange (NYSE) under the ticker symbol BCX and will continue to be so listed after the completion of the Reorganizations. The common shares of BlackRock Real Asset Equity Trust are listed on the NYSE under the ticker symbol BCF. The common shares of BlackRock EcoSolutions Investment Trust are listed on the NYSE under the ticker symbol BQR. Reports, proxy statements and other information concerning the Funds may be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

This Joint Proxy Statement/Prospectus serves as a prospectus of the Acquiring Fund in connection with the issuance of Acquiring Fund Shares in each of the Reorganizations. No person has been authorized to give any information or make any representation not contained in this Joint Proxy Statement/Prospectus and, if so given or made, such information or representation must not be relied upon as having been authorized. This Joint Proxy Statement/Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

Photographic identification and proof of ownership will be required for admission to the meeting. For directions to the meeting, please contact Geogeson Inc., the firm assisting us in the solicitation of proxies, at 1-866-647-8869.

**THE SEC HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS JOINT PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**The date of this Joint Proxy Statement/Prospectus is September 17, 2014.**



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## SUMMARY

*The following is a summary of certain information contained elsewhere in this Joint Proxy Statement/Prospectus and is qualified in its entirety by reference to the more complete information contained in this Joint Proxy Statement/Prospectus and in the Statement of Additional Information. Shareholders should read the entire Joint Proxy Statement/Prospectus carefully.*

### **The Proposed Reorganizations**

The Board of each Fund, including the trustees (the Board Members), who are not interested persons of each Fund (as defined in the 1940 Act) (the Independent Board Members), has unanimously approved its Reorganization or Issuance, as applicable, including its respective Reorganization Agreement(s). Assuming each Target Fund's shareholders approve its respective Target Fund's Reorganization and the Acquiring Fund's shareholders approve the Reorganizations of the Acquiring Fund, the Acquiring Fund will acquire substantially all of the assets and assume substantially all of the liabilities of each Target Fund in exchange for an equal aggregate value of newly-issued Acquiring Fund Shares in the form of book entry interests. Each Target Fund will distribute Acquiring Fund Shares to common shareholders of such Target Fund, and will then terminate its registration under the 1940 Act and dissolve under Delaware law.

In connection with each Reorganization, the Acquiring Fund will issue additional Acquiring Fund Shares to the Target Funds and list such common shares on the NYSE (each, an Issuance). Each Target Fund will then distribute the newly-issued Acquiring Fund Shares to its shareholders. The aggregate NAV (not the market value) of the Acquiring Fund Shares received by the Target Fund shareholders in each Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (although Target Fund shareholders may receive cash for their fractional common shares). The Investment Advisor will bear all of the costs of the Reorganization for BCX because the shareholders of BCX are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BCF and BQR. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAV, not the market value, of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of a Target Fund prior to the Reorganizations.

The Reorganizations are not expected to result in any reduction in the NAV of the Acquiring Fund Shares, other than to reflect the applicable costs of the Reorganizations, including, but not limited to, the issuance of additional Acquiring Fund Shares in connection with each of the Reorganizations.

Each Fund's Board has determined that its Reorganization or Issuance, as applicable, is in the best interests of its Fund and the

shareholders of such Fund and that the interests of such shareholders will not be diluted with respect to NAV as a result of such Fund's Reorganization or Issuance, as applicable. As a result of the Reorganizations or the Issuance, as applicable, however, shareholders of each Fund will hold a reduced percentage of ownership in the larger Combined Fund than they did in any of the individual Funds.

The Board of each Target Fund recommends that shareholders of such Target Fund approve their proposed Reorganization at the Special Meeting to be held on November 10, 2014.

The Board of the Acquiring Fund recommends that shareholders of the Acquiring Fund approve the Issuances in connection with the Reorganizations.

Subject to the requisite approval of the shareholders of each Fund with regard to each Reorganization, it is expected that the closing date of the Reorganizations (the Closing Date) will be sometime during the fourth quarter 2014, but it may be at a different time as described herein. For information regarding voting requirements, please see Voting Information and Requirements.

Please see Information About the Reorganizations for additional information.

#### **Background and Reasons for the Proposed Reorganizations**

The Reorganizations seek to combine three Funds with similar (but not identical) investment objectives and investment restrictions, and investment policies and strategies that focus on investments in the commodities, natural resources, basic materials and/or energy sectors. The Board of each Target Fund (each, a Target Fund Board) and the Board of the Acquiring Fund (the Acquiring Fund Board), based upon its evaluation of all relevant information, anticipates that the Reorganizations would benefit shareholders of its Fund. Because shareholders of each Fund will vote separately on their Fund's respective Reorganization or Issuance, as applicable, there are multiple potential combinations of Reorganizations.

The Board of each Fund, including the Independent Board Members, approved its respective Reorganization or Issuance, as applicable, concluding that such Reorganization or Issuance, as applicable, is in the best interests of its Fund and that the interests of existing shareholders of its Fund will not be diluted with respect to NAV as a result of its respective Reorganization or Issuance, as applicable. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors and considerations (discussed below) taken as a whole with respect to its Fund and shareholders, although individual Board Members may have placed different weight on various factors and assigned different degrees of materiality to various factors.

The Board of each Fund considered its respective Reorganization or Issuance, as applicable, at meetings of the Board of each Fund held

on July 30, 2014 (the Meeting ). The Board of each Fund considered a number of factors presented at the time of the Meeting or at a prior meeting in reaching their determinations, including, but not limited to, the following:

potential for improved economies of scale and a lower Total Expense Ratio with respect to each Fund;

alternatives to the Reorganizations for each Fund;

the potential effects of the Reorganizations on the earnings and distributions of each Fund;

the potential effects of the Reorganizations on each Fund's premium/discount to NAV;

the compatibility of the Funds' investment objectives, investment policies and related risks and risk profiles;

consistency of portfolio management and portfolio composition;

the potential for improved secondary market trading, including the potential for greater secondary market liquidity for the Combined Fund's common shares, which may result in tighter bid-ask spreads and better trade execution for the Combined Fund's shareholders when purchasing or selling the Combined Fund's common shares;

the potential for operating and administrative efficiencies for the Combined Fund, including the potential for the following benefits:

greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions and more favorable transaction terms;

benefits from having fewer closed-end funds offering similar products in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and

benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors;

the anticipated tax-free nature of the Reorganizations (except with respect to taxable distributions from any Fund prior to, or after, the consummation of the

Reorganizations);

the potential effects on the Funds' capital loss carryforwards;

the potential effects on each Fund's undistributed net investment income;

the expected costs of the Reorganizations;

the terms of the Reorganizations and whether the Reorganizations would dilute the interests of shareholders of the Funds;

the effect of the Reorganizations on shareholder rights; and

any potential benefits of the Reorganizations to the Investment Advisor and its affiliates.

There can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of any Reorganization. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the Funds in the Reorganizations. In addition, a Fund's earnings and net investment income are variables, which depend on many factors, including its asset mix, portfolio turnover level, performance of its investments, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganizations, will remain constant. In addition, the Combined Fund's future earnings will vary depending on the combination of the Funds in the Reorganizations.

The Board of each Fund recommends that shareholders of such Fund approve its respective Reorganization or Issuance, as applicable.

If a Reorganization is not approved by a Target Fund's shareholders, such Target Fund will continue to operate for the time being as a stand-alone Delaware statutory trust and will continue to be advised by the Investment Advisor. However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of the Target Fund and its product line, recommend alternative proposals to the Board of such Target Fund. An unfavorable vote by the shareholders of one of the Target Funds with respect to one of the Reorganizations or the Acquiring Fund with respect to one of the Issuances will not affect the implementation of the other Reorganization.

Please see [Information About the Reorganizations](#) [Reasons for the Reorganizations](#) for additional information.

## Expenses

For the fiscal year ended October 31, 2013, the Total Expense Ratios of BCF, BQR and BCX were 1.19%, 1.41% and 1.07%, respectively.

For the 12-month period ended April 30, 2014, the Total Expense Ratios of BCF, BQR and BCX were 1.21%, 1.38% and 1.07%, respectively. Total Expenses means a Fund's total annual operating expenses (including applicable fee waivers). Total Expense Ratio means a Fund's Total Expenses expressed as a percentage of its average net assets attributable to its common shares.

The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.06% on a historical and pro forma basis for the 12-month period ended April 30, 2014, representing a reduction in the Total Expense Ratio for the shareholders of BCF, BQR and BCX of 0.15%, 0.32% and 0.01%, respectively.

Based on a pro-forma Lipper expense group for the Combined Fund, the estimated Total Expense Ratio is projected to be in the first quartile.

The level of expense savings (or increases) will vary depending on the combination of the Funds in the proposed Reorganizations, and furthermore, there can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of any Reorganization.

Please see Summary Comparison of the Funds Advisors and Expense Table for Shareholders for additional information.

#### **Earnings and Distributions**

The Combined Fund's earnings yield on NAV is expected to be comparable (i.e., the same or slightly lower or higher) when compared with that of each Fund prior to the Reorganizations; thus, assuming that all the Reorganizations are consummated and that BCX's distribution policy remains in place after the Reorganizations, shareholders of each Target Fund are expected to experience a comparable (i.e., the same or slightly lower or higher) distribution yield on NAV after the Reorganizations. The Combined Fund's earnings and distribution yield on NAV may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield on NAV prior to the Reorganizations.

#### **Appraisal Rights**

None of the Funds' shareholders have appraisal rights for their common shares in their respective Fund. Please see Appraisal Rights for additional information.

#### **Federal Tax Consequences of the Reorganizations**

Each Reorganization is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). If a Reorganization so qualifies, in general, shareholders of a Target Fund will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, the Target Funds will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganizations. Neither the Acquiring Fund nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to each Reorganization. Shareholders of each Fund may receive distributions prior to, or after, the consummation of the Reorganizations, including distributions attributable to their proportionate share of Combined Fund built-in gains, if any, recognized after the Reorganizations, when such income and gains

are eventually distributed by the Combined Fund. Such distribution may be taxable to shareholders for U.S. federal income tax purposes. It is a condition to the closing of each Reorganization that the respective Target Fund and the Acquiring Fund receive an opinion from Skadden, Arps, Slate, Meagher & Flom LLP ( Skadden Arps ), dated as of the closing date of such Reorganization (the Closing Date ), regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

The Funds' shareholders should consult their own tax advisers regarding the U.S. federal income tax consequences of the Reorganizations, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax laws.

Please see Certain Federal Income Tax Consequences of the Reorganizations for additional information.

**Comparison of the Funds' General Information and History**

BCF is organized as a Delaware statutory trust and is a non-diversified, closed-end management investment company registered under the 1940 Act.

BQR is organized as a Delaware statutory trust and is a diversified, closed-end management investment company registered under the 1940 Act.

BCX is organized as a Delaware statutory trust and is a non-diversified, closed-end management investment company registered under the 1940 Act.

Each Fund's common shares are listed on the New York Stock Exchange.

Each Fund has an October 31 fiscal year end.

See The Funds for additional information about the history of the Funds.

**Comparison of the Funds' Investment Objectives and Policies**

The Funds have similar (but not identical) investment objectives and investment restrictions, and investment policies and strategies that focus on investments in the commodities, natural resources, basic materials and/or energy sectors.

Certain significant differences among the Funds are summarized below.

Diversification Status: BQR is a diversified, closed-end management investment company registered under the 1940 Act. BCF and BCX are each a non-diversified, closed-end management investment company registered under the 1940 Act. This means that BCX and BCF may invest a greater percentage of their assets in the obligations



of a single issuer than BQR. The Combined Fund will be a non-diversified investment company under the 1940 Act. To the extent the Combined Fund invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Combined Fund may be more susceptible than a diversified investment company, such as BQR, to any single corporate, economic, political or regulatory occurrence.

Investment Objectives: The Funds have similar (but not identical) investment objectives.

BCF's investment objective seeks to provide total return through a combination of current income, current gains and long-term capital appreciation.

BQR's investment objective seeks to provide total return through a combination of current income, current gains and long-term capital appreciation.

BCX's primary investment objective is to seek high current income and current gains, with a secondary objective of capital appreciation.

Investment Policies: The Funds have similar (but not identical) investment policies, except with respect to certain differences summarized below.

*Sector Concentration.* Each Fund's investments are concentrated in the commodities, natural resources, basic materials and/or energy sectors, which may present more risks than if the Fund was broadly diversified over numerous industries and sectors of the economy. Each Fund may have different concentrations with respect to such sectors. A downturn in any one of the sectors in which a Fund invests a significant portion of its assets would have a larger impact on the Fund than on another Fund that does not concentrate in such sector.

BCX has a broader investment policy with respect to investments in the commodities and natural resources sectors permitting BCX to invest in broader segments of the commodities and natural resources sectors than BCF and BQR. After the Reorganizations, while the Combined Fund's broader investment policy with respect to the commodities and natural resources sectors may provide benefits of additional diversification, it may also expose former shareholders of BCF and BQR to additional risks in the commodities and natural resources sectors that they are not subject to prior to the Reorganizations.

BCF invests, under normal market conditions, at least 80% of its assets in equity securities of energy, natural resources and basic materials companies and equity derivatives with exposure to companies in the energy, natural resources and basic materials industries.

BQR invests, under normal market conditions, at least 80% of its assets in equity securities issued by companies that are engaged in one or more of New Energy, Water Resources and Agriculture business segments. BQR considers (i) the New Energy business segment to include products, technologies and services connected to the efficient use of energy or to the provision or manufacture of alternative forms of energy (e.g., wind, solar and hydroelectric power), including renewable energy, energy infrastructure, energy generation and distribution and energy storage; (ii) the Water Resources business segment to include products, technologies and services connected to the provision of potable and non-potable water; the disinfection or desalination of water; the production, filtering, storage and distribution of water; water control; water surveys; water infrastructure; and the improvement of water quality; and (iii) the Agriculture business segment to include products, technologies and services connected to agricultural biotechnology and bioengineering; biofuel production and distribution; farm land and forestry; agricultural commodities and food; agricultural infrastructure; farm and other agricultural equipment; fertilizer and other agriculture-related chemicals; and agricultural and food distribution.

BCX invests, under normal market conditions, at least 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources. BCX's economic exposure to securities and derivatives linked to the underlying price movements of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives will not exceed 20% of its total assets. While permitted, BCX does not currently expect to invest in securities and derivatives linked to the underlying price movement of commodities or natural resources.

*Option Writing Strategy.* Each Fund may employ a strategy of writing (selling) covered call and put options on common stocks.

*Non-Investment Grade Debt Securities.* BCF and BQR may each invest up to 10% of its total assets in debt securities rated below investment grade. BCX does not have such a limitation and could potentially have greater exposure to the risks associated with below investment grade securities. To the extent the Combined Fund invests a larger proportion of its assets in below investment grade securities, former shareholders of BCF and BQR could potentially have greater exposure to the risks associated with below investment grade securities. Below investment grade quality securities (rated

Ba/BB or below) are commonly referred to as high yield or junk bonds and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Issuers of high yield bonds are not perceived to be as strong financially as those with higher credit ratings. These issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments.

*Leverage:* The Funds' ability to borrow or use leverage is subject to limitations prescribed in the 1940 Act. In addition to such 1940 Act limitations, each Target Fund has a non-fundamental restriction prohibiting such Target Fund from issuing senior securities or borrowing money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward commitment transactions and similar investment strategies). BCX does not have such non-fundamental restriction. None of the Funds currently intend to incur indebtedness or issue preferred shares for investment purposes, except the Funds may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

The investment objectives, significant investment strategies and operating policies, and investment restrictions of the Combined Fund will be those of BCX.

A more detailed comparison of the Funds' investment objectives and significant investment strategies and operating policies is set forth in Comparison of the Funds Investments.

**Comparison of the Funds' Premium/Discount to NAV**

The common shares of BCX have historically traded at a discount to NAV and the common shares of BCF and BQR have historically fluctuated between a discount and a premium to NAV. As of August 31, 2014, the NAV per common share of BCF was \$10.65 and the market price per common share of BCF was \$9.30, representing a discount to NAV of 12.68%, the NAV per common share of BQR was \$9.35 and the market price per common share of BQR was \$8.25, representing a discount to NAV of 11.76% and the NAV per common share of BCX was \$14.04 and the market price per common share of BCX was \$12.23, representing a discount to NAV of 12.89%.

To the extent that a Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of its Reorganization, such Target Fund's shareholders would have the potential for an economic benefit if the Reorganizations are consummated. To the extent that a Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of its Reorganization, such Target Fund's shareholders may be negatively impacted if the Reorganizations are consummated. The Acquiring Fund's shareholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves.

There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at, above or below NAV. Upon consummation of the Reorganizations, the Acquiring Fund Shares may trade at a price that is less than the Acquiring Fund's current trading market price. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAVs (not the market values) of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganizations.

**Comparison of the Funds Distribution Policy**

Each Fund intends to make monthly distributions to shareholders. Distributions may consist of net investment income, net options premium, net realized and unrealized gains on investments, and/or return of capital.

Each Fund intends to pay any capital gains distributions at least annually.

Each Fund has adopted a plan, consistent with its investment objectives and policies, to support a level distribution of income, capital gains and/or return of capital (a "Plan"). The goal of each Plan is to provide shareholders with consistent and predictable cash flows by setting distribution rates based on expected long-term returns of a Fund. Under its Plan, each Fund will distribute all available investment income to its shareholders in order to maintain a level distribution. Such distributions, under certain circumstances, may exceed a Fund's total return performance. When distributions exceed total return performance for the period, the difference will reduce the Fund's total assets and net asset value per share and, therefore, could have the effect of increasing the Fund's expense ratio and reducing the amount of assets the Fund has available for long term investment. In order to make these distributions, a Fund may have to sell portfolio securities at less than opportune times. Shareholders should not draw any conclusions about a Fund's investment performance from the amount of the Fund's distributions or from the terms of a Plan.

The Board may amend, suspend or terminate a Fund's Plan without prior notice if it deems such actions to be in the best interests of the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount. The Funds are subject to risks that could have an adverse impact on their ability to maintain level distributions. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, decreased market volatility, companies suspending or decreasing corporate dividend distributions and changes in the Code.

The final tax characterization of distributions is determined after the end of a Fund's fiscal year and is reported to shareholders on

Form 1099. Distributions will be characterized as ordinary income, capital gains and/or return of capital. A Fund's taxable net investment income or net realized capital gains (taxable income) may not be sufficient to support the level of distributions paid. To the extent that distributions exceed a Fund's current and accumulated earnings and profits in the current fiscal year, the excess may be treated as a return of capital.

A return of capital distribution does not necessarily reflect a Fund's investment performance and should not be confused with yield or income. A return of capital is a return of a portion of an investor's original investment. A return of capital is generally not taxable, but it reduces a shareholder's tax basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent disposition by the shareholder of his or her shares. It is possible that a substantial portion of the distributions paid during a calendar year may ultimately be classified as return of capital for income tax purposes when the final determination of the source and character of the distributions is made.

As described above, the portion of distributions that exceeds the Fund's current and accumulated earnings and profits, which are calculated under tax principles, will constitute a non-taxable return of capital. Although capital loss carryforwards from prior years can offset realized net capital gains, capital loss carryforwards will offset current earnings and profits only if they were generated in the Fund's 2012 taxable year or thereafter. If distributions in any tax year are less than the Fund's current earnings and profits but are in excess of net investment income and net realized capital gains (which would occur, for example, if the Fund utilizes pre-2012 capital loss carryforwards to offset capital gains in that tax year), such excess is not treated as a non-taxable return of capital but rather may be taxable to shareholders at ordinary income rates even though it may economically represent a return of capital. Under certain circumstances, such taxable excess distributions could be significant. Although BCF and BCX currently do not have any pre-2012 capital loss carryforwards, a substantial portion of BQR's capital loss carryforwards are from pre-2012 tax years. The Combined Fund will acquire BQR's unused pre-2012 capital loss carryforwards as a result of the Reorganizations, and thus shareholders of BCF and BCX may be subject to taxable excess distributions as a shareholder of the Combined Fund.

Shareholders will automatically have all dividends and distributions reinvested in common shares of a Fund in accordance with the Fund's dividend reinvestment plan, unless an election is made to receive cash by contacting Computershare Trust Company, N.A. (the Reinvestment Plan Agent), each Fund's reinvestment plan agent, at (800) 699-1236.

Each Fund reserves the right to change its distribution policy and the basis for establishing the rate of its periodic distributions at any time and may do so without prior notice to common shareholders.

**Comparison of the Funds Management**

The Board of each Fund is responsible for the overall supervision of the operations of its respective Fund and performs the various duties imposed on the directors of investment companies by the 1940 Act and under applicable state law. Each Fund has the same Board Members and officers. A list of the Board Members and officers of each Fund, a brief biography for each Board Member and officer, and additional information relating to the Board Members and the officers are included in the Statement of Additional Information.

**Comparison of the Funds Advisors**

BlackRock Advisors, LLC serves as the investment advisor for each Fund and is expected to continue to serve as investment advisor for the Combined Fund. The Investment Advisor is responsible for the management of each Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund.

Each Fund entered into an Investment Management Agreement with the Investment Advisor to provide investment advisory services. For such services, BCF pays the Investment Advisor a monthly fee at the annual rate of 1.20% of its average weekly net assets, and each of BQR and BCX pays the Investment Advisor a monthly fee at the annual rate of 1.20% of its respective average daily net assets. The Investment Advisor waives a portion of the investment management fee of each of BCF, BQR and BCX at an annual rate of 0.05%, 0.05% and 0.20%, respectively.

The Investment Advisor also provides investment management and other services to BlackRock Cayman Resources & Commodities Strategy Fund, Ltd., a wholly-owned subsidiary of BCX formed in the Cayman Islands (the "Subsidiary"). The Investment Advisor does not receive separate compensation from the Subsidiary for providing investment management or administrative services. However, BCX pays the Investment Advisor based on BCX's net assets which includes the assets of the Subsidiary.

If any of the Reorganizations are consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 1.00% of the average daily net assets of the Combined Fund, which is lower than the contractual investment management fee rate of any individual Fund, lower than the current effective investment management fee rate of BCF and BQR, and the same as the current effective investment management fee rate of BCX. The Combined Fund will not be subject to a separate fee for administration services or benefit from any fee waivers.

Based on a pro-forma Lipper expense group for the Combined Fund, the net management fee rate is projected to be in the first quartile.

The level of expense savings (or increases) will vary depending on the combination of the Funds in the proposed Reorganizations, and furthermore, there can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of any Reorganization.

BlackRock International Ltd. (the Sub-Advisor and together with the Investment Advisor, the Advisors ) acts as the sub-advisor for each Fund. The Investment Advisor and each Fund has entered a Sub-Investment Advisory Agreement with the Sub-Advisor under which the Investment Advisor pays the Sub-Advisor for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by the Fund to the Investment Advisor.

BlackRock Investment Management, LLC served as the sub-advisor for BQR and BCF until July 1, 2014. BlackRock Capital Management, Inc. served as the sub-advisor for BCF and BCX until July 1, 2014.

Additional information about the Investment Advisor and Sub-Advisor and their arrangements with the Acquiring Fund and the Target Funds are set forth in Management of the Funds in this Joint Proxy Statement/Prospectus and in the Statement of Additional Information.

**Comparison of the Funds Portfolio Management** The table below provides a comparison of the Funds portfolio managers.

<b>BCF</b>	<b>BQR</b>	<b>BCX</b>
Poppy Allonby, CFA	Poppy Allonby, CFA	-
Robin Batchelor	Robin Batchelor	-
Kyle G. McClements, CFA	Kyle G. McClements, CFA	Kyle G. McClements, CFA
Christopher Accettella	Christopher Accettella	Christopher Accettella
Joshua Freedman, CFA	Joshua Freedman, CFA	Joshua Freedman, CFA
Alastair Bishop	Alastair Bishop	-
Olivia Markham, CFA	-	-
-	Desmond Cheung, CFA	Desmond Cheung
-	-	Thomas Holl, CFA

BCF is managed by a team of investment professionals comprised of Poppy Allonby, CFA, Managing Director at BlackRock, Robin Batchelor, Managing Director at BlackRock, Kyle G. McClements, CFA, Managing Director at BlackRock, Christopher Accettella, Director at BlackRock, Joshua Freedman, CFA, Vice President at BlackRock, Olivia Markham, CFA, Director at BlackRock, and Alastair Bishop, Director at BlackRock.

Mses. Allonby and Markham and Messrs. Batchelor, McClements, Accettella, Freedman and Bishop are BCF's portfolio managers and are responsible for the day-to-day management of BCF's portfolio and the selection of its investments. Mr. McClements has been a member of BCF's portfolio management team since 2006. Mr. Accettella has been a member of BCF's portfolio management since 2012. Ms. Allonby and Mr. Batchelor have been members of BCF's portfolio management team since 2013. Ms. Markham and Messrs. Freedman and Bishop have been members of BCF's portfolio management team since 2014.

BQR is managed by a team of investment professionals comprised of Poppy Allonby, CFA, Managing Director at BlackRock, Robin Batchelor, Managing Director at BlackRock, Kyle G. McClements, CFA, Managing Director at BlackRock, Christopher Accettella, Director at BlackRock, Joshua Freedman, CFA, Vice President at BlackRock, Desmond Cheung, CFA, Director at BlackRock, and Alastair Bishop, Director at BlackRock.

Messrs. Batchelor, McClements, Accettella, Freedman, Cheung and Bishop and Ms. Allonby are BQR's portfolio managers and are responsible for the day-to-day management and the selection of its investments. Messrs. Batchelor and McClements and Ms. Allonby have been members of BQR's portfolio management team since 2007. Mr. Accettella has been a member of BQR's portfolio management team since 2012. Mr. Freedman, Cheung and Bishop have been members of BQR's portfolio management team since 2014.

BCX is managed by a team of investment professionals comprised of Kyle G. McClements, CFA, Managing Director at BlackRock, Christopher Accettella, Director at BlackRock, Joshua Freedman, CFA, Vice President at BlackRock, Thomas Holl, CFA, Vice President at BlackRock, and Desmond Cheung, CFA, Director at BlackRock.

Messrs. McClements, Accettella, Freedman, Holl and Cheung are BCX's portfolio managers and are responsible for the day-to-day management of BCX's portfolio and the selection of its investments. Messrs. McClements and Accettella have been members of BCX's portfolio management team since 2011. Messrs. Freedman and Holl have been members of BCX's portfolio management team since 2013. Mr. Cheung has been a member of BCX's portfolio management team since 2014.

After the Reorganizations, it is expected that BCX's current portfolio management team, consisting of Messrs. McClements, Accettella, Freedman, Holl and Cheung, will continue to comprise the team of investment professionals for the Combined Fund.

Additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in the Acquiring Fund and the Target Funds are set forth in the Statement of Additional Information.

**Comparison of the Funds' Other Service Providers** The other professional service providers for the Funds are as follows:

<b>Service</b>	<b>Service Providers to the Funds</b>
Custodian	The Bank of New York Mellon
Transfer Agent, Dividend Disbursing Agent and Registrar	Computershare Trust Company, N.A.
Accounting Services Provider	The Bank of New York Mellon
Independent Registered Public Accounting Firm	Deloitte & Touche LLP
Fund Counsel	Skadden, Arps, Slate, Meagher & Flom LLP
Counsel to the Independent Board Members	Debevoise & Plimpton LLP



It is not anticipated that the Reorganizations will result in any change in the organizations providing services to the Acquiring Fund as set forth above. As a result of the Reorganizations, the service providers to the Acquiring Fund are anticipated to be the service providers to the Combined Fund.

Additional information about the other professional service providers for the Acquiring Fund and the Target Funds are set forth in the Statement of Additional Information.

## EXPENSE TABLE FOR SHAREHOLDERS

## Total Expenses Table for Shareholders of the Funds as of April 30, 2014

The following tables illustrate the anticipated reduction or increases in the Total Expense Ratio for the shareholders of each Fund expected as a result of the completion of the Reorganizations. The table sets forth (i) the Total Expense Ratio for each Fund for the 12-month period ended April 30, 2014; (ii) the *pro forma* Total Expense Ratio for the Combined Fund, assuming all of the Reorganizations had taken place on April 30, 2014, which represents the most likely combination of the Reorganizations and the combination of the Reorganizations resulting in the lowest Total Expense Ratio; (iii) the *pro forma* Total Expense Ratio for the Combined Fund, assuming only the Reorganization of BCF into BCX had taken place on April 30, 2014; and (iv) the *pro forma* Total Expense Ratio for the Combined Fund, assuming only the Reorganization of BQR into BCX had taken place on April 30, 2014.

The level of expense savings (or increases) will vary depending upon the combination of the Funds in the Reorganizations. Because each of the Reorganizations may occur whether or not the other Reorganization is approved, several combinations are possible. The scenarios presented illustrate the *pro forma* effects on operating expenses for all possible combinations.

	BCF	BQR	BCX	BCX Pro Forma Combined Fund (BCF & BCX) <sup>(a)</sup>	BCX Pro Forma Combined Fund (BQR & BCX) <sup>(a)</sup>	BCX Pro Forma Combined Fund (BCF, BQR & BCX) <sup>(a)</sup>
<b>Shareholder Transaction Expenses</b>						
Maximum Sales Load (as a percentage of the offering price) imposed on purchases of common shares <sup>(b)</sup>	None	None	None	None	None	None
Dividend Reinvestment and Cash Purchase Plan Fees	Same as BCX	Same as BCX	\$0.02 per share for open-market purchases of common shares <sup>(c)</sup>	Same as BCX	Same as BCX	Same as BCX
<b>Annual Total Expenses (as a percentage of average net assets attributable to common shares)</b>						
Investment Management Fees <sup>(d)</sup>	1.13%	1.15%	1.00%	1.00%	1.00%	1.00%
Other Expenses	0.08%	0.23%	0.07%	0.07%	0.07%	0.06%
Total Annual Fund Operating Expenses <sup>(d)</sup>	1.21%	1.38%	1.07%	1.07%	1.07%	1.06%

(a) Assumes the Reorganizations had taken place on April 30, 2014.

(b) No sales load will be charged in connection with the issuance of the Acquiring Fund Shares as part of the Reorganizations. Common shares are not available for purchase from the Funds but may be purchased on the NYSE through a broker-dealer subject to individually negotiated commission rates. Common shares purchased in the secondary market may be subject to brokerage commissions or other charges.

(c) The Reinvestment Plan Agent's fees for the handling of the reinvestment of dividends will be paid by the Fund. However, you will pay a \$0.02 per share fee incurred in connection with open-market purchases, which will be deducted from the value of the dividend. You will also be charged a \$0.02 per share fee if you direct the Reinvestment Plan Agent to sell your common shares held in a dividend reinvestment account. Per share fees include any applicable brokerage commissions the Reinvestment Plan Agent is required to pay. See Automatic Dividend Reinvestment Plan for additional information.

(d) BCF pays the Investment Advisor a contractual management fee at an annual rate of 1.20% of BCF's average weekly net assets. BQR and BCX pay the Investment Advisor a contractual management fee at an annual rate of 1.20% of BQR's and BCX's respective average daily net assets. The Investment Advisor waived a portion of the investment advisory fee with respect to BCF at an annual rate of 0.10% through September 29, 2013 and 0.05% of BCF's average weekly net assets thereafter. The Investment Advisor waives a portion of the investment advisory fee with respect to BQR and BCX at an annual rate of 0.05% and 0.20% of BQR's and BCX's average daily net assets, respectively.

Without these investment advisory fee waivers, BCF's, BQR's and BCX's Investment Management Fees would be 1.20%, 1.20% and 1.20%, respectively, and its Total Annual Fund Operating Expenses would be 1.29%, 1.43% and 1.27%, respectively.

The Combined Fund will not be subject to the investment advisory fee waiver. If any of the Reorganizations are consummated, the annual contractual investment advisory fee rate of the Combined Fund will be 1.00% of the average daily net assets of the Combined Fund.

The following example is intended to help you compare the costs of investing in the common shares of the Combined Fund *pro forma* if the Reorganizations are completed with the costs of investing in BCF, BQR and the Acquiring Fund without the Reorganizations. An investor in common shares would pay the following expenses on a \$1,000 investment, assuming (1) the Total Annual Fund Operating Expenses for each Fund set forth in the total expenses table above and (2) a 5% annual return throughout the period:

	1 Year	3 Years	5 Years	10 Years
BCF	\$ 12	\$ 38	\$ 67	\$ 147
BQR	\$ 14	\$ 44	\$ 76	\$ 166
BCX	\$ 11	\$ 34	\$ 59	\$ 131
BCX Pro Forma Combined Fund (BCF & BQR into BCX)	\$ 11	\$ 34	\$ 58	\$ 129
BCX Pro Forma Combined Fund (BQR into BCX)	\$ 11	\$ 34	\$ 59	\$ 131
BCX Pro Forma Combined Fund (BCF into BCX)	\$ 11	\$ 34	\$ 59	\$ 131

The examples set forth above assume common shares of each Fund were owned as of the completion of the Reorganizations and the reinvestment of all dividends and distributions and uses a 5% annual rate of return as mandated by SEC regulations. The examples should not be considered a representation of past or future expenses or annual rates of return. Actual expenses or annual rates of return may be more or less than those assumed for purposes of the examples.

The expenses of the Reorganizations (assuming all of the Reorganizations are consummated) are estimated to be \$560,000 for BCF, \$345,000 for BQR and \$565,000 for BCX. The Investment Advisor will bear all of the costs of the Reorganization for BCX because the shareholders of BCX are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BCF and BQR.

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## RISK FACTORS AND SPECIAL CONSIDERATIONS

### Comparison of Risks

Because the Funds have similar (but not identical) investment objectives and investment restrictions, and investment policies and strategies that focus on investments in the commodities, natural resources, basic materials and/or energy sectors, the Funds generally are subject to similar investment risks.

The Combined Fund will be managed in accordance with the same investment objective and investment policies, and subject to the same risks, as the Acquiring Fund. Many of the investment risks associated with an investment in the Acquiring Fund are similar to those associated with an investment in the Target Funds. Risks that predominately affect the common shares of the Funds include common stock risk, dividend risk, industry and business sector risk, and risks associated with option writing. In addition, as exchange-traded closed-end funds, the Funds are subject to the risk that the Funds' common shares may trade at a discount from the Funds' NAV. Accordingly, the Funds are primarily designed for long-term investors and should not be considered a vehicle for trading purposes. In the normal course of business, each Fund invests in securities and enters into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (issuer credit risk). The value of securities held by the Funds may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Funds; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to issuer credit risk, the Funds may be exposed to counterparty credit risk, or the risk that an entity with which the Funds have unsettled or open transactions may fail to or be unable to perform on its commitments.

The Funds are subject to similar investment risks, except for certain differences. Certain significant differences are summarized below:

*Sector Concentration.* Each Fund's investments are concentrated in the commodities, natural resources, basic materials and/or energy sectors, which may present more risks than if the Fund was broadly diversified over numerous industries and sectors of the economy. Each Fund may have different concentrations with respect to such sectors. A downturn in any one of the sectors in which a Fund invests a significant portion of its assets would have a larger impact on the Fund than on another Fund that does not concentrate in such sector.

BCX has a broader investment policy with respect to investments in the commodities and natural resources sectors permitting BCX to invest in broader segments of the commodities and natural resources sectors than BCF and BQR. After the Reorganizations, while the Combined Fund's broader investment policy with respect to the commodities and natural resources sectors may provide benefits of additional diversification, it may also expose former shareholders of BCF and BQR to additional risks in the commodities and natural resources sectors that they are not subject to prior to the Reorganizations.

BCF invests, under normal market conditions, at least 80% of its assets in equity securities of energy, natural resources and basic materials companies and equity derivatives with exposure to companies in the energy, natural resources and basic materials industries.

BQR invests, under normal market conditions, at least 80% of its assets in equity securities issued by companies that are engaged in one or more of New Energy, Water Resources and Agriculture business segments. BQR considers (i) the New Energy business segment to include products, technologies and services connected to the efficient use of energy or to the provision or manufacture of alternative forms of energy (e.g., wind, solar and hydroelectric power), including renewable energy, energy infrastructure, energy generation and distribution and energy storage; (ii) the Water Resources business segment to include products, technologies and services connected to the provision of potable and non-potable water; the disinfection or desalination of water; the production, filtering, storage and

distribution of water; water control; water surveys; water infrastructure; and the improvement of water quality; and (iii) the Agriculture business segment to include products, technologies and services connected to agricultural biotechnology and bioengineering; biofuel production and distribution; farm land and forestry; agricultural commodities and food; agricultural infrastructure; farm and other agricultural equipment; fertilizer and other agriculture-related chemicals; and agricultural and food distribution.

BCX invests, under normal market conditions, at least 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources. BCX's economic exposure to securities and derivatives linked to the underlying price movements of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives will not exceed 20% of its total assets. While permitted, BCX does not currently expect to invest in securities and derivatives linked to the underlying price movement of commodities or natural resources.

*Non-Investment Grade Debt Securities.* BCF and BQR may each invest up to 10% of its total assets in debt securities rated below investment grade. BCX does not have such a limitation and could potentially have greater exposure to the risks associated with below investment grade securities. To the extent the Combined Fund invests a larger proportion of its assets in below investment grade securities, former shareholders of BCF and BQR could potentially have greater exposure to the risks associated with below investment grade securities. Below investment grade quality securities (rated Ba/BB or below) are commonly referred to as high yield or junk bonds and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Issuers of high yield bonds are not perceived to be as strong financially as those with higher credit ratings. These issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments.

*Leverage:* The Funds' ability to borrow or use leverage is subject to limitations prescribed in the 1940 Act. In addition to such 1940 Act limitations, each Target Fund has a non-fundamental restriction prohibiting such Target Fund from issuing senior securities or borrowing money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward commitment transactions and similar investment strategies). BCX does not have such non-fundamental restriction. None of the Funds currently intend to incur indebtedness or issue preferred shares for investment purposes, except the Funds may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

The foregoing is just a summary of the significant differences in the risks associated with an investment in each Fund's common shares. Please see *Comparison of the Funds' Investments* in this Joint Proxy Statement/Prospectus for a more detailed description of the salient differences among the Funds.

### **Risks Related to the Reorganizations**

#### *Expenses.*

While the Funds currently estimate that the Reorganizations will result in reduced aggregate expenses of the Combined Fund by approximately \$1,257,000 per year if all the Reorganizations are completed (which represents the most likely combination of the Reorganizations), approximately \$847,000 if only the Reorganization between BCF and BCX is completed, and approximately \$315,000 if only the Reorganization between BQR and BCX is completed, the realization of these reduced expenses will not affect holders of the Funds proportionately, and may take longer than expected to be realized or may not be realized at all.

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For the fiscal year ended October 31, 2013, the Total Expense Ratios of BCF, BQR and BCX were 1.19%, 1.41% and 1.07%, respectively. As of April 30, 2014, the historical and *pro forma* Total Expense Ratios applicable to the Reorganizations are as follows:

			BCX	BCX	BCX
			Pro Forma Combined Fund	Pro Forma Combined Fund	Pro Forma Combined Fund
BCF	BQR	BCX	(BCF & BCX)	(BQR & BCX)	(BCF, BQR & BCX)
1.21%	1.38%	1.07%	1.07%	1.07%	1.06%

The Funds estimate that the completion of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.06% on a historical and pro forma basis for the 12-month period ended April 30, 2014, representing a reduction in the Total Expense Ratio for the shareholders of BCF, BQR and BCX of 0.15%, 0.32% and 0.01%, respectively.

The Board of each Fund and the Investment Advisor believe that the most likely result of the potential combinations of the Reorganizations is the combination of all of the Funds, which is also expected to result in the lowest Total Expense Ratio. The Reorganization of just BCF into the Acquiring Fund or just BQR into the Acquiring Fund is expected to result in a higher Total Expense Ratio than the Total Expense Ratio that is expected to result from the Reorganizations of all the Funds.

Each Fund entered into an Investment Management Agreement with the Investment Advisor to provide investment advisory services. For such services, BCF pays the Investment Advisor a monthly fee at the annual rate of 1.20% of its average weekly net assets, and each of BQR and BCX pays the Investment Advisor a monthly fee at the annual rate of 1.20% of its respective average daily net assets. The Investment Advisor waives a portion of the investment management fee of each of BCF, BQR and BCX at an annual rate of 0.05%, 0.05% and 0.20%, respectively.

If any of the Reorganizations are consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 1.00% of the average daily net assets of the Combined Fund, which is lower than the contractual investment management fee rate of any individual Fund, lower than the current effective investment management fee rate of BCF and BQR, and the same as the current effective investment management fee rate of BCX. The Combined Fund will not be subject to a separate fee for administration services or benefit from any fee waivers.

Based on a pro-forma Lipper expense group for the Combined Fund, the estimated Total Expense Ratio and net management fee rate are each projected to be in the first quartile.

No matter which Funds complete their Reorganizations, the Combined Fund may incur higher Total Expenses for a period after the completion of the Reorganizations due to expenses associated with the Reorganizations prior to experiencing any such savings or may never experience such savings if the Combined Fund's fixed costs were to increase or the value of its assets were to decrease.

There can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of any Reorganization. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the Funds in the Reorganizations.

Please see the Expense Table for Shareholders for additional information about the Funds' expenses.

### *Earnings and Distribution Yield.*

The Combined Fund's earnings yield on NAV is expected to be comparable (i.e., the same or slightly lower or higher) when compared with that of each Fund prior to the Reorganizations; thus, assuming that all of the Reorganizations are consummated and that BCX's distribution policy remains in place after the Reorganizations,

shareholders of each Target Fund are expected to experience a comparable (i.e., the same or slightly lower or higher) distribution yield on NAV after the Reorganizations. The Combined Fund's earnings and distribution yield on NAV may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield on NAV prior to the Reorganizations.

A Fund's earnings and net investment income are variables, which depend on many factors, including its asset mix, portfolio turnover level, performance of its investments, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganizations, will remain constant. In addition, the Combined Fund's future earnings will vary depending upon the combination of the proposed Reorganizations.

*Premium/Discount to NAV.*

As with any capital stock, the price of each Fund's common shares will fluctuate based on market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Each Fund's common shares are designed for long-term investors and should not be treated as trading vehicles. Shares of closed-end management investment companies frequently trade at a discount from their NAV. This risk may be greater for investors who sell their shares in a relatively short period of time after the completion of the Reorganizations.

The common shares of BCX have historically traded at a discount to NAV and the common shares of BCF and BQR have historically fluctuated between a discount and a premium to NAV. As of August 31, 2014, the NAV per common share of BCF was \$10.65 and the market price per common share of BCF was \$9.30, representing a discount to NAV of 12.68%, the NAV per common share of BQR was \$9.35 and the market price per common share of BQR was \$8.25, representing a discount to NAV of 11.76% and the NAV per common share of BCX was \$14.04 and the market price per common share of BCX was \$12.23, representing a discount to NAV of 12.89%.

To the extent that a Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of its Reorganization, such Target Fund's shareholders would have the potential for an economic benefit if the Reorganizations are consummated. To the extent that a Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of its Reorganization, such Target Fund's shareholders may be negatively impacted if the Reorganizations are consummated. The Acquiring Fund's shareholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves.

There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at, above or below NAV. Upon consummation of the Reorganizations, the common shares of the Combined Fund may trade at a price that is less than the Acquiring Fund's current trading market price. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAVs (not the market values) of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganizations.

*Dividends and Distributions.*

The final tax characterization of distributions is determined after the end of a Fund's fiscal year and is reported to shareholders on Form 1099. Distributions will be characterized as ordinary income, capital gains and/or return of capital. A Fund's taxable net investment income or net realized capital gains (taxable income) may not be sufficient to support the level of distributions paid. To the extent that distributions exceed a Fund's current and accumulated earnings and profits in the current fiscal year, the excess may be treated as a return of capital. A return of capital distribution does not necessarily reflect a Fund's investment performance and should not be

confused with yield or income. A return of capital is a return of a portion of an investor's original investment. A return of capital is generally not taxable, but it reduces a shareholder's tax basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent disposition by the shareholder of his or her shares. It is possible that a substantial portion of the distributions paid during a calendar year may ultimately be classified as return of capital for income tax purposes when the final determination of the source and character of the distributions is made.

As described above, the portion of distributions that exceeds the Fund's current and accumulated earnings and profits, which are calculated under tax principles, will constitute a non-taxable return of capital. Although capital loss carryforwards from prior years can offset realized net capital gains, capital loss carryforwards will offset current earnings and profits only if they were generated in the Fund's 2012 taxable year or thereafter. If distributions in any tax year are less than the Fund's current earnings and profits but are in excess of net investment income and net realized capital gains (which would occur, for example, if the Fund utilizes pre-2012 capital loss carryforwards to offset capital gains in that tax year), such excess is not treated as a non-taxable return of capital but rather may be taxable to shareholders at ordinary income rates even though it may economically represent a return of capital. Under certain circumstances, such taxable excess distributions could be significant. BCF and BCX currently do not have any pre-2012 capital loss carryforwards, however, a substantial portion of BQR's capital loss carryforwards are from pre-2012 tax years. The Combined Fund may acquire a portion of BQR's pre-2012 capital loss carryforwards as a result of the Reorganizations; thus, shareholders of BCF and BCX may be subject to taxable distributions as shareholders of the Combined Fund.

#### *Tax Considerations.*

Each Reorganization is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. If a Reorganization so qualifies, in general, shareholders of a Target Fund will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, the Target Funds will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganizations. Neither the Acquiring Fund nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to each Reorganization. Shareholders of each Fund may receive distributions prior to, or after, the consummation of the Reorganizations, including distributions attributable to their proportionate share of Combined Fund built-in gains, if any, recognized after the Reorganizations, when such income and gains are eventually distributed by the Combined Fund. Such distribution may be taxable to shareholders for U.S. federal income tax purposes. It is a condition to the closing of each Reorganization that the respective Target Fund and the Acquiring Fund receive an opinion from Skadden Arps, dated as of the Closing Date, regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

The Funds' shareholders should consult their own tax advisers regarding the U.S. federal income tax consequences of the Reorganizations, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax laws.

See *Certain Federal Income Tax Consequences of the Reorganizations* for a summary of certain U.S. federal income tax consequences of the Reorganizations.

#### **General Risks of Investing in the Acquiring Fund**

The Combined Fund will be managed in accordance with the same investment objective and investment policies, and subject to the same risks, as the Acquiring Fund. Risk is inherent in all investing. The value of your investment in the Acquiring Fund, as well as the amount of return you receive on your investment, may fluctuate significantly from day to day and over time. The Acquiring Fund is not meant to provide a vehicle for those who wish to exploit short-term swings in the stock market and is intended for long-term investors. An investment in



shares of the Acquiring Fund should not be considered a complete investment program. Each shareholder should take into account the Acquiring Fund's investment objective as well as the shareholder's other investments when considering an investment in the Acquiring Fund. You may lose part or all of your investment in the Acquiring Fund or your investment may not perform as well as other similar investments. The risks that predominately affect shares of the Acquiring Fund include the following:

**Investment and Market Discount Risk.** An investment in the Acquiring Fund's common shares is subject to investment risk, including the possible loss of the entire amount that you invest. As with any stock, the price of the Acquiring Fund's common shares will fluctuate with market conditions and other factors. Common shares are designed for long-term investors and the Acquiring Fund should not be treated as a trading vehicle. Shares of closed-end management investment companies frequently trade at a discount from their NAV. This risk is separate and distinct from the risk that the Acquiring Fund's NAV could decrease as a result of its investment activities. At any point in time an investment in the Acquiring Fund's common shares may be worth less than the original amount invested, even after taking into account distributions paid by the Acquiring Fund. This risk may be greater for investors who sell their common shares in a relatively short period of time after completion of the Reorganizations.

**Non-Diversification Risk.** The Acquiring Fund has registered as a non-diversified investment company under the 1940 Act. For federal income tax purposes, the Acquiring Fund, with respect to up to 50% of its total assets, will be able to invest more than 5% (but not more than 25%, except for investments in United States government securities and securities of other regulated investment companies, which are generally not limited for tax purposes) of the value of its total assets in the securities of any single issuer or the securities of one or more qualified publicly traded partnerships. To the extent the Acquiring Fund invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Acquiring Fund may be more susceptible than a more widely diversified investment company to any single corporate, economic, political or regulatory occurrence.

**Equity Securities Risk.** The Acquiring Fund will have exposure to common stocks. Stock markets are volatile, and the price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. Although common stocks have historically generated higher average total returns than fixed income securities over the long-term, common stocks also have experienced significantly more volatility in those returns and, in certain periods, have significantly under-performed relative to fixed income securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Acquiring Fund. A common stock may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. The value of a particular common stock held by the Acquiring Fund may decline for a number of other reasons which directly relate to the issuer, such as management performance, financial leverage, the issuer's historical and prospective earnings, the value of its assets and reduced demand for its goods and services. Also, the price of common stocks is sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Acquiring Fund has exposure. Common stock prices fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase. Common equity securities in which the Acquiring Fund may invest are structurally subordinated to preferred stock, bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and are therefore inherently more risky than preferred stock or debt instruments of such issuers.

**Dividend Risk.** 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 the common stocks in which the Acquiring Fund invests will declare dividends in the future or that if declared they will remain at current levels or increase over time. There is no assurance as to what portion of the Acquiring Fund's distributions will constitute qualified dividend income.

**Sector Risk.** Sector risk is the risk that the Acquiring Fund's concentration in the securities of companies in a specific market sector or industry will cause the Acquiring Fund to be more exposed to the price movements of companies in and developments affecting that sector than a more broadly diversified fund. The Acquiring Fund's investments will be concentrated in commodity and natural resources companies, which include, but are not limited to, companies in commodities, natural resources and energy businesses and in associated businesses and companies that provide services or have exposure to such businesses (collectively, the Commodities and Natural Resources Sector). Because the Acquiring Fund will be concentrated in the Commodities and Natural Resources Sector, it may be subject to more risks than if it were broadly diversified over numerous industries and sectors of the economy. General changes in market sentiment towards the Commodities and Natural Resources Sector may adversely affect the Acquiring Fund, and the performance of the Commodities and Natural Resources Sector may lag behind the broader market as a whole. Also, the Acquiring Fund's concentration in the Commodities and Natural Resources Sector may subject the Acquiring Fund to a variety of risks associated with the Commodities and Natural Resources Sector.

**Commodity and Natural Resources Investment Risk.** Investing in commodity-linked derivative instruments and equity securities of companies in the Commodities and Natural Resources Sector may subject the Acquiring Fund to greater volatility than investments in traditional securities. The commodities markets have experienced periods of extreme volatility. Similar future market conditions may result in rapid and substantial valuation decreases in the Acquiring Fund's holdings.

The commodities markets may fluctuate widely based on a variety of factors. Movements in commodity investment prices are outside of the Acquiring Fund's control and may not be anticipated by Fund management. Price movements may be influenced by, among other things: governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies; changing market and economic conditions; market liquidity; weather and climate conditions; changing supply and demand relationships and levels of domestic production and imported commodities; the availability of local, intrastate and interstate transportation systems; energy conservation; the success of exploration projects; changes in international balances of payments and trade; domestic and foreign rates of inflation; currency devaluations and revaluations; domestic and foreign political and economic events; domestic and foreign interest rates and/or investor expectations concerning interest rates; foreign currency/exchange rates; domestic and foreign governmental regulation and taxation; war, acts of terrorism and other political upheaval and conflicts; governmental expropriation; investment and trading activities of mutual funds, hedge funds and commodities funds; changes in philosophies and emotions of market participants. The frequency and magnitude of such changes cannot be predicted. In addition, the use of commodity and currency derivative instruments by producers has increased in recent years. There have been examples of companies that have mismanaged their exposures resulting, in extreme cases, in financial distress or even bankruptcy.

The commodity markets are subject to temporary distortions and other disruptions due to, among other factors, lack of liquidity, the participation of speculators, and government regulation and other actions. U.S. futures exchanges and some foreign exchanges limit the amount of fluctuation in futures contract prices which may occur in a single business day (generally referred to as daily price fluctuation limits). The maximum or minimum price of a contract as a result of these limits is referred to as a limit price. If the limit price has been reached in a particular contract, no trades may be made beyond the limit price. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices.

The Advisors' judgments about trends in the prices of these securities and commodities may prove to be incorrect. At times, the performance of securities of companies in the Commodities and Natural Resources Sector will lag behind the performance of other industries or the broader market as a whole.

Because the Acquiring Fund's performance is linked to the performance of volatile commodities and natural resources, investors should consider purchasing shares of the Acquiring Fund only as part of an overall diversified portfolio and should be willing to assume the risks of potentially significant fluctuations in the value of Trust shares.

Additional information about the risks involved in investing in the Commodities and Natural Resources Sector are set forth below.

*Depletion and Exploration Risk.* Many commodity and natural resources companies are engaged in the production of one or more physical commodities or are engaged in transporting, storing, distributing and processing these items on behalf of shippers. To maintain or grow their revenues, these companies or their customers need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions or through long-term contracts to acquire reserves. The financial performance of commodity and natural resources companies may be adversely affected if they, or the companies to whom they provide the service, are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline.

*Operational, Geological and Weather Risk.* Commodity and natural resources companies are subject to specific operational and geological risks in addition to normal business and management risks. Some examples of operational risks include mine rock falls, underground explosions and pit wall failures. Geological risk would include faulting of the ore body and misinterpretation of geotechnical data. Agricultural commodities may be adversely affected by weather or other natural phenomena, such as drought, floods and pests.

*Precious Metals Pricing Risk.* The Acquiring Fund may invest in companies that have a material exposure to precious metals, such as gold, silver and platinum and precious metals related instruments and securities. The price of precious metals can fluctuate widely and be affected by numerous factors beyond the Acquiring Fund's control including: global or regional political, economic or financial events and situations; investors' expectations with respect to the future rates of inflation and movements in world equity, financial and property markets; global supply and demand for specific precious metals, which is influenced by such factors as mine production and net forward selling activities by precious metals producers, central bank purchases and sales, jewelry demand and the supply of recycled jewelry, net investment demand and industrial demand, net of recycling; interest rates and currency exchange rates, particularly the strength of and confidence in the U.S. dollar; and investment and trading activities of hedge funds, commodity funds and other speculators. The Acquiring Fund currently does not intend to hold physical precious metals; provided, however, the Acquiring Fund may invest in companies that hold physical precious metals. The Acquiring Fund may also enter into futures contracts and forward contracts on precious metals, and although the Acquiring Fund currently does not intend to take physical delivery of precious metals in connection with settlements of such contracts, it may do so under certain circumstances.

*Distress Gold Sale Risk.* The possibility of large-scale distress sales of gold in times of crisis may have a short-term negative impact on the price of gold and adversely affect companies in which the Acquiring Fund may invest. For example, economic, political or social conditions or pressures may require central banks, other governmental agencies and multi-lateral institutions that buy, sell and hold gold as part of their reserve assets, to liquidate their gold assets all at once or in an uncoordinated manner. The demand for gold might not be sufficient to accommodate the sudden increase in the supply of gold to the market.

*Supply and Demand Risk.* A decrease in the production of a physical commodity or a decrease in the volume of such commodity available for transportation, mining, processing, storage or distribution may adversely impact the financial performance of a commodity or natural resources company that devotes a portion of its business to that commodity or natural resource. Production declines and volume decreases could be caused by various factors, including catastrophic events affecting production, depletion of resources, labor difficulties, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, import supply disruption, governmental expropriation, political upheaval or conflicts or increased competition from alternative energy sources or commodity prices. Alternatively, a sustained decline in demand for such commodities could also adversely affect the financial performance of commodity and natural resources companies. Factors that could lead to a

decline in demand include economic recession or other adverse economic conditions, higher taxes on commodities or increased governmental regulations, increases in fuel economy, consumer shifts to the use of alternative commodities or fuel sources, changes in commodity prices, or weather.

*Interest Rate Risk.* Rising interest rates could adversely impact the financial performance of commodity and natural resources companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner. Rising interest rates may also adversely affect the prices of securities and transactions related to underlying commodities.

*Regulatory Risk.* Commodity-related companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide. The U.S. Commodity Futures Trading Commission (the CFTC) and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily limits and the suspension of trading. Any of these actions, if taken, could adversely affect the returns of the Acquiring Fund by limiting or precluding investment decisions the Acquiring Fund might otherwise make. In addition, various national governments have expressed concern regarding the derivatives markets and the need to regulate such markets. Stricter laws, regulations or enforcement policies, with respect to the derivatives market, could be enacted in the future which would likely increase compliance costs and may adversely affect the operations and financial performance of commodity-related companies. The effect of any future regulatory change on the Acquiring Fund is impossible to predict, but could be substantial and adverse to the Acquiring Fund. Also, future regulatory developments may impact the Acquiring Fund's ability to invest in commodity-linked derivatives.

Commodities-Related Instruments Risk. The Acquiring Fund (directly or through the Subsidiary) may invest in certain derivative instruments which provide a greater amount of economic exposure to the Commodities and Natural Resources Sector. To the extent that the Acquiring Fund obtains economic exposure to the Commodities and Natural Resources Sector in this manner, it may be subject to similar risks of concentration in the Commodities and Natural Resources Sector as if it had invested in the securities of issuers in the Commodities and Natural Resources Sector directly. Risks specific to the commodities-related derivatives that may be used by the Acquiring Fund are discussed below.

*Commodity-Linked Derivatives Risk.* The value of a commodity-linked derivative investment typically is based upon the price movements of a commodity, a commodity futures contract or commodity index, or some other readily measurable economic variable. Commodity-linked derivatives provide exposure to the investment returns of commodities that trade in the commodities markets without investing directly in physical commodities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, volatility of the underlying benchmark, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. The value of commodity-linked derivatives will rise or fall in response to changes in the underlying commodity or related index. Investments in commodity-linked derivatives may be subject to greater volatility than non-derivative based investments. A highly liquid secondary market may not exist for certain commodity-linked derivatives, and there can be no assurance that one will develop.

Commodity-linked derivatives also may be subject to credit and interest rate risks that in general affect the values of fixed-income securities. Therefore, at maturity, the Acquiring Fund may receive more or less principal than it originally invested. The Acquiring Fund might receive interest payments that are more or less than the stated coupon interest payments.

In connection with the Acquiring Fund's direct and indirect investments in commodity-linked derivatives, the Acquiring Fund will attempt to manage its counterparty exposure so as to limit its

exposure to any one counterparty. However, due to the limited number of entities that may serve as counterparties (and which the Acquiring Fund believes are creditworthy) at any one time the Acquiring Fund may enter into swap agreements with a limited number of counterparties and may invest in commodity-linked notes issued by a limited number of issuers that will act as counterparties, which may increase the Acquiring Fund's exposure to counterparty credit risk. There can be no assurance that the Acquiring Fund will be able to limit exposure to any one counterparty at all times.

*Commodity-Linked Notes Risk.* The Acquiring Fund's investments in commodity-linked notes involve substantial risks, including the risk of loss of a significant portion of their principal value. In addition to commodity risk and general derivatives risk, they may be subject to additional special risks, such as risk of loss of interest and principal, lack of secondary market and risk of greater volatility, that do not affect traditional equity and debt securities.

If payment of interest on a commodity-linked note is linked to the value of a particular commodity, commodity index or other economic variable, the Acquiring Fund might not receive all (or a portion) of the interest due on its investment if there is a loss of value of the underlying investment. To the extent that the amount of the principal to be repaid upon maturity is linked to the value of a particular commodity, commodity index or other economic variable, the Acquiring Fund might not receive all or a portion of the principal at maturity of the investment. At any time, the risk of loss associated with a particular note in the Acquiring Fund's portfolio may be significantly higher than the value of the note.

A liquid secondary market may not exist for the commodity-linked notes that the Acquiring Fund buys, which may make it difficult for the Acquiring Fund to sell them at an acceptable price or to accurately value them. Commodity-linked notes are also subject to the credit risk of the issuer. The Acquiring Fund will be exposed to counterparty credit risk of the issuer. That is, at maturity of a commodity-linked note, there is a risk that the issuer may be unable to perform its obligations under the terms of the commodity-linked note. Issuers of commodity-linked notes are typically large money center banks, broker-dealers, other financial institutions and large corporations. If the issuer becomes bankrupt or otherwise fails to pay, the Acquiring Fund could lose money.

The value of the commodity-linked notes the Acquiring Fund buys may fluctuate significantly because the values of the underlying investments to which they are linked are themselves extremely volatile. Additionally, the particular terms of a commodity-linked note may create economic leverage by requiring payment by the issuer of an amount that is a multiple of the price increase or decrease of the underlying commodity, commodity index or other economic variable. This would have the effect of increasing the volatility of the value of these commodity-linked notes as they may increase or decrease in value more quickly than the underlying commodity, commodity index or other economic variable. Therefore, at the maturity of the note, the Acquiring Fund may receive more or less principal than it originally invested and may receive interest payments on the note that are more or less than the stated coupon interest payments. The Acquiring Fund currently does not intend to invest in commodity-linked notes that involve leverage.

*Commodity-Related Futures Risk.* The primary risks associated with the use of futures contracts and options are (a) the imperfect correlation between the change in market value of the instruments held by the Acquiring Fund and the price of the futures contract or option; (b) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Advisors' inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; and (e) the possibility that the counterparty will default in the performance of its obligations.

Commodity futures contracts involves additional risks relating to storage costs, reinvestment risk, economic factors and leverage, as described in further detail below.

**Storage Costs** The price of the commodity futures contract will reflect the storage costs of purchasing the physical commodity. These storage costs include the time value of money invested in the physical commodity plus the actual costs of storing the commodity less any benefits from ownership of the physical commodity that are not obtained by the holder of a futures contract (this is sometimes referred to as the convenience yield). To the extent that these storage costs change for an underlying commodity while the Acquiring Fund is long futures contracts on that commodity, the value of the futures contract may change proportionately.

**Reinvestment Risk** In the commodity futures markets, if producers of the underlying commodity wish to hedge the price risk of selling the commodity, they will sell futures contracts today to lock in the price of the commodity at delivery tomorrow. In order to induce speculators to take the corresponding long side of the same futures contract, the commodity producer must be willing to sell the futures contract at a price that is below the expected future spot price. Conversely, if the predominate hedgers in the futures market are the purchasers of the underlying commodity who purchase futures contracts to hedge against a rise in prices, then speculators will only take the short side of the futures contract if the futures price is greater than the expected future spot price of the commodity.

The changing nature of the hedgers and speculators in the commodity markets will influence whether futures prices are above or below the expected future spot price. This can have significant implications for the Acquiring Fund when it is time to replace an expiring contract with a new contract. If the nature of hedgers and speculators in futures markets has shifted such that commodity purchasers are the predominate hedgers in the market, the Acquiring Fund might open the new futures position at a higher price or choose other related commodity investments.

**Additional Economic Factors** The values of commodities which underlie commodity futures contracts are subject to additional variables which may be less significant to the values of traditional securities such as stocks and bonds. Variables such as drought, floods, weather, livestock disease, embargoes and tariffs may have a larger impact on commodity prices and commodity-linked instruments, including futures contracts, commodity-linked notes, commodity options and commodity swaps, than on traditional securities. These additional variables may create additional investment risks which subject the Acquiring Fund's investments to greater volatility than investments in traditional securities.

**Leverage** There is much greater leverage in futures trading than in stocks. The Acquiring Fund is allowed to purchase futures contracts on margin. The initial margin requirements are typically between 5% and 15% of the notional value of the contract. That means the Acquiring Fund is only required to pay up front between 5% to 15% percent of the notional value of the futures contract. Therefore, the Acquiring Fund has a higher degree of leverage in its futures contract purchases than in its stock purchases. As a result, there may be differences in the volatility of rates of return between securities purchases and futures contract purchases, with the returns from futures contracts being more volatile.

*Subsidiary Risk.* By investing in the Subsidiary, the Acquiring Fund is indirectly exposed to the risks associated with the Subsidiary's investments. The Commodity-Related Instruments that will be held by the Subsidiary are generally similar to those that are permitted to be held by the Acquiring Fund and are subject to the same risks that apply to similar investments if held directly by the Acquiring Fund. See Commodity and Natural Resources Investment Risk. The Subsidiary will not be registered under the 1940 Act, and, unless otherwise noted in this this Joint Proxy Statement/Prospectus, will not be subject to any investor protections of the 1940 Act. The Acquiring Fund's Board of Trustees has oversight responsibility for the investment activities of the Acquiring Fund, including its investment in the Subsidiary, and the Acquiring Fund's role as sole shareholder of the Subsidiary. Changes in the laws of the United States and/or the Cayman Islands could result in the inability of the Acquiring Fund and/or the Subsidiary to operate as described in this this Joint Proxy Statement/Prospectus and the Statement of Additional Information and could adversely affect the Acquiring Fund. For example, the Cayman Islands does not currently impose any income, corporate or capital gains tax, estate duty,

inheritance tax, gift tax or withholding tax on the Subsidiary. If Cayman Islands law changes such that the Subsidiary must pay Cayman Islands taxes, Trust shareholders would likely suffer decreased investment returns.

Risks Associated with the Acquiring Fund's Option Strategy. The ability of the Acquiring Fund to achieve current gains is partially dependent on the successful implementation of its option strategy. Risks that may adversely affect the ability of the Acquiring Fund to successfully implement its option strategy include the following:

*Risks Associated with Options on Securities Generally.* There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objective. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

*Risks of Writing Options.* As the writer of a covered call option, the Acquiring Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. As the Acquiring Fund writes covered calls over more of its portfolio, its ability to benefit from capital appreciation becomes more limited and the risk of net asset value erosion increases. If the Acquiring Fund experiences net asset value erosion, which itself may have an indirect negative effect on the market price of the Acquiring Fund's shares, the Acquiring Fund will have a reduced asset base over which to write covered calls, which may eventually lead to reduced distributions to shareholders. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

Writing covered call options entails certain risks, which include, but are not limited to, the following: an increase in the value of the underlying equity security above the strike price can result in the exercise of a written option (sale by the Acquiring Fund to the counterparty) when the Acquiring Fund might not otherwise have sold the security; exercise of the option by the counterparty will result in a sale below the current market value and will result in a gain or loss being realized by the Acquiring Fund; and writing covered call options limits the potential appreciation that could be realized on the underlying equity security to the extent of the strike price of the option. As such, an option over-writing strategy may outperform the general equity market in flat or falling markets but underperform in rising markets.

*Exchange-Listed Option Risks.* There can be no assurance that a liquid market will exist when the Acquiring Fund seeks to close out an option position on an options exchange. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms. If the Acquiring Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security unless the option expired without exercise.

The hours of trading for options on an exchange may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. Call options are marked to market daily and their value will be affected by changes in the value and dividend rates of the underlying common stocks, an increase in interest rates, changes in the actual or perceived volatility of the stock market and the underlying common stocks and the remaining time to the options' expiration. Additionally, the exercise price of an option may be adjusted downward before the option's expiration as a result of the occurrence of certain corporate events affecting the underlying equity security, such as extraordinary dividends, stock splits, merger or other extraordinary distributions or events. A reduction in the exercise price of an option would reduce the Acquiring Fund's capital appreciation potential on the underlying security.

*Over-the-Counter Option Risk.* The Acquiring Fund may write (sell) unlisted over-the-counter or OTC options to a significant extent. Options written by the Acquiring Fund with respect to non-U.S. securities, indices or sectors generally tend to be OTC options. OTC options differ from exchange-listed options in that they are two-party contracts, with exercise price, premium and other terms negotiated between buyer and seller, and generally do not have as much market liquidity as exchange-listed options. The counterparties to these transactions typically will be major international banks, broker-dealers and financial institutions. The Acquiring Fund may be required to treat as illiquid securities being used to cover certain written OTC options. The OTC options written by the Acquiring Fund will not be issued, guaranteed or cleared by the Options Clearing Corporation. In addition, the Acquiring Fund's ability to terminate the OTC options may be more limited than with exchange-traded options. Banks, broker-dealers or other financial institutions participating in such transactions may fail to settle a transaction in accordance with the terms of the option as written. In the event of default or insolvency of the counterparty, the Acquiring Fund may be unable to liquidate an OTC option position.

*Index Option Risk.* The Acquiring Fund may sell index call and put options from time to time. The purchaser of an index call option has the right to any appreciation in the value of the index over the exercise price of the option on or before the expiration date. The purchaser of an index put option has the right to any depreciation in the value of the index below the exercise price of the option on or before the expiration date. Because the exercise of an index option is settled in cash, sellers of index call options, such as the Acquiring Fund, cannot provide in advance for their potential settlement obligations by acquiring and holding the underlying securities. The Acquiring Fund will lose money if it is required to pay the purchaser of an index option the difference between the cash value of the index on which the option was written and the exercise price and such difference is greater than the premium received by the Acquiring Fund for writing the option. The value of index options written by the Acquiring Fund, which will be priced daily, will be affected by changes in the value and dividend rates of the underlying common stocks in the respective index, changes in the actual or perceived volatility of the stock market and the remaining time to the options' expiration. The value of the index options also may be adversely affected if the market for the index options becomes less liquid or smaller. Distributions paid by the Acquiring Fund on its common shares may be derived in part from the net index option premiums it receives from selling index call and put options, less the cost of paying settlement amounts to purchasers of the options that exercise their options. Net index option premiums can vary widely over the short term and long term.

*Limitation on Option Writing Risk.* The number of call options the Acquiring Fund can write is limited by the total assets the Acquiring Fund holds and is further limited by the fact that all options represent 100 share lots of the underlying common stock. Furthermore, the Acquiring Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different



exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Acquiring Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Advisors. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions.

*Tax Risk.* Income on options on individual stocks will not be recognized by the Acquiring Fund for tax purposes until an option is exercised, lapses or is subject to a closing transaction (as defined by applicable regulations) pursuant to which the Acquiring Fund's obligations with respect to the option are otherwise terminated. If the option lapses without exercise or is otherwise subject to a closing transaction, the premiums received by the Acquiring Fund from the writing of such options will generally be characterized as short-term capital gain. If an option written by the Acquiring Fund is exercised, the Acquiring Fund may recognize taxable gain depending on the exercise price of the option, the option premium, and the Acquiring Fund's tax basis in the security underlying the option. The character of any gain on the sale of the underlying security as short-term or long-term capital gain will depend on the holding period of the Acquiring Fund in the underlying security. In general, distributions received by shareholders of the Acquiring Fund that are attributable to short-term capital gains recognized by the Acquiring Fund from its option writing activities will be taxed to such shareholders as ordinary income and will not be eligible for the reduced tax rate applicable to qualified dividend income.

Options on indices of securities and sectors of securities will generally be marked-to-market for U.S. federal income tax purposes. As a result, the Acquiring Fund will generally recognize gain or loss on the last day of each taxable year equal to the difference between the value of the option on that date and the adjusted basis of the option. The adjusted basis of the option will consequently be increased by such gain or decreased by such loss. Any gain or loss with respect to options on indices and sectors will be treated as short-term capital gain or loss to the extent of 40% of such gain or loss and long-term capital gain or loss to the extent of 60% of such gain or loss. Because the mark-to-market rules may cause the Acquiring Fund to recognize gain in advance of the receipt of cash, the Acquiring Fund may be required to dispose of investments in order to meet its distribution requirements.

Master Limited Partnerships Risk. An investment in master limited partnership (MLP) units involves some risks that differ from an investment in the common stock of a corporation. As compared to common stockholders of a corporation, holders of MLP units have more limited control and limited rights to vote on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and conflicts of interest may exist between common unit holders and the general partner, including those arising from incentive distribution payments.

Much of the benefit the Acquiring Fund derives from its investment in equity securities of MLPs is a result of MLPs generally being treated as partnerships for U.S. federal income tax purposes. Partnerships do not pay U.S. federal income tax at the partnership level. Rather, each partner of a partnership, in computing its U.S. federal income tax liability, will include its allocable share of the partnership's income, gains, losses, deductions and expenses. A change in current tax law, or a change in the business of a given MLP, could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. The classification of an MLP as a corporation for U.S. federal income tax purposes would have the effect of reducing the amount of cash available for distribution by the MLP and causing any such distributions received by the Acquiring Fund to be taxed as dividend income to the extent of the MLP's current or accumulated earnings and profits. Thus, if any of the MLPs owned by the Acquiring Fund were treated as corporations for U.S. federal income tax purposes, the after-tax return to the Acquiring Fund with respect to its investment in such MLPs would be materially reduced, which could cause a decline in the value of the common stock.

To the extent that the Acquiring Fund invests in the equity securities of an MLP, the Acquiring Fund will be a partner in such MLP. Accordingly, the Acquiring Fund will be required to include in its taxable income the Acquiring Fund's allocable share of the income, gains, losses, deductions and expenses recognized by each such MLP, regardless of whether the MLP distributes cash to the Acquiring Fund. Historically, MLPs have been able to offset a significant portion of their income with tax deductions. The Acquiring Fund will incur a current tax liability on its allocable share of an MLP's income and gains that is not offset by the MLP's tax deductions, losses and credits. The portion, if any, of a distribution received by the Acquiring Fund from an MLP that is offset by the MLP's tax deductions, losses or credits is essentially treated as a return of capital. However, those distributions will reduce the Acquiring Fund's adjusted tax basis in the equity securities of the MLP, which will result in an increase in the amount of gain (or decrease in the amount of loss) that will be recognized by the Acquiring Fund for tax purposes upon the sale of any such equity securities or upon subsequent distributions in respect of such equity securities. The percentage of an MLP's income and gains that is offset by tax deductions, losses and credits will fluctuate over time for various reasons. A significant slowdown in acquisition activity or capital spending by MLPs held in the Acquiring Fund's portfolio could result in a reduction of accelerated depreciation generated by new acquisitions, which may result in increased current tax liability for the Acquiring Fund.

Because of the Acquiring Fund's investments in equity securities of MLPs, the Acquiring Fund's earnings and profits may be calculated using accounting methods that are different from those used for calculating taxable income. Because of these differences, the Acquiring Fund may make distributions out of its current or accumulated earnings and profits, which will be treated as dividends, in years in which the Acquiring Fund's distributions exceed its taxable income.

In addition, changes in tax laws or regulations, or future interpretations of such laws or regulations, could adversely affect the Acquiring Fund or the MLP investments in which the Acquiring Fund invests.

Canadian Royalty Trust Risk. Canadian royalty trusts are exposed to many of the same risks as commodity and natural resources companies, such as pricing risk, supply and demand risk and depletion and exploration risk.

Small and Mid-Cap Stock Risk. The Acquiring Fund may invest in companies with small or medium capitalizations. Smaller and medium company stocks can be more volatile than, and perform differently from, larger company stocks. There may be less trading in a smaller or medium company's stock, which means that buy and sell transactions in that stock could have a larger impact on the stock's price than is the case with larger company stocks. As a result, the purchase or sale of more than a limited number of shares of a small or medium company may affect its market price. The Acquiring Fund may need a considerable amount of time to purchase or sell its positions in these securities. In addition, smaller or medium company stocks may not be well known to the investing public. Smaller and medium companies may have fewer business lines; changes in any one line of business, therefore, may have a greater impact on a smaller and medium company's stock price than is the case for a larger company.

Investments in Unseasoned Companies. The Acquiring Fund may invest in the securities of smaller, less seasoned companies. These investments may present greater opportunities for growth, but also involve greater risks than customarily are associated with investments in securities of more established companies. Some of the companies in which the Acquiring Fund may invest will be start-up companies which may have insubstantial operational or earnings history or may have limited products, markets, financial resources or management depth. Some may also be emerging companies at the research and development stage with no products or technologies to market or approved for marketing. Securities of emerging companies may lack an active secondary market and may be subject to more abrupt or erratic price movements than securities of larger, more established companies or stock market averages in general. Competitors of certain companies may have substantially greater financial resources than many of the companies in which the Acquiring Fund may invest.

Non-U.S. Securities Risk and Emerging Markets Risk. Investing in non-U.S. securities involves certain risks not involved in domestic investments, including, but not limited to: fluctuations in foreign exchange rates; future foreign economic, financial, political and social developments; different legal systems; the possible imposition of

exchange controls or other foreign governmental laws or restrictions, including expropriation; lower trading volume; much greater price volatility and illiquidity of certain non-U.S. securities markets; different trading and settlement practices; less governmental supervision; changes in currency exchange rates; high and volatile rates of inflation; fluctuating interest rates; less publicly available information; and different accounting, auditing and financial recordkeeping standards and requirements.

Certain countries in which the Acquiring Fund may invest, especially emerging market countries, historically have experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. Many of these countries are also characterized by political uncertainty and instability. The cost of servicing external debt will generally be adversely affected by rising international interest rates because many external debt obligations bear interest at rates that are adjusted based upon international interest rates. In addition, with respect to certain foreign countries, there is a risk of: the possibility of expropriation or nationalization of assets; confiscatory taxation; difficulty in obtaining or enforcing a court judgment; restrictions on currency repatriation; economic, political or social instability; and diplomatic developments that could affect investments in those countries.

Because the Acquiring Fund may invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the Acquiring Fund and the unrealized appreciation or depreciation of investments. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that the Acquiring Fund's net asset value or current income could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. Certain investments in non-U.S. securities also may be subject to foreign withholding taxes. Dividend income from non-U.S. corporations may not be eligible for the reduced U.S. income tax rate currently available for qualified dividend income. These risks often are heightened for investments in smaller, emerging capital markets. In addition, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as: growth of gross domestic product; rates of inflation; capital reinvestment; resources; self-sufficiency; and balance of payments position.

Investing in securities of issuers based in underdeveloped emerging markets entails all of the risks of investing in securities of non-U.S. issuers to a heightened degree. Emerging market countries generally include every nation in the world except developed countries, which are the United States, Canada, Japan, Australia, New Zealand and most countries located in Western Europe. These heightened risks include: greater risks of expropriation, confiscatory taxation, nationalization, and less social, political and economic stability; the smaller size of the market for such securities and a lower volume of trading, resulting in lack of liquidity and an increase in price volatility; and certain national policies that may restrict the Acquiring Fund's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests.

As a result of these potential risks, the Advisors may determine that, notwithstanding otherwise favorable investment criteria, it may not be practicable or appropriate to invest in a particular country. The Acquiring Fund may invest in countries in which foreign investors, including the Advisors, have had no or limited prior experience.

**Foreign Currency Risk.** Because the Acquiring Fund may invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the Acquiring Fund and the unrealized appreciation or depreciation of investments. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that the Acquiring Fund's NAV could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. The Advisors may, but are not required to, elect for the Acquiring Fund to seek to protect itself from changes in currency exchange rates through hedging transactions depending on market conditions. In addition, certain countries, particularly emerging market countries, may impose foreign currency exchange controls or other restrictions on the transferability, repatriation or convertibility of currency.

**Below Investment Grade Securities Risk.** The Acquiring Fund may invest in securities that are rated below investment grade, which are commonly referred to as high yield securities or junk bonds and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Lower grade securities, though high yielding, are characterized by high risk. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. The retail secondary market for lower grade securities may be less liquid than that for higher rated securities. Adverse conditions could make it difficult at times for the Acquiring Fund to sell certain securities or could result in lower prices than those used in calculating the Acquiring Fund's net asset value. Because of the substantial risks associated with investments in lower grade securities, you could lose money on your investment in common shares of the Acquiring Fund, both in the short-term and the long-term.

Ratings are relative, subjective and not absolute standards of quality. Securities ratings are based largely on the issuer's historical financial condition and the rating agencies' analysis at the time of rating. Consequently, the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition.

**Fixed Income Securities Risk.** The market value of fixed income investments changes in response to interest rate changes and other factors. During periods of falling interest rates, the values of outstanding fixed income securities generally rise. During periods of rising interest rates, the values of outstanding fixed income securities generally fall. Moreover, while securities with longer maturities tend to produce higher yields, the prices of longer maturity securities are also subject to greater market fluctuations as a result of changes in interest rates. As the average maturity or duration of a security lengthens, the risk that the price of such security will become more volatile increases. In contrast to maturity which measures only time until final payment, duration combines consideration of yield, interest payments, final maturity and call features. Additional risk associated with fixed income securities includes:

*Call Risk.* During periods of falling interest rates, certain debt obligations with high interest rates may be prepaid (or called) by the issuer prior to maturity.

*Extension Risk.* An issuer may exercise its right to pay principal on an obligation held by the Acquiring Fund later than expected. This may happen when there is a rise in interest rates. Under these circumstances, the value of the obligation will decrease.

*Credit Risk.* The possibility that an issuer will be unable to make timely payments of either principal or interest.

*Event Risk.* Securities may suffer declines in credit quality and market value due to issuer restructurings or other factors.

**Unrated Securities Risk.** Because the Acquiring Fund may purchase securities that are not rated by any rating organization, the Advisors may, after assessing their credit quality, internally assign ratings to certain of those securities in categories of those similar to those of rating organizations. Some unrated securities may not have an active trading market or may be difficult to value, which means the Acquiring Fund might have difficulty selling them promptly at an acceptable price.

**Investment Companies and ETFs Risk.** Subject to the limitations set forth in the 1940 Act or as otherwise permitted by the SEC, the Acquiring Fund may acquire shares in other investment companies and in ETFs, some of which may be investment companies. The market value of the shares of other investment companies and ETFs may differ from their NAV. As an investor in investment companies and ETFs, the Acquiring Fund would bear its ratable share of that entity's expenses, including its investment advisory and administration fees, while

continuing to pay its own advisory and administration fees and other expenses. As a result, shareholders will be absorbing duplicate levels of fees with respect to investments in other investment companies and ETFs.

The securities of other investment companies and ETFs in which the Acquiring Fund may invest may be leveraged. As a result, the Acquiring Fund may be indirectly exposed to leverage through an investment in such securities. An investment in securities of other investment companies and ETFs that use leverage may expose the Acquiring Fund to higher volatility in the market value of such securities and the possibility that the Acquiring Fund's long-term returns on such securities (and, indirectly, the long-term returns of the Shares) will be diminished.

Exchange Traded Notes ( ETNs ). ETNs are generally notes representing debt of the issuer, usually a financial institution. ETNs combine both aspects of bonds and ETFs. An ETN's returns are based on the performance of one or more underlying assets, reference rates or indexes, minus fees and expenses. Similar to ETFs, ETNs are listed on an exchange and traded in the secondary market. However, unlike an ETF, an ETN can be held until the ETN's maturity, at which time the issuer will pay a return linked to the performance of the specific asset, index or rate ( reference instrument ) to which the ETN is linked minus certain fees. Unlike regular bonds, ETNs do not make periodic interest payments, and principal is not protected. The value of an ETN may be influenced by, among other things, time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying markets, changes in the applicable interest rates, the performance of the reference instrument, changes in the issuer's credit rating and economic, legal, political or geographic events that affect the reference instrument. An ETN that is tied to a reference instrument may not replicate the performance of the reference instrument. ETNs also incur certain expenses not incurred by their applicable reference instrument. Some ETNs that use leverage can, at times, be relatively illiquid and, thus, they may be difficult to purchase or sell at a fair price. Levered ETNs are subject to the same risk as other instruments that use leverage in any form. While leverage allows for greater potential return, the potential for loss is also greater. Finally, additional losses may be incurred if the investment loses value because, in addition to the money lost on the investment, the loan still needs to be repaid. Because the return on the ETN is dependent on the issuer's ability or willingness to meet its obligations, the value of the ETN may change due to a change in the issuer's credit rating, despite no change in the underlying reference instrument. The market value of ETN shares may differ from the value of the reference instrument. This difference in price may be due to the fact that the supply and demand in the market for ETN shares at any point in time is not always identical to the supply and demand in the market for the assets underlying the reference instrument that the ETN seeks to track. There may be restrictions on the Fund's right to redeem its investment in an ETN, which are generally meant to be held until maturity. The Fund's decision to sell its ETN holdings may be limited by the availability of a secondary market. An investor in an ETN could lose some or all of the amount invested.

Strategic Transactions Risk. Strategic transactions in which the Acquiring Fund (directly or through the Subsidiary) may engage for hedging purposes, risk management, or to enhance total return, including engaging in transactions, such as options, futures, swaps, foreign currency transactions, such as forward foreign currency contracts, currency swaps or options on currency and currency futures and other derivatives transactions ( Strategic Transactions ) also involve certain risks and special considerations. Strategic Transactions have risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to successfully use Strategic Transactions depends on the Advisors' ability to predict pertinent market movements, which cannot be assured. Thus, the use of Strategic Transactions may result in losses greater than if they had not been used, may require the Acquiring Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Acquiring Fund can realize on an investment, or may cause the Acquiring Fund to hold a security that it might otherwise sell. The use of foreign currency transactions can result in the Acquiring Fund incurring losses as a result of the imposition of exchange controls, suspension of settlements or the inability of the Acquiring Fund to deliver or receive a specified currency. Additionally, amounts paid by the Acquiring Fund as premiums and cash or other assets held in margin accounts with respect to Strategic Transactions are not otherwise available to the Acquiring Fund for investment purposes.

**Derivatives Risk.** Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Acquiring Fund (directly or through the Subsidiary) typically uses derivatives as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk.

Certain derivative transactions may give rise to a form of leverage. Leverage associated with derivative transactions may cause the Acquiring Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable SEC rules and regulations, or may cause the Acquiring Fund to be more volatile than if the Acquiring Fund had not been leveraged.

The Acquiring Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, interest rate risk, market risk, credit risk and management risk. They also involve the risk of mispricing or improper valuation.

Derivatives also involve the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. In this regard, the Acquiring Fund seeks to achieve its investment objectives, in part, by investing in derivatives positions that are designed to closely track the performance (or inverse performance) of an index on a daily basis. However, the overall investment strategies of the Acquiring Fund are not designed or expected to produce returns which replicate the performance (or inverse performance) of the particular index, and the degree of variation could be substantial, particularly over longer periods. There are a number of factors which may prevent the Acquiring Fund, or the derivatives or other strategies used by the Acquiring Fund, from achieving desired correlation (or inverse correlation) with an index, such as the impact of fees, expenses and transaction costs, the timing of pricing, and disruptions or illiquidity in the markets for derivative instruments or securities in which the Acquiring Fund invests.

The Acquiring Fund's investments in a derivative instrument could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Acquiring Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial. Although the Advisors seek to use derivatives to further the Acquiring Fund's investment objectives, there is no assurance that the use of derivatives will achieve this result.

**Counterparty Risk.** The Acquiring Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by the Acquiring Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Acquiring Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceedings. The Acquiring Fund may obtain only a limited recovery, or may obtain no recovery, in such circumstances.

**Structured Notes and Related Instruments Risk.** The Acquiring Fund (directly or through the Subsidiary) may invest in structured notes and other related instruments, which are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of a benchmark asset, market or interest rate (an embedded index), such as selected securities, an index of securities or specified interest rates, or the differential performance of two assets or markets, such as indexes reflecting bonds. Structured instruments may be issued by corporations, including banks, as well as by governmental agencies. Structured instruments frequently are assembled in the form of medium-term notes, but a variety of forms are available and may be used in particular circumstances. The terms of such structured instruments normally provide that their principal and/or interest payments are to be adjusted upwards or downwards (but ordinarily not below zero) to reflect changes in the embedded index while the structured instruments are outstanding. As a result, the interest and/or principal payments that may be made on a structured product may vary widely, depending on a variety of factors, including the volatility of the embedded index and the effect of changes in the embedded index on principal

and/or interest payments. The rate of return on structured notes may be determined by applying a multiplier to the performance or differential performance of the referenced index(es) or other asset(s). Application of a multiplier involves leverage that will serve to magnify the potential for gain and the risk of loss.

**Swaps Risk.** The Acquiring Fund (directly or through the Subsidiary) may enter into swap transactions. A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to indexes, commodities or other instruments. Swap transactions enable the Acquiring Fund to hedge a position or to gain exposure to commodities or an index without investing in specific commodities or instruments. Swap transactions are subject to market risk, risk of default by the other party to the transaction and risk of imperfect correlation between the value of such instruments and the underlying assets and may involve commissions or other costs. If a counterparty to a swap agreement becomes bankrupt or otherwise fails to perform its obligations under the swap due to financial difficulties, the Acquiring Fund could suffer losses. In addition to the risk of default by the counterparty, if the creditworthiness of a counterparty to a swap agreement declines, the value of the swap agreement would be likely to decline, potentially resulting in losses. Swap agreements currently are not entered into or traded on exchanges and there is no central clearing or guaranty function for swaps. Swaps do not have uniform terms and in general are not transferable without the consent of the counterparty. As a result, parties to a swap agreement are not protected by such government regulations as participants in transactions in derivatives traded on organized exchanges. Swaps generally do not involve the delivery of securities, other underlying assets or principal. Accordingly, the risk of loss with respect to swaps generally is limited to the net amount of payments that the Acquiring Fund is contractually obligated to make, or in the case of the other party to a swap defaulting, the net amount of payments that the Acquiring Fund is contractually entitled to receive.

The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid. The Advisors cannot predict the effects of any new governmental regulation on the ability of the Acquiring Fund to use swaps and there can be no assurance that such regulation will not adversely affect the Acquiring Fund's portfolio. It is possible that regulatory or other developments in the swaps market could adversely affect the Fund's ability to successfully use swaps. If the Advisors are incorrect in their forecasts of market values, interest rates or currency exchange rates, the investment performance of the Acquiring Fund would be less favorable than it would have been if these investment techniques were not used.

**Securities Lending Risk.** The Acquiring Fund may lend securities to financial institutions. Securities lending involves exposure to certain risks, including operational risk (i.e., the risk of losses resulting from problems in the settlement and accounting process), gap risk (i.e., the risk of a mismatch between the return on cash collateral reinvestments and the fees the Acquiring Fund has agreed to pay a borrower), and credit, legal, counterparty and market risk. If a securities lending counterparty were to default, the Acquiring Fund would be subject to the risk of a possible delay in receiving collateral or in recovering the loaned securities, or to a possible loss of rights in the collateral. In the event a borrower does not return the Acquiring Fund's securities as agreed, the Acquiring Fund may experience losses if the proceeds received from liquidating the collateral do not at least equal the value of the loaned security at the time the collateral is liquidated, plus the transaction costs incurred in purchasing replacement securities. This event could trigger adverse tax consequences for the Acquiring Fund. The Acquiring Fund could lose money if its short-term investment of the collateral declines in value over the period of the loan. Substitute payments for dividends received by the Acquiring Fund for securities loaned out by the Acquiring Fund will not be considered qualified dividend income. The securities lending agent will take the tax effects on shareholders of this difference into account in connection with the Acquiring Fund's securities lending program. Substitute payments received on tax-exempt securities loaned out will not be tax-exempt income.

**Short Selling Risk.** Short-selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later

date. If the price of the security sold short increases between the time of the short sale and the time the Acquiring Fund replaces the borrowed security, the Acquiring Fund will incur a loss; conversely, if the price declines, the Acquiring Fund will realize a capital gain. Any gain will be decreased, and any loss will be increased, by the transaction costs incurred by the Acquiring Fund, including the costs associated with providing collateral to the broker-dealer (usually cash and liquid securities) and the maintenance of collateral with its custodian. Although the Acquiring Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

Short-selling necessarily involves certain additional risks. However, if the short seller does not own the securities sold short (an uncovered short sale), the borrowed securities must be replaced by securities purchased at market prices in order to close out the short position, and any appreciation in the price of the borrowed securities would result in a loss. Uncovered short sales expose the Acquiring Fund to the risk of uncapped losses until a position can be closed out due to the lack of an upper limit on the price to which a security may rise. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. There is the risk that the securities borrowed by the Acquiring Fund in connection with a short-sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short-sellers of the security are receiving similar requests, a short squeeze can occur, and the Acquiring Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received at the time the securities were originally sold short.

In September 2008, in response to spreading turmoil in the financial markets, the SEC temporarily banned short selling in the stocks of numerous financial services companies, and also promulgated new disclosure requirements with respect to short positions held by investment managers. The SEC's temporary ban on short selling of such stocks has since expired, but should similar restrictions and/or additional disclosure requirements be promulgated, especially if market turmoil occurs, the Acquiring Fund may be forced to cover short positions more quickly than otherwise intended and may suffer losses as a result. Such restrictions may also adversely affect the ability of the Acquiring Fund to execute its investment strategies generally. Similar emergency orders have also recently been instituted in non-U.S. markets in response to increased volatility. The SEC recently adopted amendments to Regulation SHO under the Exchange Act that restrict the ability to engage in a short sale at a price that is less than or equal to the current best bid if the price of the covered security has decreased by 10% or more from the covered security's closing price as of the end of the prior day.

**Defensive Investing Risk.** For defensive purposes, the Acquiring Fund may allocate assets into cash or short-term fixed income securities without limitation. In doing so, the Acquiring Fund may succeed in avoiding losses but may otherwise fail to achieve its investment objectives. Further, the value of short-term fixed income securities may be affected by changing interest rates and by changes in credit ratings of the investments. If the Acquiring Fund holds cash uninvested it will be subject to the credit risk of the depository institution holding the cash.

**Market and Selection Risk.** Market risk is the possibility that the market values of securities owned by the Acquiring Fund will decline. There is a risk that equity and/or bond markets will go down in value, including the possibility that such markets will go down sharply and unpredictably. Stock markets are volatile, and the price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Acquiring Fund. Also, the price of common stocks is sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Acquiring Fund has exposure. Common stock prices fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers occur.

Selection risk is the risk that the securities that the Acquiring Fund's management selects will underperform the equity and/or bond market, the market relevant indices or other funds with a similar investment objectives and investment strategies.



**Issuer Risk.** Issuer risk is the risk that the value of a security may decline for a reason directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services. The amount of a dividend may decline for reasons related to an issuer, such as changes in an issuer's financial condition or a decision by the issuer to pay a lower dividend.

**Inflation Risk.** Inflation risk is the risk that the value of assets or income from investment will be worth less in the future, as inflation decreases the value of money. As inflation increases, the real value of the common shares and distributions on those shares can decline. In addition, during any periods of rising inflation, interest rates on any borrowings by the Acquiring Fund would likely increase, which would tend to further reduce returns to the holders of common shares.

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

**Restricted and Illiquid Securities Risk.** The Acquiring Fund may invest in illiquid or less liquid securities or securities in which no secondary market is readily available or which are otherwise illiquid, including private placement securities. The Acquiring Fund may not be able to readily dispose of such securities at prices that approximate those at which the Acquiring Fund could sell such securities if they were more widely-traded and, as a result of such illiquidity, the Acquiring Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. Limited liquidity can also affect the market price of securities, thereby adversely affecting the Acquiring Fund's NAV and ability to make dividend distributions. The financial markets in general have in recent years experienced periods of extreme secondary market supply and demand imbalance, resulting in a loss of liquidity during which market prices were suddenly and substantially below traditional measures of intrinsic value. During such periods, some securities could be sold only at arbitrary prices and with substantial losses. Periods of such market dislocation may occur again at any time.

Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act, or that may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. When registration is required to sell a security, the Acquiring Fund may be obligated to pay all or part of the registration expenses and considerable time may pass before the Acquiring Fund is permitted to sell a security under an effective registration statement. If adverse market conditions develop during this period, the Acquiring Fund might obtain a less favorable price than the price that prevailed when the Acquiring Fund decided to sell. The Acquiring Fund may be unable to sell restricted and other illiquid securities at opportune times or prices.

**Legal, Tax and Regulatory Risks.** Legal, tax and regulatory changes could occur that may materially adversely affect the Acquiring Fund. For example, the regulatory and tax environment for derivative instruments in which the Acquiring Fund may participate is evolving, and changes in the regulation or taxation of derivative instruments may materially adversely affect the value of derivative instruments held by the Acquiring Fund and the ability of the Acquiring Fund to pursue its investment strategies.

To qualify for the favorable U.S. federal income tax treatment generally accorded to RICs, the Acquiring Fund must, among other things, derive in each taxable year at least 90% of its gross income from certain prescribed sources and distribute for each taxable year at least 90% of its investment company taxable income (generally, ordinary income plus the excess, if any, of net short-term capital gain over net long-term capital loss). If for any taxable year the Acquiring Fund does not qualify as a RIC, all of its taxable income for that year (including its net capital gain) would be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and such distributions would be taxable as ordinary dividends to the extent of the Acquiring Fund's current and accumulated earnings and profits.

**1940 Act Regulation.** The Acquiring Fund is a registered closed-end investment company and as such is subject to regulations under the 1940 Act. Generally speaking, any contract or provision thereof that is made, or where performance involves a violation of the 1940 Act or any rule or regulation thereunder is unenforceable by either party unless a court finds otherwise.

**Legislation Risk.** At any time after the date of this this Joint Proxy Statement/Prospectus, legislation may be enacted that could negatively affect the assets of the Acquiring Fund. Legislation or regulation may change the way in which the Acquiring Fund itself is regulated. The Advisors cannot predict the effects of any new governmental regulation that may be implemented and there can be no assurance that any new governmental regulation will not adversely affect the Acquiring Fund's ability to achieve its investment objectives.

**LIBOR Risk.** According to various reports, certain financial institutions, commencing as early as 2005 and throughout the global financial crisis, routinely made artificially low submissions in the LIBOR rate setting process. Since the LIBOR scandal came to light, several financial institutions have been fined significant amounts by various financial regulators in connection with allegations of manipulation of LIBOR rates. Other financial institutions in various countries are being investigated for similar actions. These developments may have adversely affected the interest rates on securities whose interest payments were determined by reference to LIBOR. Any future similar developments could, in turn, reduce the value of such securities owned by the Acquiring Fund.

**Risks Associated with Recent Market Events.** In the recent past, the debt and equity capital markets in the United States were negatively impacted by significant write-offs in the financial services sector relating to sub-prime mortgages and the repricing of credit risk in the broadly syndicated market, among other things. These events, along with the downgrade to the United States credit rating, deterioration of the housing market, the failure of major financial institutions and the resulting United States federal government actions led in the recent past, and may lead in the future, to worsening general economic conditions, which did, and could, materially and adversely impact the broader financial and credit markets and reduce the availability of debt and equity capital for the market as a whole and financial firms in particular. These events may increase the volatility of the value of securities owned by the Acquiring Fund and/or result in sudden and significant valuation increases or decreases in its portfolio. These events also may make it more difficult for the Acquiring Fund to accurately value its securities or to sell its securities on a timely basis.

While the extreme volatility and disruption that U.S. and global markets experienced for an extended period of time beginning in 2007 and 2008 has generally subsided, uncertainty and periods of volatility remain, and risks to a robust resumption of growth persist. In 2010, several EU countries, including Greece, Ireland, Italy, Spain and Portugal, began to face budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Monetary Union ( EMU ) member countries. Recent downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. Moreover, Federal Reserve policy, including with respect to certain interest rates and the decision to begin tapering its quantitative easing policy, may adversely affect the value, volatility and liquidity of dividend and interest paying securities. Market volatility, rising interest rates and/or a return to unfavorable economic conditions could impair the Acquiring Fund's ability to achieve its investment objectives.

General market uncertainty and consequent repricing of risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of securities and significant and rapid value decline in certain instances. Additionally, periods of market volatility remain, and may continue to occur in the future, in response to various political, social and economic events both within and outside of the United States. These conditions resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many securities remaining illiquid and of uncertain value. Such market conditions may make valuation of some of the Acquiring Fund's securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings.

**EMU and Redenomination Risk.** As the European debt crisis has progressed the possibility of one or more Eurozone countries exiting the EMU, or even the collapse of the Euro as a common currency, has arisen, creating significant volatility at times in currency and financial markets generally. The effects of the collapse of the Euro, or of the exit of one or more countries from the EMU, on the U.S. and global economy and securities markets are impossible to predict and any such events could have a significant adverse impact on the value and risk profile of the Acquiring Fund's portfolio. Any partial or complete dissolution of the EMU could have significant adverse effects on currency and financial markets, and on the values of the Acquiring Fund's portfolio investments. If one or more EMU countries were to stop using the Euro as its primary currency, the Acquiring Fund's investments in such countries may be redenominated into a different or newly adopted currency. As a result, the value of those investments could decline significantly and unpredictably. In addition, securities or other investments that are redenominated may be subject to foreign currency risk, liquidity risk and valuation risk to a greater extent than similar investments currently denominated in Euros. To the extent a currency used for redenomination purposes is not specified in respect of certain EMU-related investments, or should the Euro cease to be used entirely, the currency in which such investments are denominated may be unclear, making such investments particularly difficult to value or dispose of. The Acquiring Fund may incur additional expenses to the extent it is required to seek judicial or other clarification of the denomination or value of such securities.

**Market Disruption and Geopolitical Risk.** The aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Egypt, Libya, Syria and the Middle East, possible terrorist attacks in the United States and around the world, growing social and political discord in the United States, the European debt crisis, further downgrades of U.S. Government securities and other similar events may result in market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. The Acquiring Fund does not know how long the securities markets may be affected by these events and cannot predict the effects of these events or similar events in the future on the U.S. economy and securities markets. Non-investment grade and equity securities tend to be more volatile than investment grade fixed income securities; therefore these events and other market disruptions may have a greater impact on the prices and volatility of non-investment grade and equity securities than on investment grade fixed income securities. There can be no assurance that these events and other market disruptions will not have other material and adverse implications.

**Regulation and Government Intervention Risk.** The recent instability in the financial markets discussed above has led the U.S. Government and certain foreign governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity, including through direct purchases of equity and debt securities. Federal, state, and other governments, their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the issuers in which the Acquiring Fund invests in ways that are unforeseeable. Legislation or regulation may also change the way in which the Acquiring Fund is regulated. Such legislation or regulation could limit or preclude the Acquiring Fund's ability to achieve its investment objectives.

Congress has enacted sweeping financial legislation, the Dodd-Frank Act, signed into law by President Obama on July 21, 2010, regarding the operation of banks, private fund managers and other financial institutions, which includes provisions regarding the regulation of derivatives. Many provisions of the Dodd-Frank Act have been or will be implemented through regulatory rulemakings and similar processes over a period of time. The impact of the Dodd-Frank Act, and of follow-on regulation, on trading strategies and operations is impossible to predict, and may be adverse. Practices and areas of operation subject to significant change based on the impact, direct or indirect, of the Dodd-Frank Act and follow-on regulation, may change in manners that are unforeseeable, with uncertain effects. By way of example and not limitation, direct and indirect changes from the Dodd-Frank Act and follow-on regulation may occur to a significant degree with regard to, among other areas, financial consumer protection, bank ownership of and involvement with private funds, proprietary trading, registration of investment advisers, and the trading and use of many derivative instruments, including swaps. There can be no assurance that such legislation or regulation will not have a material adverse effect on the Acquiring Fund. In addition, Congress may address tax policy, which also could have uncertain direct and indirect impacts on trading and operations, as well as, potentially, the operations and structure of the Acquiring Fund.

Further, the Dodd-Frank Act created the Financial Stability Oversight Council ( FSOC ), an interagency body charged with identifying and monitoring systemic risks to financial markets. The FSOC has the authority to require that non-bank financial companies that are predominantly engaged in financial activities, such as the Acquiring Fund and the Advisors, whose failure it determines would pose systemic risk, be placed under the supervision of the Board of Governors of the Federal Reserve System ( Federal Reserve ). The FSOC has the authority to recommend that the Federal Reserve adopt more stringent prudential standards and reporting and disclosure requirements for non-bank financial companies supervised by the Federal Reserve. The FSOC also has the authority to make recommendations to the Federal Reserve on various other matters that may affect the Acquiring Fund, including requiring financial firms to submit resolution plans, mandating credit exposure reports, establishing concentration limits and limiting short-term debt. The FSOC may also recommend that other federal financial regulators impose more stringent regulation upon, or ban altogether, financial activities of any financial firm that poses what it determines are significant risks to the financial system. In the event that the FSOC designates the Acquiring Fund or the Advisors as a systemic risk to be placed under the Federal Reserve s supervision, the Acquiring Fund or the Advisors could face stricter prudential standards, including risk-based capital requirements, leverage limits, liquidity requirements, concentration requirements and overall risk management requirements, among other restrictions. Such requirements could hinder the Acquiring Fund s ability to meet its investment objectives and may place the Acquiring Fund at a disadvantage with respect to its competitors.

Additionally, BlackRock is, for purposes of the Bank Holding Company Act of 1956, as amended, and any rules or regulations promulgated thereunder from time to time, currently considered a subsidiary of The PNC Financial Services Group, Inc. ( PNC ), which is subject to regulation and supervision as a financial holding company by the Federal Reserve. The Volcker Rule contained in Section 619 of the Dodd-Frank Act will limit the ability of banking entities, which would include BlackRock by virtue of its relationship with PNC, to sponsor, invest in or serve as investment manager of certain private investment funds. On December 10, 2013, U.S. financial regulators adopted final regulations (the Final Regulations ) to implement the statutory mandate of the Volcker Rule. Pursuant to the Dodd-Frank Act, the Volcker Rule s effective date was July 21, 2012 and the Final Regulations become effective on April 14, 2014; however, concurrent with the adoption of the Final Regulations the Federal Reserve granted a statutorily permitted conformance period, essentially making the effective date of the Volcker Rule and the Final Regulations July 21, 2015. The Volcker Rule and the Final Regulations could have a significant negative impact on BlackRock and the Advisors. BlackRock may attempt to take certain actions to lessen the impact of the Volcker Rule, although no assurance can be given that such actions would be successful and no assurance can be given that such actions would not have a significant negative impact on the Acquiring Fund. Upon the end of the applicable conformance period, BlackRock s relationship with PNC may require BlackRock to curtail some or all of the Acquiring Fund s activities with respect to PNC (if any).

The continuing implementation of the Dodd-Frank Act could also adversely affect the Advisors and the Acquiring Fund by increasing transaction and/or regulatory compliance costs. In addition, greater regulatory scrutiny and the implementation of enhanced and new regulatory requirements may increase the Advisors and the Acquiring Fund s exposure to potential liabilities, and in particular liabilities arising from violating any such enhanced and/or new regulatory requirements. Increased regulatory oversight could also impose administrative burdens on the Advisors and the Acquiring Fund, including, without limitation, responding to investigations and implementing new policies and procedures. The ultimate impact of the Dodd-Frank Act, and any resulting regulation, is not yet certain and the Advisors and the Acquiring Fund may be affected by the new legislation and regulation in ways that are currently unforeseeable.

In connection with an ongoing review by the SEC and its staff of the regulation of investment companies use of derivatives, on August 31, 2011 the SEC issued a concept release to seek public comment on a wide range of issues raised by the use of derivatives by investment companies. The SEC noted that it intends to consider the comments to help determine whether regulatory initiatives or guidance are needed to improve the current regulatory regime for investment companies and, if so, the nature of any such initiatives or guidance. While the nature of any such regulations is uncertain at this time, it is possible that such regulations could limit the

implementation of the Acquiring Fund's use of derivatives, which could have an adverse impact on the Acquiring Fund. The Advisors cannot predict the effects of these regulations on the Acquiring Fund's portfolio. The Advisors intend to monitor developments and seek to manage the Acquiring Fund's portfolio in a manner consistent with achieving the Acquiring Fund's investment objectives, but there can be no assurance that they will be successful in doing so.

Certain lawmakers support an increase in federal revenue as a component of a plan to address the growing federal budget deficit. Also, comprehensive federal tax reform is the subject of political attention.

In the aftermath of the recent financial crisis, there appears to be a renewed popular, political and judicial focus on finance related consumer protection. Financial institution practices are also subject to greater scrutiny and criticism generally. In the case of transactions between financial institutions and the general public, there may be a greater tendency toward strict interpretation of terms and legal rights in favor of the consuming public, particularly where there is a real or perceived disparity in risk allocation and/or where consumers are perceived as not having had an opportunity to exercise informed consent to the transaction. In the event of conflicting interests between retail investors holding common shares of a closed-end investment company such as the Acquiring Fund and a large financial institution, a court may similarly seek to strictly interpret terms and legal rights in favor of retail investors.

Decision-Making Authority Risk. Investors have no authority to make decisions or to exercise business discretion on behalf of the Acquiring Fund, except as set forth in the Acquiring Fund's governing documents. The authority for all such decisions is generally delegated to the Board, who in turn, has delegated the day-to-day management of the Acquiring Fund's investment activities to the Advisors, subject to oversight by the Board.

Management Risk. The Acquiring Fund is subject to management risk because it is an actively managed investment portfolio. The Advisors and the individual portfolio managers will apply investment techniques and risk analyses in making investment decisions for the Acquiring Fund, but there can be no guarantee that these will produce the desired results. The Acquiring Fund may be subject to a relatively high level of management risk because the Acquiring Fund may invest in derivative instruments, which may be highly specialized instruments that require investment techniques and risk analyses different from those associated with equities and bonds.

Reliance on the Advisors. The Acquiring Fund is dependent upon services and resources provided by the Advisors, and therefore the Advisors parent, BlackRock. The Advisors are not required to devote their full time to the business of the Acquiring Fund and there is no guarantee or requirement that any investment professional or other employee of the Advisors will allocate a substantial portion of his or her time to the Acquiring Fund. The loss of one or more individuals involved with the Advisors could have a material adverse effect on the performance or the continued operation of the Acquiring Fund.

Reliance on Service Providers. The Acquiring Fund must rely upon the performance of service providers to perform certain functions, which may include functions that are integral to the Acquiring Fund's operations and financial performance. Failure by any service provider to carry out its obligations to the Acquiring Fund in accordance with the terms of its appointment, to exercise due care and skill or to perform its obligations to the Acquiring Fund at all as a result of insolvency, bankruptcy or other causes could have a material adverse effect on the Acquiring Fund's performance and returns to shareholders. The termination of the Acquiring Fund's relationship with any service provider, or any delay in appointing a replacement for such service provider, could materially disrupt the business of the Acquiring Fund and could have a material adverse effect on the Acquiring Fund's performance and returns to shareholders.

Information Technology Systems. The Acquiring Fund is dependent on the Advisors for certain management services as well as back-office functions. The Advisors depend on information technology systems in order to assess investment opportunities, strategies and markets and to monitor and control risks for the

Acquiring Fund. It is possible that a failure of some kind which causes disruptions to these information technology systems could materially limit the Advisors' ability to adequately assess and adjust investments, formulate strategies and provide adequate risk control. Any such information technology-related difficulty could harm the performance of the Acquiring Fund. Further, failure of the back-office functions of the Advisors to process trades in a timely fashion could prejudice the investment performance of the Acquiring Fund.

Misconduct of Employees and of Service Providers. Misconduct or misrepresentations by employees of the Advisors or the Acquiring Fund's service providers could cause significant losses to the Acquiring Fund. Employee misconduct may include binding the Acquiring Fund to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities, concealing unsuccessful trading activities (which, in any case, may result in unknown and unmanaged risks or losses) or making misrepresentations regarding any of the foregoing. Losses could also result from actions by the Acquiring Fund's service providers, including, without limitation, failing to recognize trades and misappropriating assets. In addition, employees and service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Acquiring Fund's business prospects or future marketing activities. Despite the Advisors' due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining the Advisors' due diligence efforts. As a result, no assurances can be given that the due diligence performed by the Advisors will identify or prevent any such misconduct.

Potential Conflicts of Interest of the Advisors and Others. BlackRock, the ultimate parent company of the Advisors, and its affiliates, which include the Advisors and PNC Financial Services Group, Inc. ( Affiliates ), are involved worldwide with a broad spectrum of financial services and asset management activities and may engage in the ordinary course of business in activities in which their interests or the interests of their clients may conflict with those of the Acquiring Fund. BlackRock and its Affiliates may provide investment management services to other funds and discretionary managed accounts that follow an investment program similar to that of the Acquiring Fund. Subject to the requirements of the 1940 Act, BlackRock and its Affiliates intend to engage in such activities and may receive compensation from third parties for their services. Neither BlackRock nor its Affiliates are under any obligation to share any investment opportunity, idea or strategy with the Acquiring Fund. As a result, BlackRock and its Affiliates may compete with the Acquiring Fund for appropriate investment opportunities. The results of the Acquiring Fund's investment activities, therefore, may differ from those of an Affiliate or another account managed by an Affiliate and it is possible that the Acquiring Fund could sustain losses during periods in which one or more Affiliates and other accounts achieve profits on their trading for proprietary or other accounts. The 1940 Act imposes limitations on certain transactions between a registered investment company and affiliated persons of the investment company, as well as affiliated persons of such affiliated persons. Among others, affiliated persons of an investment company include its investment adviser; officers; directors/trustees; any person who directly or indirectly controls, is controlled by or is under common control with such investment company; any person directly or indirectly owning, controlling or holding with power to vote, five percent or more of the outstanding voting securities of such investment company; and any person five percent or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such investment company.

BlackRock has adopted policies and procedures designed to address potential conflicts of interests. For additional information about potential conflicts of interest and the way in which BlackRock addresses such conflicts, please see "Conflicts of Interest" in the Statement of Additional Information.

Portfolio Turnover Risk. The Acquiring Fund's annual portfolio turnover rate may vary greatly from year to year, as well as within a given year. Portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for the Acquiring Fund. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Acquiring Fund. High portfolio turnover may result in an increased realization of net short-term capital gains by the Acquiring Fund which, when distributed to common shareholders, will be taxable as ordinary income. Additionally, in a declining market, portfolio turnover may create realized capital losses.

Anti-Takeover Provisions Risk. The Acquiring Fund's Agreement and Declaration of Trust includes provisions that could limit the ability of other entities or persons to acquire control of the Acquiring Fund or convert the Acquiring Fund to open-end status. These provisions could deprive the holders of common shares of opportunities to sell their common shares at a premium over the then current market price of the common shares or at net asset value. See Certain Provisions of the Charter.

### INFORMATION ABOUT THE REORGANIZATIONS

The Reorganizations seek to combine three funds that have the same investment advisor and sub-advisor, certain shared portfolio managers, the same Board members, similar (but not identical) investment objectives and investment restrictions, and investment policies and strategies that focus on investments in the commodities, natural resources, basic materials and/or energy sectors.

Under the Reorganization Agreements (a form of which is attached as Appendix A to the Statement of Additional Information), the Acquiring Fund will acquire substantially all of the assets, and will assume substantially all of the liabilities, of the Target Funds, in exchange for Acquiring Fund Shares to be issued by the Acquiring Fund and listed for trading on the NYSE. Acquiring Fund Shares issued to the Target Funds will have an aggregate net asset value equal to the aggregate net asset value (not the market value) of the Target Funds' common shares, less the direct costs of such Reorganization, as applicable (though cash may be paid in lieu of any fractional common shares). The Target Funds will subsequently distribute Acquiring Fund Shares to the Target Funds' common shareholders. As soon as practicable after the Closing Date for the Reorganizations, the Target Funds will deregister as investment companies under the 1940 Act and dissolve under Delaware law. The Acquiring Fund will continue to operate as a registered, non-diversified, closed-end investment company with the investment objectives and investment policies described in this Joint Proxy Statement/Prospectus.

The Target Funds will distribute Acquiring Fund Shares received by them pro rata to the holders of record of their common shares, as applicable. The newly-issued Acquiring Fund Shares will be issued in the form of book entry interests. Such distribution of Acquiring Fund Shares to each Target Fund's shareholders will be accomplished by opening new accounts on the books of the Acquiring Fund in the names of the shareholders of the Target Funds and transferring to those shareholder accounts Acquiring Fund Shares. Each newly-opened account on the books of the Acquiring Fund for the former shareholders of the Target Funds will represent the respective *pro rata* number of Acquiring Fund Shares (rounded down, in the case of fractional common shares held other than in a Plan account, to the next largest number of whole common shares) due such shareholder. No fractional Acquiring Fund Shares will be issued (except for common shares held in a Plan account). In the event there are fractional common shares in an account other than a Plan account, the Acquiring Fund's transfer agent will aggregate all such fractional Acquiring Fund Shares and sell the resulting whole common shares on the NYSE, for the account of all holders of such fractional interests, and each such holder will be entitled to the pro rata share of the proceeds from such sale upon surrender of Target Fund common share certificates. See Terms of the Reorganization Agreements Surrender and Exchange of Share Certificates below for a description of the procedures to be followed by the Target Funds' shareholders to obtain their Acquiring Fund Shares (and cash in lieu of fractional common shares, if any).

As a result of the Reorganizations, each shareholder of a Target Fund will own Acquiring Fund Shares that (except for cash payments received in lieu of fractional common shares) will have an aggregate NAV (not the market value) immediately after the Closing Date equal to the aggregate NAV (not the market value) of that shareholder's Target Fund common shares immediately prior to the Closing Date, less the applicable costs of the Reorganizations. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of a Target Fund prior to the Reorganizations. Since Acquiring Fund Shares will be issued at NAV in exchange for the common shares of each Target Fund having a value equal to the aggregate NAV (not the market value) of those Acquiring Fund Shares, the NAV per share of Acquiring Fund Shares should remain virtually unchanged by the Reorganizations except for its share of the applicable costs of the

Reorganizations. Thus, the Reorganizations will result in no dilution of the NAV of Acquiring Fund Shares, other than to reflect the applicable costs of the Reorganization. However, as a result of the Reorganizations, a shareholder of any of the Funds will hold a reduced percentage of ownership in the Combined Fund than he or she did in any of the Target Funds. No sales charge or commission of any kind will be charged to shareholders of the Target Funds in connection with their receipt of Acquiring Fund Shares in the Reorganizations.

If a Reorganization is not approved by a Target Fund's shareholders, such Target Fund will continue to operate, for the time being, as a stand-alone Delaware statutory trust and will continue to be advised by the Investment Advisor. If, however, the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of that Target Fund and its product line, recommend alternative proposals to the Board of such Target Fund. In the event the Acquiring Fund shareholders do not approve an Issuance with respect to a Reorganization, then the affected Target Fund would continue to exist and operate on a stand-alone basis. An unfavorable vote by the shareholders of one of the Target Funds with respect to one of the Reorganizations or the Acquiring Fund with respect to one of the Issuances will not affect the implementation of the other Reorganization.

#### **The Board's Recommendation**

The Board of each Target Fund recommends that shareholders of its Target Fund approve such Target Fund's proposed Reorganization at the Special Meeting to be held on November 10, 2014 at 9:00 a.m. (Eastern time).

The Board of the Acquiring Fund recommends that shareholders of the Acquiring Fund approve the Acquiring Fund's proposed Issuances at the Special Meeting to be held on November 10, 2014 at 9:00 a.m. (Eastern time).

Shareholder approval of the BCF Reorganization requires the affirmative vote of a 1940 Act Majority of BCF shareholders.

Shareholder approval of the BQR Reorganization requires the affirmative vote of a 1940 Act Majority of BQR shareholders.

Shareholder approval of each of BCX's proposed Issuances in connection with the Reorganizations requires the affirmative vote of a majority of the votes cast.

A 1940 Act Majority means the affirmative vote of either (i) 67% or more of the voting securities present at the Special Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund, whichever is less.

Subject to the requisite approval of the shareholders of each Fund with regard to its Reorganization or Issuance, as applicable, it is expected that the Closing Date will be sometime during the fourth quarter of 2014, but it may be at a different time as described herein.

The BCF Board recommends that shareholders of BCF vote **FOR** BCF's proposed Reorganization.

The BQR Board recommends that shareholders of BQR vote **FOR** BQR's proposed Reorganization.

The Acquiring Fund Board recommends that shareholders of the Acquiring Fund vote **FOR** each of BCX's proposed Issuances in connection with the Reorganizations.

For additional information regarding voting requirements, see [Voting Information and Requirements](#). Investing in the Combined Fund following the Reorganizations involves risks. For additional information, see [Risk Factors and Special Considerations](#).



## Reasons for the Reorganizations

The Board of each Fund, including the Independent Board Members, has unanimously approved its Reorganization or the Issuance, as applicable, including its respective Reorganization Agreement(s), at a meeting held on July 30, 2014. Based on the considerations below, the Board of each Fund, including the Independent Board Members, has determined that its Reorganization or the Issuance, as applicable, would be in the best interests of such Fund and that the interests of its existing shareholders would not be diluted with respect to NAV as a result of the Reorganizations or the Issuance, as applicable. As a result of the Reorganizations or the Issuance, as applicable, however, shareholders of each Fund will hold a reduced percentage of ownership in the larger Combined Fund than they did in any of the individual Funds. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors taken as a whole with respect to each Fund and its shareholders, although individual Board Members may have placed different weight and assigned different degrees of materiality to various factors. Before reaching these conclusions, the Board of each Fund, including the Independent Board Members, engaged in a thorough review process relating to its proposed Reorganization. The Board of each Fund also received a memorandum outlining, among other things, the legal standards and certain other considerations relevant to the Board's deliberations.

The Board of each Fund considered its Reorganization or the Issuance, as applicable, over a series of meetings. In preparation for the meeting of each Board held on July 30, 2014 (the Meeting) at which the Reorganizations were approved, the Investment Advisor provided each Board with information regarding the proposed Reorganizations, including the rationale therefor and alternatives considered to the Reorganizations.

Each Board considered a number of factors presented at the time of the Meeting or prior meetings in reaching their determinations, including, but not limited to, the following, which are discussed in further detail below:

potential for improved economies of scale and a lower Total Expense Ratio with respect to each Fund;

the potential effects of the Reorganizations on the earnings and distributions of each Fund;

the potential effects of the Reorganizations on each Fund's premium/discount to NAV;

the compatibility of the Funds' investment objectives, investment policies and related risks and risk profiles;

consistency of portfolio management and portfolio composition;

the potential for improved secondary market trading, including the potential for greater secondary market liquidity for the Combined Fund's common shares, which may result in tighter bid-ask spreads and better trade execution for the Combined Fund's shareholders when purchasing or selling the Combined Fund's common shares;

the potential for operating and administrative efficiencies for the Combined Fund, including the potential for the following benefits:

greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions and more favorable transaction terms;

benefits from having fewer closed-end funds offering similar products in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and

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benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors;

the anticipated tax-free nature of the Reorganizations (except with respect to taxable distributions from any Fund prior to, or after, the consummation of the Reorganizations);

the potential effects on the Funds' capital loss carryforwards;

the potential effects on each Fund's undistributed net investment income;

the expected costs of the Reorganizations;

the terms of the Reorganizations and whether the Reorganizations would dilute the interests of shareholders of the Funds;

the effect of the Reorganizations on shareholder rights;

alternatives to the Reorganizations for each Fund; and

any potential benefits of the Reorganizations to the Investment Advisor and its affiliates.

*Potential for Improved Economies of Scale and Potential for a Lower Expense Ratio.* Each Board considered the fees and Total Expense Ratio of its Fund (including estimated expenses of the Combined Fund after the Reorganizations). The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.06% on a historical and *pro forma* basis for the 12-month period ended April 30, 2014, representing a reduction in the Total Expense Ratio for the shareholders of BCF, BQR and BCX of 0.15%, 0.32% and 0.01%, respectively, as a percentage of average net assets attributable to common shares. Based on a pro-forma Lipper expense group for the Combined Fund, the estimated Total Expense Ratio is projected to be in the first quartile. There can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of any Reorganization. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the Funds in the Reorganizations.

*Potential Effects of the Reorganizations on Earnings and Distributions.* The Boards noted that the Combined Fund's earnings yield on NAV following the Reorganizations is expected to be comparable (i.e., the same or slightly lower or higher) to each Fund's current earnings yield on NAV; thus, assuming that all the Reorganizations are consummated and that BCX's distribution policy remains in place after the Reorganizations, shareholders of each Fund may experience a distribution yield on NAV comparable (i.e., the same or slightly lower or higher) to their current distribution yield on NAV. The Combined Fund's earnings and distribution yield on NAV will change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield on NAV prior to the Reorganizations. A Fund's earnings and net investment income are variables which depend on many factors, including its asset mix, portfolio turnover level, performance of its investments, the movement of interest rates and general market conditions.

*Potential Effects of the Reorganizations on Premium/Discount to NAV.* The Boards noted that the common shares of BCX have historically traded at a discount to NAV and the common shares of BCF and BQR have historically fluctuated between a discount and a premium to NAV. As of August 31, 2014, the NAV per common share of BCF was \$10.65 and the market price per common share of BCF was \$9.30, representing a discount to NAV of 12.68%, the NAV per common share of BQR was \$9.35 and the market price per common share of BQR was \$8.25, representing a discount to NAV of 11.76% and the NAV per common share of BCX was \$14.04 and the market price per common share of BCX was \$12.23, representing a discount to NAV of 12.89%. Each Target Fund Board noted that to the extent its Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of the Reorganizations, the Target Fund's shareholders would have the potential for an economic benefit by the narrowing of the discount or widening of the premium if the Reorganizations are consummated. Each Target Fund's Board also noted that to the extent its Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of the Reorganizations, the Target Fund's shareholders may be negatively impacted if the Reorganizations are consummated. The Board of the Acquiring Fund noted that Acquiring Fund shareholders would only benefit from a premium/discount perspective to the extent the post-Reorganizations discount (or premium) improves. There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at a narrower discount to NAV or wider premium to NAV than any individual Fund prior to the Reorganizations.

*Compatibility of Investment Objectives, Investment Policies and Related Risks and Risk Profiles.* Each Board noted that its Fund's shareholders will remain invested in a NYSE-listed, closed-end management investment company registered under the 1940 Act that will have substantially greater net assets and compatible investment objectives and investment policies, subject to the differences described below and in Comparison of the Funds' Investments. The style and risk/return profile of the Combined Fund is expected to remain comparable to those of each Fund because of the similarities in the investment policies of each Fund. However, the Boards of BCF and BQR noted that the Combined Fund will be subject to investment policies that are broader than those of BCF and BQR.

BQR is a diversified, closed-end management investment company registered under the 1940 Act. BCF and BCX are each a non-diversified, closed-end management investment company registered under the 1940 Act. This means that BCX and BCF may invest a greater percentage of their assets in the obligations of a single issuer than BQR. The Combined Fund will be a non-diversified investment company under the 1940 Act. To the extent the Combined Fund invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Combined Fund may be more susceptible than a diversified investment company, such as BQR, to any single corporate, economic, political or regulatory occurrence.

BCX has a broader investment policy with respect to investments in the commodities and natural resources sectors permitting BCX to invest in broader segments of the commodities and natural resources sectors than BCF and BQR. While BCX's broader investment policy with respect to the commodities and natural resources sectors may provide benefits of additional diversification, it may also expose shareholders of BCF and BQR to additional risks in the commodities and natural resources sectors that they are not currently subject to.

BCF invests, under normal market conditions, at least 80% of its assets in equity securities of energy, natural resources and basic materials companies and equity derivatives with exposure to companies in the energy, natural resources and basic materials industries.

BQR invests, under normal market conditions, at least 80% of its assets in equity securities issued by companies that are engaged in one or more of New Energy, Water Resources and Agriculture business segments.

BCX invests, under normal market conditions, at least 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources.

Each Fund may employ a strategy of writing (selling) covered call and put options on common stocks.

BCF and BQR may each invest up to 10% of its total assets in debt securities rated below investment grade. BCX does not have such a limitation and could potentially have greater exposure to the risks associated with below investment grade securities. To the extent the Combined Fund invests a larger proportion of its assets in below investment grade securities, former shareholders of BCF and BQR could potentially have greater exposure to the risks associated with below investment grade securities. Below investment grade quality securities (rated Ba/BB or below) are commonly referred to as high yield or junk bonds and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Issuers of high yield bonds are not perceived to be as strong financially as those with higher credit ratings. These issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments.

The Funds' ability to borrow or use leverage is subject to limitations prescribed in the 1940 Act. In addition to such 1940 Act limitations, each Target Fund has a non-fundamental restriction prohibiting such Target Fund from issuing senior securities or borrowing money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward commitment transactions and similar investment

strategies). BCX does not have such non-fundamental restriction. None of the Funds currently intend to incur indebtedness or issue preferred shares for investment purposes, except the Funds may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

For additional information, please see *Comparison of Risks* and *General Risks of Investing in the Acquiring Fund* under the section entitled *Risk Factors and Special Considerations*.

*Consistency of Portfolio Management and Portfolio Composition.* Each Board noted that its Fund will continue to have the same investment advisor. In addition, a majority of the members of the Combined Fund's portfolio management team are members of each Fund's current portfolio management team; thus, each Fund's shareholders will benefit from the continuing experience and expertise of portfolio managers from such Fund's current portfolio management team. After the Reorganizations, it is expected that BCX's current portfolio management team, consisting of Kyle G. McClements, Christopher Accettella, Joshua Freedman, Thomas Holl and Desmond Cheung, will continue to comprise the team of investment professionals for the Combined Fund.

The table below provides a comparison of the Funds' portfolio managers.

<b>BCF</b>	<b>BQR</b>	<b>BCX</b>	<b>Combined Fund</b>
Poppy Allonby, CFA	Poppy Allonby, CFA	-	-
Robin Batchelor	Robin Batchelor	-	-
Kyle G. McClements, CFA	Kyle G. McClements, CFA	Kyle G. McClements, CFA	Kyle G. McClements, CFA
Christopher Accettella	Christopher Accettella	Christopher Accettella	Christopher Accettella
Joshua Freedman, CFA	Joshua Freedman, CFA	Joshua Freedman, CFA	Joshua Freedman, CFA
Alastair Bishop	Alastair Bishop	-	-
Olivia Markham, CFA	-	-	-
-	Desmond Cheung, CFA	Desmond Cheung	Desmond Cheung
-	-	Thomas Holl, CFA	Thomas Holl, CFA

BCF is currently managed by a team of investment professionals comprised of Poppy Allonby, Robin Batchelor, Kyle G. McClements, Christopher Accettella, Joshua Freedman, Olivia Markham, and Alastair Bishop. Shareholders of BCF will continue to have at least three members of its current portfolio management team on the Combined Fund's portfolio management team (Poppy Allonby, Robin Batchelor, Olivia Markham and Alastair Bishop will not be part of the Combined Fund's portfolio management team).

BQR is currently managed by a team of investment professionals comprised of Poppy Allonby, Robin Batchelor, Kyle G. McClements, Christopher Accettella, Joshua Freedman, Desmond Cheung, and Alastair Bishop. Shareholders of BQR will continue to have at least four members of its current portfolio management team on the Combined Fund's portfolio management team (Poppy Allonby, Robin Batch and Alastair Bishop will not be part of the Combined Fund's portfolio management team).

Each Board also considered the portfolio composition of its Fund and the impact of the Reorganizations on the Fund's portfolio. The Boards noted that while there is no substantial overlap in the portfolio holdings of the Funds, the portfolio holdings of each Target Fund are generally consistent with the portfolio guidelines of the Acquiring Fund, and the Acquiring Fund may invest in any of the securities held by the Target Funds. As noted above in *Compatibility of Investment Objectives, Investment Policies and Related Risks and Risk Profiles*, the Combined Fund may have a large portion of its portfolio in segments of the commodities and natural resources sectors that shareholders of BCF and BQR are not currently exposed to. Each Board noted that it is not anticipated that there will be any significant disposition of the holdings in its Fund as a result of the Reorganizations because of the similarities among the portfolio guidelines of the Funds.

*Potential for Improved Secondary Market Trading.* While it is not possible to predict trading levels at the time the Reorganizations close, each Board considered that the Combined Fund may provide greater secondary market liquidity for its common shares as it would be larger than any of the Funds, which may result in tighter bid-ask spreads, better trade execution for the Combined Fund's shareholders when purchasing or selling Combined Fund common shares and potential for improved premium/discount levels for the Combined Fund's common shares. However, there can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at a narrower discount to NAV or wider premium to NAV than common shares of any individual Fund prior to the Reorganizations.

*Potential for Operating and Administrative Efficiencies.* Each Board noted that the Combined Fund may achieve certain operating and administrative efficiencies from its larger net asset size, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, more favorable transaction terms and better trade execution.

Each Board also noted that the Combined Fund may experience potential benefits from having fewer closed-end funds offering similar products in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage.

Each Board also noted that the Combined Fund may experience potential benefits from having fewer similar funds in the same fund complex, including a simplified operational model, the elimination of complexities involved with having duplicative funds, easier product differentiation for shareholders (including shareholders of the Combined Fund) and reduced risk of operational, legal and financial errors.

*Anticipated Tax-Free Reorganization.* Each Board noted that it is anticipated that shareholders of its Fund will recognize no gain or loss for U.S. federal income tax purposes as a result of the Reorganizations (except with respect to cash received in lieu of fractional shares), as each Reorganization is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. Shareholders of each Fund may receive distributions prior to, or after, the consummation of the Reorganizations, including distributions attributable to their proportionate share of Combined Fund built-in gains, if any, recognized after the Reorganizations, when such income and gains are eventually distributed by the Combined Fund. Such distribution may be taxable to shareholders for U.S. federal income tax purposes.

*Capital Loss Carryforward Considerations.* Each Board considered that the capital loss carryforwards of the Combined Fund attributable to each Target Fund that participates in a Reorganization (and, if both Reorganizations are consummated, capital loss carryforwards attributable to the Acquiring Fund) will be subject to tax loss limitation rules by reason of such Fund undergoing an ownership change in the Reorganization. Each Board also considered that the ability of its Fund to fully utilize its existing capital loss carryforwards and that the actual effect of the loss limitation rules depends on many variables and assumptions, including projected performance, and is, therefore, highly uncertain.

The portion of a Fund's distributions that exceeds its current and accumulated earnings and profits, which are calculated under tax principles, will constitute a non-taxable return of capital. Although capital loss carryforwards from prior years can offset realized net capital gains, capital loss carryforwards will offset current earnings and profits only if they were generated in the Fund's 2012 taxable year or thereafter. If distributions in any tax year are less than the Fund's current earnings and profits but are in excess of net investment income and net realized capital gains (which would occur, for example, if the Fund utilizes pre-2012 capital loss carryforwards to offset capital gains in that tax year), such excess is not treated as a non-taxable return of capital but rather may be taxable to shareholders at ordinary income rates even though it may economically represent a return of capital. Under certain circumstances, such taxable excess distributions could be significant. Although BCF and BCX currently do not have any pre-2012 capital loss carryforwards, a substantial portion of BQR's capital loss carryforwards are from pre-2012 tax years. The Combined Fund will acquire BQR's unused pre-2012 capital loss carryforwards as a result of the Reorganizations, and thus shareholders of BCF and BCX may be subject to taxable excess distributions as a shareholder of the Combined Fund.

*Potential Effects of the Reorganizations on Undistributed Net Investment Income.* Each Board noted that all of the undistributed net investment income ( UNII ), if any, of its Fund is expected to be distributed to such Fund's shareholders prior to the Reorganizations if such Fund's Reorganization is approved by shareholders. Each Board also noted that although the Combined Fund will not have the benefit of a positive UNII balance immediately after the completion of the Reorganizations, the Combined Fund's future distributions are expected to be aligned with sustainable earnings. However, there can be no assurance that such alignment will occur immediately following the Reorganizations or in the future. The Combined Fund's earnings and distribution yield on NAV will change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield on NAV prior to the Reorganizations.

*Expected Costs of the Reorganization.* Each Board considered the terms and conditions of its Reorganization Agreement(s), including the estimated costs associated with each Reorganization, and the allocation of such costs among the Funds. Each Board noted, however, that the Investment Advisor anticipated that the projected costs of a consummated Reorganization may be recovered over time. The Board of BCX noted that the Investment Advisor would bear all of the costs of the Reorganizations for BCX because the shareholders of BCX are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BCF and BQR.

*Terms of the Reorganization and Impact on Shareholders.* Each Board noted that the aggregate NAV (not the market value) of the shares of the Combined Fund that Target Fund shareholders will receive in the Reorganizations is expected to equal the aggregate NAV (not the market value) of the Target Fund shares that Target Fund shareholders owned immediately prior to the Reorganizations, and the NAV of Target Fund shares will not be diluted as a result of the Reorganizations. Fractional Acquiring Fund Shares will generally not be issued to Target Fund shareholders in connection with the Reorganizations, and Target Fund shareholders should expect to receive cash in lieu of such fractional shares.

*Effect on Shareholder Rights.* Each Board noted that each Fund is organized as a Delaware statutory trust. Each Board also noted that the common shareholders of each Fund have substantially similar voting rights and rights with respect to the payment of dividends and distribution of assets upon liquidation of their respective Fund and have no preemptive, conversion or exchange rights.

*Alternatives to the Reorganizations.* In reaching its decision to approve each Fund's respective Reorganization, the Board of such Fund considered various alternatives, including continuing to operate such Fund as a separate Fund and other reorganization combinations involving such Fund.

*Potential Benefits to the Investment Advisor and its Affiliates.* Each Board recognized that the Reorganizations may result in some benefits and economies of scale for the Investment Advisor and its affiliates. These may include, for example, administrative and operational efficiencies or a reduction in certain operational expenses as a result of the elimination of a Target Fund as a separate fund in the BlackRock closed-end fund complex.

The Board of BCX noted that the Investment Advisor would bear all of the costs of the Reorganizations for BCX because the shareholders of BCX are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BCF and BQR.

In addition, if any of the Reorganizations are consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 1.00% of the average daily net assets of the Combined Fund, which is lower than the contractual investment management fee rate of any individual Fund, lower than the current effective investment management fee rate of BCF and BQR, and the same as the current effective investment management fee rate of BCX. The Combined Fund will not be subject to a separate fee for administration services or benefit from any fee waivers.

*Conclusion.* Each Board, including the Independent Board Members, approved its Reorganization or the Issuance, as applicable, concluding that such Reorganization or the Issuance, as applicable, is in the best interests of its Fund and that the interests of existing shareholders of its Fund will not be diluted with respect to NAV as a result of such Reorganization or the Issuance, as applicable. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors taken as a whole with respect to its Fund and the Fund's shareholders, although individual Board Members may have placed different weight on various factors and assigned different degrees of materiality to various factors.

### **Terms of the Reorganization Agreements**

The following is a summary of the significant terms of the Reorganization Agreements. This summary is qualified in its entirety by reference to the Form of Reorganization Agreement attached as Appendix A to the Statement of Additional Information.

#### *Valuation of Assets and Liabilities*

The respective assets of each of the Funds will be valued on the business day prior to the Closing Date of the Reorganizations (the Valuation Time). The valuation procedures are the same for each Fund: the NAV per common share of each Fund will be determined after the close of business on the NYSE (generally, 4:00 p.m., Eastern time) at the Valuation Time. For the purpose of determining the NAV of a common share of each Fund, the value of the securities held by such Fund plus any cash or other assets (including interest accrued but not yet received) minus all liabilities (including accrued expenses) of such Fund is divided by the total number of common shares of such Fund outstanding at such time. Daily expenses, including the fees payable to the Investment Advisor, will accrue at the Valuation Time.

#### *Amendments and Conditions*

The Reorganization Agreements may be amended at any time prior to the Closing Date with respect to any of the terms therein upon mutual agreement. However, after adoption of the Reorganization Agreements and approval of the Reorganizations, no amendment or modification may be made which by law requires further approval by such shareholders without such further approval. The obligations of each Fund pursuant to the applicable Reorganization Agreement are subject to various conditions, including a registration statement on Form N-14 being declared effective by the SEC, approval of the Reorganization Agreement by the shareholders of the respective Target Funds, approval of the Issuances by the shareholders of the Acquiring Fund, receipt of an opinion of counsel as to tax matters, receipt of an opinion of counsel as to corporate and securities matters and the continuing accuracy of various representations and warranties of the Funds being confirmed by the respective parties.

#### *Postponement; Termination*

Under the Reorganization Agreements, the Board of any Fund may cause its Reorganization to be postponed or abandoned under certain circumstances should such Board determine that it is in the best interests of the shareholders of its respective Fund to do so. A Reorganization Agreement may be terminated, and the corresponding Reorganization abandoned at any time (whether before or after adoption thereof by the shareholders of the Funds that are parties to such Reorganization Agreement) prior to the Closing Date, or the Closing Date may be postponed: (i) by mutual consent of the Boards of such Funds and (ii) by the Board of either Fund if any condition to that Fund's obligations set forth in the pertinent Reorganization Agreement has not been fulfilled or waived by such Board.



*Surrender and Exchange of Share Certificates*

The Acquiring Fund will issue to Target Fund shareholders book entry interests for the Acquiring Fund Shares registered in the name of such Target Fund shareholders on the basis of each holder's proportionate interest in the aggregate NAV (not the market value) of Target Fund common shares. With respect to any Target Fund shareholder holding certificates evidencing ownership of Target Fund shares as of the Closing Date, and subject to the Acquiring Fund being informed thereof in writing by the Target Fund, the Acquiring Fund will not permit such shareholder to receive new book entry interests of the Acquiring Fund Shares, until notified by the Target Fund or its agent that such shareholder has surrendered his or her outstanding certificates evidencing ownership of Target Fund shares or, in the event of lost certificates, posted adequate bond. The Target Fund, at its own expense, will request its shareholders to surrender their outstanding certificates evidencing ownership of Target Fund shares or post adequate bond.

Please do not send in any share certificates at this time. Upon consummation of the Reorganizations, shareholders of the Target Funds will be furnished with instructions for exchanging their share certificates for book entry interests representing Acquiring Fund Shares and, if applicable, cash in lieu of fractional common shares.

From and after the Closing Date, there will be no transfers on the stock transfer books of the Target Funds. If, after the Closing Date, certificates representing common shares of the Target Funds are presented to the Acquiring Fund, they will be cancelled and exchanged for book entry interests representing Acquiring Fund Shares and cash in lieu of fractional common shares, if applicable, distributable with respect to the Target Funds' common shares in the Reorganizations.

*Expenses of the Reorganizations*

The expenses of the Reorganizations (assuming all of the Reorganizations are consummated) are estimated to be \$560,000 for BCF, \$345,000 for BQR and \$565,000 for BCX. BCF and BQR will bear their own expenses incurred in connection with the Reorganizations. The Investment Advisor will bear all of the costs of the Reorganization for BCX because the shareholders of BCX are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BCF and BQR. The expenses incurred in connection with the Reorganizations include but are not limited to, costs related to the preparation and distribution of materials distributed to each Fund's Board, expenses incurred in connection with the preparation of the Reorganization Agreements and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to shareholders, SEC and state securities commission filing fees, and legal and audit fees in connection with the Reorganizations, including legal fees incurred preparing each Fund's Board materials, attending each Fund's Board meetings and preparing the minutes, auditing fees associated with each Fund's financial statements, stock exchange fees, transfer agency fees, rating agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganizations, which will be incurred directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate. Neither the Funds nor the Advisors will pay any expenses of shareholders arising out of or in connection with the Reorganizations (e.g., expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Reorganizations or other action taken by the shareholder in connection with the Reorganizations). The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

## THE FUNDS

Each Fund is organized as a Delaware statutory trust pursuant to its Agreement and Declaration of Trust governed by the laws of the State of Delaware. Each Fund's common shares are listed on the New York Stock Exchange.

BCF was organized on July 19, 2006 and commenced investment operations on September 29, 2006. BCF is a non-diversified, closed-end management investment company registered under the 1940 Act.

BQR was organized on June 13, 2007 and commenced investment operations on September 28, 2007. BQR is a diversified, closed-end management investment company registered under the 1940 Act.

BCX was organized on November 19, 2010 and commenced investment operations on March 30, 2011. BCX is a non-diversified, closed-end management investment company registered under the 1940 Act.

## THE ACQUIRING FUND'S INVESTMENTS

### Investment Objectives

The Acquiring Fund's primary investment objective is to seek high current income and current gains, with a secondary objective of capital appreciation. The Acquiring Fund will seek to achieve its objectives by investing substantially all of its assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives. There can be no assurance that the Acquiring Fund will achieve its investment objectives. The Acquiring Fund's investment objectives are not fundamental and may be changed by the Board.

### Investment Policies

The Acquiring Fund will seek to achieve its investment objectives, under normal market conditions, by investing at least 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives. Commodities and natural resources include, without limitation, minerals, metals (including precious, industrial and rare metals), steel, agricultural products and commodities, livestock, environmental commodities, wool, ethanol, chemicals, forest products (including wood, pulp and paper), plastic, rubber, sugar, cotton, cocoa, coffee, basic materials, building materials, water, oil, gas, consumable fuel, energy and other natural resources. Commodity and natural resources companies, include, but are not limited to, companies in commodities, natural resources and energy businesses and in associated businesses and companies that provide services or have exposure to such businesses (collectively, the Commodities and Natural Resources Sector). These companies include, without limitation, companies engaged in the exploration, ownership, production, refinement, processing, transportation, distribution or marketing of commodities or natural resources, companies that use commodities and natural resources extensively in their products, including companies that are engaged in businesses such as integrated oil, oil and gas exploration and production, gold, metals and minerals, steel and iron ore production, aluminum and related products, energy services, and technology, metal production, forest products, including timber and related wood and paper products, chemicals, fertilizer and agricultural chemicals, building materials, coal and other consumable fuel, alternative energy sources, environmental services

and agricultural products (including crop growers, owners of plantations, and companies that produce and process foods), as well as related transportation companies and equipment manufacturers. The Acquiring Fund will consider a company to be a commodity or natural resources company if: (i) at least 50% of the company's assets, income, sales or profits are committed to or derived from the Commodities and Natural Resources Sector; or (ii) a third party classification (such as (a) Standard Industry Classifications and the North American Industry Classification System, each of which is published by the Executive Office of the President, Office of Management and Budget and (b) classifications used by third party data providers including, without limitation, FactSet Research Systems Inc. and MSCI Barra), has given the company an industry or sector classification consistent with the Commodities and Natural Resources Sector.

Equity securities held by the Acquiring Fund may include common stocks, preferred stocks, convertible securities, warrants, depository receipts, equity interests in Canadian Royalty Trusts, and equity interests in master limited partnerships (MLPs). The Acquiring Fund will not invest more than 25% of the value of its total assets in MLPs. The Acquiring Fund's economic exposure to securities and derivatives linked to the underlying price movements of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives (Commodity-Related Instruments) will not exceed 20% of its total assets. Commodity-Related Instruments may include, but will not be limited to, investments in structured notes, partnership interests, exchange-traded funds that make commodity-related or natural resources-related investments, mutual funds and strategic transactions, including futures contracts on commodities and natural resources, forward contracts on commodities and natural resources and swap contracts on commodities and natural resources.

The Acquiring Fund may invest in such Commodity-Related Instruments either directly or indirectly through the Subsidiary. Investments in the Subsidiary are intended to provide the Acquiring Fund with exposure to commodities market returns within the limitations of the federal tax requirements that apply to the Acquiring Fund. The Acquiring Fund may gain exposure to certain Commodity-Related Instruments and certain other commodity-related and natural resources-related investments that, if the Acquiring Fund invested in such investments directly, would not produce Qualifying Income (as defined herein) by investing in the Subsidiary. The assets of the Subsidiary and the assets of the Acquiring Fund, taken as a whole, are subject to the same investment restrictions and limitations, and follow the same compliance policies and procedures, as the Acquiring Fund.

Although the Acquiring Fund is permitted to invest up to 20% of its total assets in Commodity-Related Instruments, the Acquiring Fund is not required to invest in Commodity-Related Instruments and does not currently expect to invest in securities and derivatives linked to the underlying price movement of commodities or natural resources. The Acquiring Fund may invest in Commodity-Related Instruments (either directly or through the Subsidiary) when the Investment Advisor believes it is advantageous for the Acquiring Fund to do so.

While permitted, the Acquiring Fund does not currently expect to invest in securities and derivatives linked to the underlying price movement of commodities or natural resources; therefore, the Acquiring does not currently intend to invest any assets in the Subsidiary.

The CFTC subjects advisers to registered investment companies to regulation by the CFTC if a fund that is advised by the investment adviser either (i) invests directly or indirectly more than a prescribed level of its liquidation value in CFTC-regulated futures, options and swaps (CFTC Derivatives), or (ii) markets itself as providing investment exposure to such instruments. To the extent the Acquiring Fund uses CFTC Derivatives, it intends to do so below such prescribed levels and will not market itself as a commodity pool or a vehicle for trading such instruments. Accordingly, BlackRock Advisors, LLC has claimed an exclusion from the definition of the term commodity pool operator under the Commodity Exchange Act (CEA) pursuant to Rule 4.5 under the CEA. BlackRock Advisors, LLC is not, therefore, subject to registration or regulation as a commodity pool operator under the CEA in respect of the Acquiring Fund.

The Acquiring Fund may invest in companies of any market capitalization located anywhere in the world. The Acquiring Fund expects to invest primarily in companies located in developed countries, but may invest in companies located in emerging markets.

The Acquiring Fund may invest up to 20% of its total assets in debt securities issued by companies in the Commodities and Natural Resources Sector or any type of securities issued by companies that are not in the Commodities and Natural Resources Sector.

As part of its investment strategy, the Acquiring Fund may employ a strategy of writing (selling) covered call options on a portion of the common stocks in its portfolio, writing (selling) covered put options and, to a lesser extent, writing (selling) covered call and put options on indices of securities and sectors of securities. This option strategy is intended to generate current gains from option premiums as a means to enhance distributions payable to the Acquiring Fund's shareholders.

In addition to the option strategies discussed above, the Acquiring Fund may engage in strategic transactions for hedging purposes or to enhance total return. The Acquiring Fund may also engage in short sales of securities. See *Investment Restrictions* and *Portfolio Composition and Other Information - Short Sales* for information about the limitations applicable to the Acquiring Fund's short sale activities.

The Acquiring Fund may lend securities with a value up to 33 1/3% of its total assets (including such loans) to financial institutions that provide cash or securities issued or guaranteed by the U.S. Government as collateral.

The Acquiring Fund may implement various temporary defensive strategies at times when the Advisor or Sub-Advisor determines that conditions in the markets make pursuing the Acquiring Fund's basic investment strategy inconsistent with the best interests of its shareholders. These strategies may include investing all or a portion of the Acquiring Fund's assets in U.S. Government obligations and short-term debt securities that may be either tax-exempt or taxable. See *Portfolio Composition and Other Information - Short-Term Debt Securities; and Temporary Defensive Position*.

Under current market conditions, the Acquiring Fund currently does not intend to engage in short sales or incur indebtedness or issue preferred shares for investment purposes, except the Acquiring Fund may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

Unless otherwise stated herein or in the Statement of Additional Information, the Acquiring Fund's investment objectives and investment policies are non-fundamental policies and may be changed by the Board. In addition, the percentage limitations applicable to the Acquiring Fund's portfolio described in this this Joint Proxy Statement/Prospectus apply only at the time of investment, and the Acquiring Fund will not be required to sell investments due to subsequent changes in the value of investments that it owns.

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

The Acquiring Fund's portfolio will be composed principally of the following investments. A more detailed description of the Acquiring Fund's investment policies and restrictions and more detailed information about the Acquiring Fund's portfolio investments are contained in the Statement of Additional Information.

*Equity Securities.* The Acquiring Fund intends to invest primarily in equity securities, including common and preferred stocks, convertible securities, warrants and depository receipts, of issuers engaged in the commodity-related and the natural resources-related businesses and companies, including Canadian Royalty Trusts and MLPs. The Acquiring Fund will not invest more than 25% of the value of its total assets in MLPs. Common stocks generally represent an equity ownership interest in an issuer. Although common stocks have historically generated higher average total returns than fixed-income securities over the long term, common

stocks also have experienced significantly more volatility in those returns and may under-perform relative to fixed-income securities during certain periods. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Acquiring Fund. Also, prices of common stocks are sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Acquiring Fund has exposure. Common stock prices fluctuate for several reasons including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase. The Acquiring Fund will employ a strategy, as described below, of writing covered call options on common stocks.

The Acquiring Fund's investments in preferred stock and convertible securities are not subject to a minimum rating limitation. For more information regarding preferred stocks, convertible securities, warrants and depository receipts, see *Equity Securities*, *Preferred Stock*, *Convertible Securities*, *Warrants*, *Depository Receipts* and *Canadian Royalty Trusts* under *Investment Policies and Techniques* in the *Statement of Additional Information*.

*Commodity and Natural Resources Companies.* Commodities and natural resources include, without limitation, minerals, metals (including precious, industrial and rare metals), steel, agricultural products and commodities, livestock, environmental commodities, wool, ethanol, chemicals, forest products (including wood, pulp and paper), plastic, rubber, sugar, cotton, cocoa, coffee, basic materials, building materials, water, oil, gas, consumable fuel, energy and other natural resources. Commodity and natural resources companies, include, but are not limited to, companies in commodities, natural resources, energy and associated industries and companies that provide services or have exposure to such businesses (collectively, the *Commodities and Natural Resources Sector*). These companies include, without limitation, companies engaged in the exploration, ownership, production, refinement, processing, transportation, distribution or marketing of commodities or natural resources, companies that use commodities and natural resources extensively in their products, companies that are engaged in businesses such as integrated oil, oil and gas exploration and production, gold, metals and minerals, steel and iron ore production, aluminum and related products, energy services, and technology, metal production, forest products, including timber and related wood and paper products, chemicals, fertilizer and agricultural chemicals, building materials, coal and other consumable fuel, alternative energy sources, environmental services and agricultural products (including crop growers, owners of plantations, and companies that produce and process foods), as well as related transportation companies and equipment manufacturers. The Acquiring Fund will consider a company to be a commodity or natural resources company if: (i) at least 50% of the company's assets, income, sales or profits are committed to or derived from the *Commodities and Natural Resources Sector*; or (ii) a third party classification (such as (a) *Standard Industry Classifications* and the *North American Industry Classification System*, each of which is published by the Executive Office of the President, Office of Management and Budget and (b) classifications used by third party data providers including, without limitation, *FactSet Research Systems Inc.* and *MSCI Barra*), has given the company an industry or sector classification consistent with the *Commodities and Natural Resources Sector*.

*Commodities-Related Derivatives.* Commodities-related derivatives may be used to hedge a position in a commodity or natural resources company or industry or a commodity or natural resource producing country or for non-hedging purposes, such as to gain exposure to a particular type of commodity or natural resource or commodity or natural resource market. Commodities-related derivatives include, but are not limited to, commodities contracts, commodity futures or options thereon (investments in contracts for the future purchase or sale of commodities); commodity exchange-traded funds (exchange-traded funds that track the price of a single commodity, such as gold or oil, or a basket of commodities); total return swaps based on a commodity index (permitting one party to receive/pay the total return on a commodity index against payment/receipt of an agreed upon spread/interest rate); commodity-linked notes (providing a return based on a formula referenced to a commodity index); commodity exchange traded notes (non-interest paying debt instruments whose price

fluctuates (by contractual commitment) with an underlying commodities index); sovereign issued oil warrants (a sovereign obligation the coupon on which is contingent on the price of oil); and any other commodities-related derivative permitted by law.

*Commodity-Linked Notes.* A commodity-linked note is a derivative instrument that has characteristics of a debt security and of a commodity-linked derivative. A commodity-linked note typically provides for interest payments and a principal payment at maturity linked to the price movement of the underlying commodity, commodity index or commodity futures or option contract. These notes are sometimes referred to as structured notes because the terms of these notes may be structured by the issuer and the purchaser of the note. The value of these notes will rise or fall in response to changes in the underlying commodity, commodity futures contract, subset of commodities, subset of commodities futures contracts or commodity index. These notes expose the Acquiring Fund economically to movements in commodity prices. These notes also are subject to risks, such as counterparty, credit, market and interest rate risks. In addition, these notes are often leveraged, increasing the volatility of each note's market value relative to changes in the underlying commodity, commodity futures contract or commodity index. Therefore, at the maturity of the note, the Acquiring Fund may receive more or less principal than it originally invested. The Acquiring Fund might receive interest payments on the note that are more or less than the stated coupon interest payments.

Commodity-linked notes may be principal protected, partially protected, or offer no principal protection. A principal protected commodity-linked note means that the issuer will pay, at a minimum, the par value of the note at maturity. Therefore, if the commodity value to which the commodity-linked note is linked declines over the life of the note, the Acquiring Fund will receive at maturity the face or stated value of the note.

With a principal protected commodity-linked note, the Acquiring Fund will receive at maturity the greater of the par value of the note or the value of the underlying commodity or index. This protection is, in effect, an option whose value is subject to the volatility and price level of the underlying commodity. This optionality can be added to the note's structure, but only for a cost higher than that of a partially protected (or no protection) commodity-linked note. The Investment Advisor's decision on whether to use principal protection depends in part on the cost of the protection. In addition, the protection feature depends upon the ability of the issuer to meet its obligation to buy back the security, and therefore depends on the creditworthiness of the issuer.

With full principal protection, the Acquiring Fund is entitled to receive at maturity of the commodity-linked note either the stated par value of the commodity-linked note, or potentially, an amount greater than the stated par value if the underlying commodity, index, futures or option contract or other underlying economic variable increases in value. Partially protected commodity-linked notes may suffer some loss of principal if the underlying commodity, index, futures or options contract or other economic variable declines in value during the term of the note. However, partially protected commodity-linked notes have a specified limit as to the amount of principal that they may lose.

The Acquiring Fund may also invest in commodity-linked notes that offer no principal protection. At maturity, there is a risk that the underlying commodity price, futures or option contract, index or other economic variable may have declined sufficiently in value such that some or all of the face value of the commodity-linked note might not be returned. Some of the commodity-linked notes that the Acquiring Fund may invest in may have no principal protection and the note could lose all of its value.

With a partially-protected or no-principal-protection commodity-linked note, the Acquiring Fund may receive at maturity an amount less than the note's par value if the commodity, index or other economic variable value to which the note is linked declines over the term of the note. The Investment Advisor, at its discretion, may invest in a partially protected principal commodity-linked note or a note without principal protection. In deciding to purchase a note without principal protection, the Investment Advisor may consider, among other things, the expected performance of the underlying commodity futures or option contract, index or other economic variable over the term of the note, the cost of the note, and any other economic factors which the Investment Advisor believes are relevant.

Certain commodity-linked notes in which the Acquiring Fund may invest may be considered qualifying hybrid instruments excluded from regulation under the CEA and the regulations adopted thereunder.

The Acquiring Fund's use of commodity-linked notes and other commodity-linked derivatives is also subject to regulatory requirements that are intended to reduce the effects of the instruments' economic leverage. The Acquiring Fund currently does not intend to invest in commodity-linked notes that involve leverage.

*Futures.* The Acquiring Fund may buy and sell interest rate futures contracts, commodity futures, financial futures, and forward contracts. The Acquiring Fund can hold positions in commodity futures contracts. When the Acquiring Fund purchases a futures contract or writes a put option or purchases a call option thereon, an amount of cash or liquid assets will be segregated or designated on the Acquiring Fund's books and records so that the amount so segregated or designated, plus the amount of variation margin held in the account of its broker, equals the market value of the futures contract, thereby ensuring that the use of such futures is unleveraged. Amounts delivered to futures commission merchants for margin purposes will be counted as segregated or earmarked for this purpose. Commodity futures may be based upon commodities within five main commodity groups:

1. energy, which includes crude oil, Brent crude oil, gas oil, natural gas, gasoline and heating oil;
2. livestock, which includes feeder cattle, live cattle and hogs;
3. agriculture, which includes wheat (Kansas wheat and Chicago wheat), corn, soybeans, cotton, coffee, sugar and cocoa;
4. industrial metals, which includes aluminum, copper, lead, nickel, and zinc; and
5. precious metals, which includes gold and silver.

The Acquiring Fund may purchase and sell commodity futures contracts, options on futures contracts and options and futures on commodity indices with respect to these five main commodity groups and the individual commodities within each group, as well as other types of commodities. The Acquiring Fund's investments in commodity futures contracts and related instruments may involve substantial risks. Some of the special characteristics and risks of these investments are described below.

When purchasing stocks or bonds, the buyer acquires ownership in the security, however buyers of futures contracts are not entitled to ownership of the underlying commodity until and unless they decide to accept delivery at expiration of the contract. In practice, delivery of the underlying commodity to satisfy a futures contract rarely occurs because most futures traders use the liquidity of the central marketplace to sell their futures contract before expiration.

*Swaps.* The Acquiring Fund will not invest more than 15% of its total assets in swaps. Swap agreements are contracts in which one party agrees to make periodic payments based on the change in market value of a specified security, commodity, basket of securities or commodities, or index or interest rate in return for periodic payments based on a fixed or variable interest rate or change in the market value of a different security, basket of securities, or index. The Acquiring Fund may invest in total return swaps to gain exposure to the overall commodity markets. In a total return commodity swap the Acquiring Fund will receive the price appreciation of a commodity index, a portion of the index, or a single commodity in exchange for paying an agreed-upon fee. If the commodity swap is for one period, the Acquiring Fund will pay a fixed fee, established at the outset of the swap. However, if the term of the commodity swap is more than one period, with interim swap payments, the Acquiring Fund will pay an adjustable or floating fee. With a floating rate, the fee is pegged to a base rate such as the London Interbank Offered Rate (LIBOR), and is adjusted each period. Therefore, if interest rates increase over the term of the swap contract, the Acquiring Fund may be required to pay a higher fee at each swap reset date.

*The Cayman Subsidiary.* The Acquiring Fund will not invest more than 20% of its total assets in Commodity-Related Instruments. While permitted, the Acquiring Fund does not currently expect to invest in securities and derivatives linked to the underlying price movement of commodities or natural resources; therefore, the Acquiring Fund does not currently intend to invest any assets in the Subsidiary.

Investments in the Subsidiary are expected to provide the Acquiring Fund with exposure to the commodity markets within the limitations of Subchapter M of the Code. The Subsidiary is advised by the Investment Advisor. The Subsidiary (unlike the Acquiring Fund) may invest without limitation in commodity-related instruments. However, the Subsidiary is otherwise subject to the same fundamental, non-fundamental and certain other investment restrictions as the Acquiring Fund. The Subsidiary is a company organized under the laws of the Cayman Islands, whose registered office is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Uglan House, Grand Cayman KYI-1104, Cayman Islands. The Subsidiary's affairs are overseen by a board of directors, which is comprised of Paul L. Audet and Henry Gabbay, each an interested trustee of the Acquiring Fund. The Acquiring Fund is the sole shareholder of the Subsidiary, and shares of the Subsidiary are not expected to be sold or offered to other investors.

The Subsidiary invests primarily in commodity-related instruments. The Fund may gain exposure to these commodity-related instruments indirectly by investing in the Subsidiary. To the extent that the Investment Advisor believes that these commodity-related instruments provide suitable exposure to the commodities market, the Acquiring Fund's investment in the Subsidiary will likely increase.

The Investment Advisor manages the assets of the Subsidiary, but receives no additional compensation for doing so. The Investment Advisor also provides certain administrative services for the Subsidiary, but receives no additional compensation for doing so. The Subsidiary entered into contracts for the provision of custody, transfer agency, and accounting agent services with the same or with affiliates of the same service providers that provide those services to the Acquiring Fund.

The Subsidiary is managed pursuant to compliance policies and procedures that are the same, in all material respects, as the policies and procedures adopted by the Acquiring Fund. As a result, the Investment Advisor, in managing the Subsidiary's portfolio, is subject to the same investment policies and restrictions that apply to the management of the Acquiring Fund, and, in particular, to the requirements relating to portfolio leverage, liquidity, brokerage, and the timing and method of the valuation of the Subsidiary's portfolio investments and shares of the Subsidiary. These policies and restrictions are described elsewhere in detail in this Joint Proxy Statement/Prospectus and the Statement of Additional Information. The Fund's Chief Compliance Officer oversees implementation of the Subsidiary's policies and procedures, and makes periodic reports to the Acquiring Fund's Board of Trustees regarding the Subsidiary's compliance with its policies and procedures. The Fund and Subsidiary test for compliance with certain investment restrictions on a consolidated basis, except that with respect to its investments in certain securities that may involve leverage, the Subsidiary complies with asset segregation requirements to the same extent as the Acquiring Fund.

The financial statements of the Subsidiary will be consolidated with the Acquiring Fund's financial statements in the Acquiring Fund's Annual and Semi-Annual Reports. The Fund's Annual and Semi-Annual Reports are distributed to shareholders. Copies of the Acquiring Fund's Annual and Semi-Annual Reports are provided without charge upon request by calling (800) 441-7762 between 8:00 a.m. and 6:00 p.m. Eastern time on any business day.

The Subsidiary is not registered under the 1940 Act and, unless otherwise noted in the Acquiring Fund's Joint Proxy Statement/Prospectus or this Statement of Additional Information, is not subject to all the investor protections of the 1940 Act. However, the Acquiring Fund wholly owns and controls the Subsidiary, and the Acquiring Fund and the Subsidiary's assets will both be managed by the Investment Advisor, making it unlikely that the Subsidiary will take action contrary to the interests of the Acquiring Fund and its shareholders. The Board has oversight responsibility for the investment activities of the Acquiring Fund, including its investment in the Subsidiary, and the Acquiring Fund's role as sole shareholder of the Subsidiary. As noted above, the



Subsidiary will be subject to the same investment restrictions and limitations, and follow the same compliance policies and procedures, as the Acquiring Fund. Changes in the laws of the United States and/or the Cayman Islands could result in the inability of the Acquiring Fund and/or the Subsidiary to operate as described in the Acquiring Fund's Joint Proxy Statement/Prospectus and the Statement of Additional Information and could adversely affect the Acquiring Fund. For example, the Cayman Islands does not currently impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax on the Subsidiary. If Cayman Islands law changes such that the Subsidiary must pay Cayman Islands taxes, Fund shareholders would likely suffer decreased investment returns.

*Other Investment Companies.* The Acquiring Fund may invest up to 10% of its total assets in securities of other open- or closed-end investment companies that invest primarily in securities of the types in which the Acquiring Fund may invest directly. As a shareholder in an investment company, the Acquiring Fund would bear its ratable share of that investment company's expenses, and would remain subject to payment of the Acquiring Fund's advisory and other fees and expenses with respect to assets so invested. Holders of common shares would therefore be subject to duplicative expenses to the extent the Acquiring Fund invests in other investment companies. The Investment Advisor will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available bond investments. The securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks to which the Acquiring Fund is subject. The net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares. Investment companies may have investment policies that differ from those of the Acquiring Fund. In addition, to the extent the Acquiring Fund invests in other investment companies, the Acquiring Fund will be dependent upon the investment and research abilities of persons other than those employed by the Investment Advisor.

*Exchange-Traded Funds.* The Acquiring Fund may invest in exchange-traded funds (ETFs), which are investment companies that aim to track or replicate a desired index, such as a sector, market or global segment. For example, the Acquiring Fund may invest in ETFs, which are typically open-end funds or unit investment trusts, listed on a stock exchange. The Acquiring Fund might do so as a way of gaining exposure to the Commodities and Natural Resources Sector represented by an ETF's portfolio. ETFs are usually passively managed and their shares are traded on a national exchange or The NASDAQ Stock Market, Inc. ETFs do not sell individual shares directly to investors and only issue their shares in large blocks known as creation units. The investor purchasing a creation unit may sell the individual shares on a secondary market. Therefore, the liquidity of ETFs depends on the adequacy of the secondary market. There can be no assurance that an ETF's investment objective will be achieved, as ETFs based on an index may not replicate and maintain exactly the composition and relative weightings of securities in the index. ETFs are subject to the risks of investing in the underlying securities or other instruments. The Acquiring Fund, as a holder of the securities of the ETF, will bear its pro rata portion of the ETF's expenses, including advisory fees. These expenses are in addition to the direct expenses of the Acquiring Fund's own operations.

*Exchange-Traded Notes.* Exchange-traded notes (ETNs) are senior, unsecured, unsubordinated debt securities whose returns are linked to the performance of a particular market benchmark or strategy minus applicable fees. ETNs are traded on an exchange (e.g., the New York Stock Exchange) during normal trading hours. However, investors can also hold the ETN until maturity. At maturity, the issuer pays to the investor a cash amount equal to the principal amount, subject to the applicable market benchmark or strategy factor.

ETNs do not make periodic coupon payments or provide principal protection. ETNs are subject to credit risk and the value of the ETN may drop due to a downgrade in the issuer's credit rating, despite the underlying market benchmark or strategy remaining unchanged. The value of an ETN may also be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying assets, changes in the applicable interest rates, changes in the issuer's credit rating, and economic, legal, political, or geographic events that affect the referenced underlying asset. When the Acquiring Fund invests in ETNs it will bear its proportionate share of any fees and expenses borne by the ETN. The Acquiring Fund's decision to sell its ETN

holdings may be limited by the availability of a secondary market. In addition, although an ETN may be listed on an exchange, the issuer may not be required to maintain the listing and there can be no assurance that a secondary market will exist for an ETN.

ETNs are also subject to tax risk. No assurance can be given that the Internal Revenue Service (the IRS) will accept, or a court will uphold, how the Acquiring Fund characterize and treat ETNs for tax purposes. Further, the IRS and Congress are considering proposals that would change the timing and character of income and gains from ETNs.

An ETN that is tied to a specific market benchmark or strategy may not be able to replicate and maintain exactly the composition and relative weighting of securities, commodities or other components in the applicable market benchmark or strategy. Some ETNs that use leverage can, at times, be relatively illiquid and, thus, they may be difficult to purchase or sell at a fair price. Leveraged ETNs are subject to the same risk as other instruments that use leverage in any form.

The market value of ETN shares may differ from their market benchmark or strategy. This difference in price may be due to the fact that the supply and demand in the market for ETN shares at any point in time is not always identical to the supply and demand in the market for the securities, commodities or other components underlying the market benchmark or strategy that the ETN seeks to track. As a result, there may be times when an ETN share trades at a premium or discount to its market benchmark or strategy.

*Options.* The Acquiring Fund may purchase and sell call and put options on futures contracts, including commodity futures contracts, commodity indices, financial indices, securities indices, currencies, financial futures, swaps and securities. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or strike price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. Certain options, known as American style options may be exercised at any time during the term of the option. Other options, known as European style options, may be exercised only on the expiration date of the option.

If an option written by the Acquiring Fund expires unexercised, the Acquiring Fund realizes on the expiration date a capital gain equal to the premium received by the Acquiring Fund at the time the option was written. If an option purchased by the Acquiring Fund expires unexercised, the Acquiring Fund realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, underlying security, exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when the Acquiring Fund desires. The Acquiring Fund may sell put or call options it has previously purchased, which could result in a net gain or loss depending on whether the amount realized on the sale is more or less than the premium and other transaction costs paid on the put or call option when purchased. The Acquiring Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if it is more, the Acquiring Fund will realize a capital loss. If the premium received from a closing sale transaction is more than the premium paid to purchase the option, the Acquiring Fund will realize a capital gain or, if it is less, the Acquiring Fund will realize a capital loss. Net gains from the Acquiring Fund's option strategy will be short-term capital gains which, for federal income tax purposes, will constitute net investment company taxable income.

*Call Options and Covered Call Writing.* The Acquiring Fund follows a strategy known as covered call option writing, which is a strategy designed to generate current gains from option premiums as a means to enhance distributions payable to the Acquiring Fund's shareholders. Under current market conditions, this strategy will be the Acquiring Fund's primary option investment strategy. As the Acquiring Fund writes covered calls over more of its portfolio, its ability to benefit from capital appreciation becomes more limited.

As part of its strategy, the Acquiring Fund may not sell naked call options on individual securities, i.e., options representing more shares of the stock than are held in the portfolio. A call option written by the Acquiring Fund on a security is covered if the Acquiring Fund owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration (or, if additional cash consideration is required, cash or other assets determined to be liquid by the Investment Advisor (in accordance with procedures established by the Board) in such amount are segregated by the Acquiring Fund's custodian or designated on the Acquiring Fund's books and records) upon conversion or exchange of other securities held by the Acquiring Fund. A call option is also covered if the Acquiring Fund holds a call on the same security as the call written where the expiration date of the call held is equal to or greater than the expiration date of the call written and the exercise price of the call held is (i) equal to or less than the exercise price of the call written, or (ii) greater than the exercise price of the call written, provided the difference is maintained by the Acquiring Fund in segregated or earmarked assets determined to be liquid by the Investment Advisor as described above.

The standard contract size for a single option is 100 shares of the common stock. There are four items needed to identify any option: (1) the underlying security, (2) the expiration month, (3) the strike price and (4) the type (call or put). For example, ten XYZ Co. \$40 call options provide the right to purchase 1,000 shares of XYZ Co. on or before October 31 at \$40 per share. A call option whose strike price is above the current price of the underlying stock is called out-of-the-money. Most of the options that will be sold by the Acquiring Fund are expected to be out-of-the-money, allowing for potential appreciation in addition to the proceeds from the sale of the option. An option whose strike price is below the current price of the underlying stock is called in-the-money and could be sold by the Acquiring Fund as a defensive measure to protect against a possible decline in the underlying stock.

The following is a conceptual example of a covered call transaction, making the following assumptions: (1) a common stock currently trading at \$37.15 per share; (2) a six-month call option is written with a strike price of \$40 (i.e., 7.7% higher than the current market price); and (3) the writer receives \$2.45 (or 6.6% of the common stock's value) as premium income. This example is not meant to represent the performance of any actual common stock, option contract or the Acquiring Fund itself. Under this scenario, before giving effect to any change in the price of the stock, the covered-call writer receives the \$2.45 premium, representing 6.6% of the common stock's value, regardless of the stock's performance over the six-month period until option expiration. If the stock remains unchanged, the option will expire and there would be a 6.6% return for the 6-month period. If the stock were to decline in price by 6.6%, the strategy would break even, thus offering no gain or loss. If the stock were to climb to a price of \$40 or above, the option would be exercised at the strike price of \$40, and the covered-call writer would benefit from (1) the appreciation of the stock price from \$37.15 to \$40.00 (i.e., a 7.7% return) and (2) the \$2.45 option premium (i.e., a 6.6% return), which together reflects a total return of 14.3%. Under this scenario, the investor would not benefit from any appreciation of the stock above \$40, and thus be limited to a 14.3% total return. The premium income from writing the call option serves to offset some of the unrealized loss on the stock in the event that the price of the stock declines, but if the stock were to decline more than 6.6% under this scenario, the investor would experience a loss. The stock's price could lose its entire value.

For conventional listed call options, the option's expiration date can be up to nine months from the date the call options are first listed for trading. Longer-term call options can have expiration dates up to three years from the date of listing. It is anticipated that under certain circumstances, when deemed at the Advisors' discretion to be in the best interests of the Acquiring Fund, options that are written against Acquiring Fund stock holdings may be repurchased prior to the option's expiration date, generating a gain or loss in the options. If the options were not to be repurchased, the option holders would exercise their rights and buy the stock from the Acquiring Fund at the strike price if the stock traded at a higher price than the strike price. In general, when deemed at the Advisors' discretion to be in the best interests of the Acquiring Fund, the Acquiring Fund may continue to hold its common stocks rather than allowing them to be called away by the option holders.

*Put Options.* Put options are contracts that give the holder of the option, in return for a premium, the right to sell to the writer of the option the security underlying the option at a specified exercise price at any time during

the term of the option. These strategies may produce a considerably higher return than the Acquiring Fund's primary strategy of covered call writing, but involve a higher degree of risk and potential volatility.

The Acquiring Fund writes (sells) put options on individual securities only if the put option is covered. A put option written by the Acquiring Fund on a security is covered if the Acquiring Fund segregates or designates on its books and records assets determined to be liquid by the Investment Advisor, as described above, equal to the exercise price. A put option is also covered if the Acquiring Fund holds a put on the same security as the put written where the expiration date of the put held is equal to or greater than the expiration date of the put written and the exercise price of the put held is (i) equal to or greater than the exercise price of the put written, or (ii) less than the exercise price of the put written, provided the difference is maintained by the Acquiring Fund in segregated or earmarked assets determined to be liquid by the Investment Advisor, as described above.

The following is a conceptual example of a put transaction, making the following assumptions: (1) a common stock currently trading at \$37.15 per share; (2) a six-month put option written with a strike price of \$35.00 (i.e., 94.2% of the current market price); and (3) the writer receives \$1.10 (or 2.96% of the common stock's value) as premium income. This example is not meant to represent the performance of any actual common stock, option contract or the Acquiring Fund itself. Under this scenario, before giving effect to any change in the price of the stock, the put writer receives the premium, representing 2.96% of the common stock's value, regardless of the stock's performance over the six-month period until the option expires. If the stock remains unchanged, appreciates in value or declines less than 5.8% in value, the option will expire and there would be a 2.96% return for the six-month period. If the stock were to decline by 5.8% or more, the Acquiring Fund would lose an amount equal to the amount by which the stock's price declined minus the premium paid to the Acquiring Fund. The stock's price could lose its entire value, in which case the Acquiring Fund would lose \$33.90 (\$35.00 minus \$1.10).

*Options on Indices.* The Acquiring Fund may sell put and call options on indices of securities. Options on an index differ from options on securities because (i) the exercise of an index option requires cash payments and does not involve the actual purchase or sale of securities, (ii) the holder of an index option has the right to receive cash upon exercise of the option if the level of the index upon which the option is based is greater, in the case of a call, or less, in the case of a put, than the exercise price of the option and (iii) index options reflect price fluctuations in a group of securities or segments of the securities market rather than price fluctuations in a single security.

As the seller of an index put or call option, the Acquiring Fund receives cash (the premium) from the purchaser. The purchaser of an index put option has the right to any depreciation in the value of the index below a fixed price (the exercise price) on or before a certain date in the future (the expiration date). The purchaser of an index call option has the right to any appreciation in the value of the index over a fixed price (the exercise price) on or before a certain date in the future (the expiration date). The Acquiring Fund, in effect, agrees to accept the potential depreciation (in the case of a put) or sell the potential appreciation (in the case of a call) in the value of the relevant index in exchange for the premium. If, at or before expiration, the purchaser exercises the put or call option sold by the Acquiring Fund, the Acquiring Fund will pay the purchaser the difference between the cash value of the index and the exercise price of the index option. The premium, the exercise price and the market value of the index determine the gain or loss realized by the Acquiring Fund as the seller of the index put or call option.

The Acquiring Fund may execute a closing purchase transaction with respect to an index option it has sold and sell another option (with either a different exercise price or expiration date or both) under certain circumstances, when deemed at the Advisors' discretion to be in the best interests of the Acquiring Fund. The cost of a closing transaction may reduce the net index option premiums realized from the sale of the index option.

The Acquiring Fund covers its obligations when it sells index options. An index option is considered covered if the Acquiring Fund designates on its books and records or maintains with its custodian assets determined to be liquid in an amount equal to the contract value of the index. An index put option also is covered

if the Acquiring Fund holds a put on the same index as the put written where the expiration date of the put held is equal to or greater than the expiration date of the put written and the exercise price of the put held is (i) equal to or more than the exercise price of the put written, or (ii) less than the exercise price of the put written, provided the difference is maintained by the Acquiring Fund in liquid assets that are segregated or designated on the Acquiring Fund's books and records. An index call option also is covered if the Acquiring Fund holds a call on the same index as the call written where the expiration date of the call held is equal to or greater than the expiration date of the call written and the exercise price of the call held is (i) equal to or less than the exercise price of the call written, or (ii) greater than the exercise price of the call written, provided the difference is maintained by the Acquiring Fund in liquid assets that are segregated or designated on the Acquiring Fund's books and records.

*Limitation on Option Writing Strategy.* The Acquiring Fund generally intends to write covered call and put options, the notional amount of which will be approximately 30% to 40% of the Acquiring Fund's total assets, although this percentage may vary from time to time with market conditions. As the Acquiring Fund writes covered calls over more of its portfolio, its ability to benefit from capital appreciation becomes more limited and the Acquiring Fund will lose money to the extent that it writes call options that are not covered by securities in its portfolio and the securities or index on which it writes the option appreciates above the exercise price of the option by an amount that exceeds the exercise price of the option. The number of covered put and call options on securities the Acquiring Fund can write is limited by the total assets the Acquiring Fund holds, and further limited by the fact that all options represent 100 share lots of the underlying common stock. In connection with its option writing strategy, the Acquiring Fund will not write naked or uncovered put or call options, other than those that are covered by the segregation or designation on its books and records of liquid assets as described above. Furthermore, the Acquiring Fund's exchange-listed option transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Acquiring Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Investment Advisor. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions.

*Master Limited Partnerships.* The Acquiring Fund may invest up to 25% of the value of its total assets in MLPs. The MLPs in which the Acquiring Fund intends to invest will be limited partnerships (or limited liability companies taxable as partnerships), the units of which will be listed and traded on a U.S. securities exchange. In addition, such MLPs will derive income and gains from the exploration, development, mining or production, processing, refining, transportation (including pipeline transporting gas, oil, or products thereof), or the marketing of any mineral or natural resources. The Acquiring Fund may, however, invest in MLP entities in any sector of the economy.

An MLP is an entity receiving partnership taxation treatment under the Code, and whose interests or units are traded on securities exchanges like shares of corporate stock. MLPs generally have two classes of owners, the general partner and limited partners. When investing in an MLP, the Acquiring Fund intends to purchase publicly traded common units issued to limited partners of the MLP. The general partner is typically owned by one or more of the following: a major energy company, an investment fund, or the direct management of the MLP. The general partner may be structured as a private or publicly traded corporation or other entity. The general partner typically controls the operations and management of the MLP; has an ownership stake in the partnership, typically a 2% general partner equity interest and usually additional common units and subordinated units; and is eligible to receive an incentive distribution. Limited partners own the remainder of the partnership, through ownership of common units, and have a limited role in the partnership's operations and management. The limited partners also receive cash distributions.

MLPs are typically structured such that common units and general partner interests have first priority to receive quarterly cash distributions up to an established minimum amount ( minimum quarterly distributions or MQD ). Common and general partner interests also accrue arrearages in distributions to the extent the MQD is not paid. Once common and general partner interests have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to both common and subordinated units generally on a pro rata basis.

The general partner is also eligible to receive incentive distributions if the general partner operates the business in a manner that results in distributions paid per common unit surpassing specified target levels. As the general partner increases cash distributions to the limited partners, the general partner receives an increasingly higher percentage of the incremental cash distributions. A common arrangement provides that the general partner can reach a tier where it receives 50% of every incremental dollar paid to common and subordinated unit holders. These incentive distributions encourage the general partner to streamline costs, increase capital expenditures and acquire assets in order to increase the partnership's cash flow and raise the quarterly cash distribution in order to reach higher tiers. Such results benefit all security holders of the MLP.

To qualify as an MLP for U.S. federal income tax purposes, an entity must receive at least 90% of its income from qualifying sources such as interest, dividends, real estate rents, gain from the sale or disposition of real property, income and gain from mineral or natural resources activities, income and gain from the transportation or storage of certain fuels, gain from the sale or disposition of a capital asset held for the production of income described in the foregoing and, in certain circumstances, income and gain from commodities or futures, forwards and options with respect to commodities. Mineral or natural resources activities include exploration, development, production, mining, refining, marketing and transportation (including pipelines), of oil and gas, minerals, geothermal energy, fertilizer, timber or industrial source carbon dioxide. Currently, most MLPs operate in the energy, natural resources, or real estate sectors. Due to their partnership structure, MLPs generally do not pay income taxes. Thus, unlike investors in corporate securities, direct MLP investors are generally not subject to double taxation (i.e. corporate level tax and tax on corporate dividends). For more information on MLPs, see Investment Policies and Techniques Master Limited Partnership Interests in the Statement of Additional Information.

*Non-U.S. Securities.* The Acquiring Fund may invest in companies of any market capitalization located anywhere in the world. The Acquiring Fund expects to invest primarily in companies located in developed countries, but may invest in companies located in emerging markets. Some non-U.S. securities may be less liquid and more volatile than securities of comparable U.S. issuers. Similarly, there is less volume and liquidity in most foreign securities markets than in the United States and, at times, greater price volatility than in the United States.

Because evidences of ownership of such securities usually are held outside the United States, the Acquiring Fund will be subject to additional risks if it invests in non-U.S. securities, which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the foreign securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. Because non-U.S. securities trade on days when the common shares are not priced, net asset value can change at times when common shares cannot be sold. Since non-U.S. securities may be purchased with and payable in foreign currencies, the value of these assets measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

*Short Sales.* The Acquiring Fund may sell securities short directly, including equity and debt securities, or through the use of derivatives. A short sale is a transaction in which the Acquiring Fund sells a security it does not own in anticipation that the market price of that security will decline. The Acquiring Fund may make short sales to strategic positions, for risk management, in order to maintain portfolio flexibility or to enhance income or gain.

When the Acquiring Fund makes a short sale, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. The Acquiring Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities.

The Acquiring Fund secures its obligation to replace the borrowed security by depositing collateral with the broker-dealer, usually in cash, U.S. Government securities or other liquid securities similar to those borrowed. The Acquiring Fund will also be required to designate on its books and records or segregate with its custodian similar collateral to the extent, if any, necessary so that the aggregate collateral value is at all times at least equal to the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which the Acquiring Fund borrowed the security, regarding payment received by the Acquiring Fund on such security, the Acquiring Fund may not receive any payments (including interest) on its collateral deposited with such broker-dealer.

If the price of the security sold short increases between the time of the short sale and the time the Acquiring Fund replaces the borrowed security, the Acquiring Fund will incur a loss; conversely, if the price declines, the Acquiring Fund will realize a gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Although the Acquiring Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

The Acquiring Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 15% of the value of its total assets or the Acquiring Fund's aggregate short sales of a particular class of securities exceeds 15% of the outstanding securities of that class. The Acquiring Fund may also make short sales against the box without respect to such limitations. In this type of short sale, at the time of the sale, the Acquiring Fund owns or has the immediate and unconditional right to acquire at no additional cost the identical security.

*Short-Term Debt Securities; and Temporary Defensive Position.* During periods in which the Investment Advisor determines that they are temporarily unable to follow the Acquiring Fund's investment strategy or that it is impractical to do so or pending re-investment of proceeds received in connection with the sale of a security, the Acquiring Fund may deviate from its investment strategy and invest all or any portion of its assets in cash, cash equivalents or short-term debt instruments. See Investment Policies and Techniques Cash Equivalents and Short-Term Debt Securities in the Statement of Additional Information.

The Investment Advisor's determination that they are temporarily unable to follow the Acquiring Fund's investment strategy or that it is impractical to do so will generally occur only in situations in which a market disruption event has occurred and where trading in the securities selected through application of the Acquiring Fund's investment strategy is extremely limited or absent. In such a case, shares of the Acquiring Fund may be adversely affected and the Acquiring Fund may not pursue or achieve its investment objectives.

*Securities Lending and Delayed Settlement Transactions.* The Acquiring Fund may lend the securities it owns to others, which allows the Acquiring Fund the opportunity to earn additional income. The Acquiring Fund may lend securities with a value up to 33 1/3% of its total assets (including such loans) to financial institutions that provide cash or securities issued or guaranteed by the U.S. Government as collateral. Although the Acquiring Fund will require the borrower of the securities to post collateral for the loan in accordance with market practice and the terms of the loan will require that the Acquiring Fund be able to reacquire the loaned securities if certain events occur, the Acquiring Fund is still subject to the risk that the borrower of the securities may default, which could result in the Acquiring Fund losing money, which would result in a decline in the Acquiring Fund's net asset value. The Acquiring Fund may also purchase securities for delayed settlement. This means that the Acquiring Fund is generally obligated to purchase the securities at a future date for a set purchase price, regardless of whether the value of the securities is more or less than the purchase price at the time of settlement.

*Strategic Transactions.* In addition to the option strategies discussed above, the Acquiring Fund may, but is not required to, use various strategic transactions described below to, facilitate portfolio management, mitigate risks and enhance total return. Such strategic transactions are generally accepted under modern portfolio management and are regularly used by many mutual funds, closed-end funds and other institutional investors. Although the Investment Advisor seeks to use the practices to further the Acquiring Fund's investment objectives, no assurance can be given that these practices will achieve this result.

The Acquiring Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, financial futures, equity indices, and other financial instruments, purchase and sell financial futures contracts and options thereon and engage in swaps. The Acquiring Fund also may purchase derivative instruments that combine features of these instruments. Collectively, all of the above are referred to as Strategic Transactions. The Acquiring Fund generally seeks to use Strategic Transactions as a portfolio management or hedging technique to seek to protect against possible adverse changes in the market value of securities held in or to be purchased for the Acquiring Fund's portfolio, protect the value of the Acquiring Fund's portfolio, facilitate the sale of certain securities for investment purposes, or establish positions in the derivatives markets as a temporary substitute for purchasing or selling particular securities. The Acquiring Fund may use Strategic Transactions to enhance potential total returns.

Strategic Transactions have risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to use Strategic Transactions successfully depends on the Investment Advisor's ability to predict pertinent market movements, which cannot be assured. Thus, the use of Strategic Transactions may result in losses greater than if they had not been used, may require the Acquiring Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Acquiring Fund can realize on an investment, or may cause the Acquiring Fund to hold a security that it might otherwise sell. Additionally, amounts paid by the Acquiring Fund as premiums and cash or other assets held in margin accounts with respect to Strategic Transactions are not otherwise available to the Acquiring Fund for investment purposes. A more complete discussion of Strategic Transactions and their risks is contained in the Acquiring Fund's Statement of Additional Information.

#### **Investment Restrictions**

Except as described below, as a fundamental policy, the Acquiring Fund may not, without the approval of the holders of a majority of the outstanding common shares and preferred shares, if any, voting together as a single class, and of the holders of a majority of the outstanding preferred shares, if any, voting as a separate class:

(1) invest 25% or more of the value of its total assets in any one industry (except that the Acquiring Fund will invest at least 25% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives);

(2) issue senior securities or borrow money other than as permitted by the 1940 Act or pledge its assets other than to secure such issuances or in connection with hedging transactions, short sales, when-issued and forward commitment transactions and similar investment strategies;

(3) make loans of money or property to any person, except through loans of portfolio securities, the purchase of fixed income securities consistent with the Acquiring Fund's investment objectives and policies or the entry into repurchase agreements;

(4) underwrite the securities of other issuers, except to the extent that in connection with the disposition of portfolio securities or the sale of its own securities the Acquiring Fund may be deemed to be an underwriter;



(5) purchase or sell real estate, except that the Acquiring Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including REITs and real estate operating companies, and instruments secured by real estate or interests therein and the Acquiring Fund may acquire, hold and sell real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Acquiring Fund's ownership of such other assets; or

(6) purchase or sell commodities or commodity contracts except as, and to the extent, permitted by applicable law. This restriction will not prevent the Acquiring Fund from purchasing or selling, commodity-related instruments and investments, including commodity-linked derivatives such as commodity-linked notes, options, futures and forward contracts, and swaps with respect to individual commodities or indices and securities or other instruments backed by physical commodities, to the extent permitted by applicable law.

When used above with respect to particular shares of the Acquiring Fund, majority of the outstanding means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less.

The policies enumerated above are the Acquiring Fund's only fundamental policies that require a shareholder vote to change. The Acquiring Fund's investment objectives and all of its other investment policies adopted from time to time may be changed by the Board without shareholder approval.

In addition to the foregoing fundamental investment policies, the Acquiring Fund is also subject to the following non-fundamental restrictions and policies, which may be changed by the Board. The Acquiring Fund may not:

(1) make any short sale of securities except in conformity with applicable laws, rules and regulations and unless after giving effect to such sale, the market value of all securities sold short does not exceed 15% of the value of the Acquiring Fund's total assets and the Acquiring Fund's aggregate short sales of a particular class of securities of an issuer does not exceed 15% of the then outstanding securities of that class. The Acquiring Fund may also make short sales against the box without respect to such limitations. In this type of short sale, at the time of the sale, the Acquiring Fund owns or has the immediate and unconditional right to acquire at no additional cost the identical security;

(2) purchase securities of open-end or closed-end investment companies except in compliance with the 1940 Act or any regulations promulgated or exemptive relief obtained thereunder;

(3) under normal market conditions, invest less than 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities and commodity-linked derivatives; the Acquiring Fund will provide shareholders with notice at least 60 days prior to changing this non-fundamental policy of the Acquiring Fund unless such change was previously approved by shareholders; or

(4) purchase securities of companies for the purpose of exercising control.

In accordance with the 1940 Act, the Acquiring Fund may invest up to 10% of its total assets in securities of other investment companies. In addition, under the 1940 Act the Acquiring Fund may not own more than 3% of the total outstanding voting stock of any investment company and not more than 5% of the value of the Acquiring Fund's total assets may be invested in securities of any investment company. Pursuant to the 1940 Act (or alternatively, pursuant to exemptive orders received from the Commission) these percentage limitations do not apply to investments in affiliated money market funds, and under certain circumstances, do not apply to investments in affiliated investment companies, including exchange traded funds.

The restrictions and other limitations set forth in the Acquiring Fund's prospectus and in this Statement of Additional Information will apply only at the time of purchase of securities and will not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of the acquisition of securities. Any investment policy or restriction described in the prospectus or in this Statement of Additional Information is deemed to be a non-fundamental policy or restriction of the Acquiring Fund, unless otherwise stated.

In addition, to comply with federal tax requirements for qualification as a regulated investment company, the Acquiring Fund's investments will be limited in a manner such that at the close of each quarter of each taxable year, (a) no more than 25% of the value of the Acquiring Fund's total assets are invested in the securities (other than United States government securities or securities of other regulated investment companies) of a single issuer or two or more issuers controlled by the Acquiring Fund and engaged in the same, similar or related trades or businesses and (b) with regard to at least 50% of the Acquiring Fund's total assets, no more than 5% of its total assets are invested in the securities (other than United States government securities or securities of other regulated investment companies) of a single issuer and such securities do not represent more than 10 percent of the voting securities of such issuer. These tax-related limitations may be changed by the Board to the extent appropriate in light of changes to applicable tax requirements.

The assets of the Subsidiary and the assets of the Acquiring Fund, taken as a whole, are subject to the same investment restrictions and limitations, and follow the same compliance policies and procedures, as the Acquiring Fund. The Acquiring Fund and Subsidiary tests for compliance with certain investment restrictions on a consolidated basis.

### COMPARISON OF THE FUNDS' INVESTMENTS

The investment objectives, significant investment strategies and operating policies, and investment restrictions of the Combined Fund will be those of the Acquiring Fund. A comparison of the Funds' investment objectives, policies and restrictions is set forth below.

#### Summary of Significant Differences in the Funds' Investment Objectives and Policies

Diversification Status: BQR is a diversified, closed-end management investment company registered under the 1940 Act. BCF and BCX are each a non-diversified, closed-end management investment company registered under the 1940 Act. This means that BCX and BCF may invest a greater percentage of their assets in the obligations of a single issuer than BQR. The Combined Fund will be a non-diversified investment company under the 1940 Act. To the extent the Combined Fund invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Combined Fund may be more susceptible than a diversified investment company, such as BQR, to any single corporate, economic, political or regulatory occurrence.

Investment Objectives: The Funds have similar (but not identical) investment objectives.

BCF's investment objective seeks to provide total return through a combination of current income, current gains and long-term capital appreciation.

BQR's investment objective seeks to provide total return through a combination of current income, current gains and long-term capital appreciation.

BCX's primary investment objective is to seek high current income and current gains, with a secondary objective of capital appreciation.

Investment Policies: The Funds have similar (but not identical) investment policies, except with respect to certain differences summarized below.

*Sector Concentration.* Each Fund's investments are concentrated in the commodities, natural resources, basic materials and/or energy sectors, which may present more risks than if the Fund was broadly

diversified over numerous industries and sectors of the economy. Each Fund may have different concentrations with respect to such sectors. A downturn in any one of the sectors in which a Fund invests a significant portion of its assets would have a larger impact on the Fund than on another Fund that does not concentrate in such sector.

BCX has a broader investment policy with respect to investments in the commodities and natural resources sectors permitting BCX to invest in broader segments of the commodities and natural resources sectors than BCF and BQR. After the Reorganizations, while the Combined Fund's broader investment policy with respect to the commodities and natural resources sectors may provide benefits of additional diversification, it may also expose former shareholders of BCF and BQR to additional risks in the commodities and natural resources sectors that they are not subject to prior to the Reorganizations.

BCF invests, under normal market conditions, at least 80% of its assets in equity securities of energy, natural resources and basic materials companies and equity derivatives with exposure to companies in the energy, natural resources and basic materials industries.

BQR invests, under normal market conditions, at least 80% of its assets in equity securities issued by companies that are engaged in one or more of New Energy, Water Resources and Agriculture business segments. BQR considers (i) the New Energy business segment to include products, technologies and services connected to the efficient use of energy or to the provision or manufacture of alternative forms of energy (e.g., wind, solar and hydroelectric power), including renewable energy, energy infrastructure, energy generation and distribution and energy storage; (ii) the Water Resources business segment to include products, technologies and services connected to the provision of potable and non-potable water; the disinfection or desalination of water; the production, filtering, storage and distribution of water; water control; water surveys; water infrastructure; and the improvement of water quality; and (iii) the Agriculture business segment to include products, technologies and services connected to agricultural biotechnology and bioengineering; biofuel production and distribution; farm land and forestry; agricultural commodities and food; agricultural infrastructure; farm and other agricultural equipment; fertilizer and other agriculture-related chemicals; and agricultural and food distribution.

BCX invests, under normal market conditions, at least 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources. BCX's economic exposure to securities and derivatives linked to the underlying price movements of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives will not exceed 20% of its total assets. While permitted, BCX does not currently expect to invest in securities and derivatives linked to the underlying price movement of commodities or natural resources.

*Option Writing Strategy.* Each Fund may employ a strategy of writing (selling) covered call and put options on common stocks.

*Non-Investment Grade Debt Securities.* BCF and BQR may each invest up to 10% of its total assets in debt securities rated below investment grade. BCX does not have such a limitation and could potentially have greater exposure to the risks associated with below investment grade securities. To the extent the Combined Fund invests a larger proportion of its assets in below investment grade securities, former shareholders of BCF and BQR could potentially have greater exposure to the risks associated with below investment grade securities. Below investment grade quality securities (rated Ba/BB or below) are commonly referred to as high yield or junk bonds and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Issuers of high

yield bonds are not perceived to be as strong financially as those with higher credit ratings. These issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments.

*Leverage:* The Funds' ability to borrow or use leverage is subject to limitations prescribed in the 1940 Act. In addition to such 1940 Act limitations, each Target Fund has a non-fundamental restriction prohibiting such Target Fund from issuing senior securities or borrowing money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward commitment transactions and similar investment strategies). BCX does not have such non-fundamental restriction. None of the Funds currently intend to incur indebtedness or issue preferred shares for investment purposes, except the Funds may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

Please see "Investment Objectives and Policies" and "Investment Restrictions" for a more detailed comparison of the Funds' investment objectives, policies and restrictions.

### Investment Objectives and Policies

A more detailed comparison of the Funds' investment objectives and investment policies is set forth in the table below.

BCF	BQR	BCX
<u>Target Fund Investment Objective(s)</u>	<u>Target Fund Investment Objective(s)</u>	<u>Acquiring Fund Investment Objective(s)</u>
<p>The Fund's investment objective seeks to provide total return through a combination of current income, current gains and long-term capital appreciation.</p> <p>The Fund attempts to achieve this objective by investing primarily in equity securities of companies engaged in energy, natural resources and basic materials businesses and companies engaged in associated businesses and equity derivatives with exposure to those companies.</p>	<p>The Fund's investment objective seeks to provide total return through a combination of current income, current gains and long-term capital appreciation.</p> <p>The Fund seeks to achieve its investment objective by investing substantially all of its assets in equity securities issued by companies that are engaged in one or more of the New Energy, Water Resources and Agriculture business segments and utilizing an option strategy to enhance current gains.</p>	<p>The Fund's primary investment objective is to seek high current income and current gains, with a secondary objective of capital appreciation.</p> <p>The Fund seeks to achieve its objectives by investing substantially all of its assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources.</p>

BCF	BQR	BCX
<p><b>Target Fund</b> <b><u>Sector Concentration</u></b></p>	<p><b>Target Fund</b> <b><u>Sector Concentration</u></b></p>	<p><b>Acquiring Fund</b> <b><u>Sector Concentration</u></b></p>
<p>Under normal market conditions, the Fund invests at least 80% of its total assets in equity securities of energy, natural resources and basic materials companies and equity derivatives with exposure to companies in the energy, natural resources and basic materials industries.</p> <p>Energy, natural resources and basic materials companies include those companies that own, produce, refine, process, transport and market natural resources, and companies that provide related services. These companies include, but are not limited to, those engaged in businesses such as integrated oil, oil and gas exploration and production, gold and other precious metals, steel and iron ore production, energy services, and technology, metal production, forest products, paper products, chemicals, building materials, coal, alternative energy sources and environmental services, as well as related transportation companies and equipment manufacturers.</p> <p>The Fund considers a company to be principally engaged in the energy, natural resources or basic materials industries if: (i) at least 50% of the company's assets, income, sales or profits are committed to or derived from any of the energy, natural resources or basic materials industries; or (ii) a third party classification (such as (a) Standard Industry Classifications and the North American Industry</p>	<p>Under normal market conditions, the Fund invests at least 80% of its total assets in equity securities issued by companies that are engaged in one or more of the New Energy, Water Resources and Agriculture business segments.</p> <p>For purposes of the 80% policy above, a company is considered to be engaged in one or more of these business segments if: (i) at least 50% of the company's assets, income, sales or profits are committed to or derived from one or more of the New Energy, Water Resources and Agriculture business segments; (ii) a third party has classified the company as being engaged in a New Energy, Water Resources or Agriculture business (e.g., classifications from one or more third party data providers including, without limitation, Bloomberg L.P., FactSet Research Systems Inc. and MSCI Barra); or (iii) the company has a new technology, product or business venture in the New Energy, Water Resources or Agriculture business segment that the Advisors believe may result in meaningful appreciation in the value of the company's securities.</p> <p>The Fund considers (i) the New Energy business segment to include products, technologies and services connected to the efficient use of energy or to the provision or manufacture of alternative forms of energy (e.g., wind, solar and hydroelectric power),</p>	<p>Under normal market conditions, the Fund invests at least 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives (collectively, the Commodities and Natural Resources Sector). These companies include, without limitation, companies engaged in the exploration, ownership, production, refinement, processing, transportation, distribution or marketing of commodities or natural resources and companies that use commodities and natural resources extensively in their products, including companies that are engaged in businesses such as integrated oil, oil and gas exploration and production, gold, metals and minerals, steel and iron ore production, aluminum and related products, energy services, and technology, metal production, forest products, including timber and related wood and paper</p>

BCF	BQR	BCX
<p><b>Target Fund</b></p> <p>Classification System, each of which is published by the Executive Office of the President, Office of Management and Budget and (b) classifications used by third party data providers including, without limitation, FactSet Research Systems Inc. and MSCI Barra) has given the company an industry or sector classification consistent with the designated business activity.</p>	<p><b>Target Fund</b></p> <p>including renewable energy, energy infrastructure, energy generation and distribution and energy storage; (ii) the Water Resources business segment to include products, technologies and services connected to the provision of potable and non-potable water; the disinfection or desalination of water; the production, filtering, storage and distribution of water; water control; water surveys; water infrastructure; and the improvement of water quality; and (iii) the Agriculture business segment to include products, technologies and services connected to agricultural biotechnology and bioengineering; biofuel production and distribution; farm land and forestry; agricultural commodities and food; agricultural infrastructure; farm and other agricultural equipment; fertilizer and other agriculture-related chemicals; and agricultural and food distribution.</p>	<p><b>Acquiring Fund</b></p> <p>products, chemicals, fertilizer and agricultural chemicals, building materials, coal and other consumable fuel, alternative energy sources, environmental services and agricultural products (including crop growers, owners of plantations, and companies that produce and process foods), as well as related transportation companies and equipment manufacturers.</p> <p>The Fund considers a company to be a commodity or natural resources company if: (i) at least 50% of the company's assets, income, sales or profits are committed to or derived from the Commodities and Natural Resources Sector; or (ii) a third party classification (such as (a) Standard Industry Classifications and the North American Industry Classification System, each of which is published by the Executive Office of the President, Office of Management and Budget and (b) classifications used by third party data providers including, without limitation, FactSet Research Systems Inc. and MSCI Barra), has given the company an industry or sector classification consistent with the Commodities and Natural Resources Sector.</p>
<p><b><u>Equity Securities</u></b></p> <p>Same as BCX</p>	<p><b><u>Equity Securities</u></b></p> <p>Same as BCX</p>	<p><b><u>Equity Securities</u></b></p> <p>Equity securities held by the Fund may include common stocks, preferred shares, convertible securities, warrants, depository receipts, equity interests in Canadian Royalty Trusts and equity interests in MLPs.</p>

BCF	BQR	BCX
<b><u>Target Fund Market Capitalization</u></b>	<b><u>Target Fund Market Capitalization</u></b>	<b><u>Acquiring Fund Market Capitalization</u></b>
Same as BCX	Same as BCX	The Fund may invest in companies of any market capitalization.
<b><u>Other Securities</u></b>	<b><u>Other Securities</u></b>	<b><u>Other Securities</u></b>
The Fund may invest up to 20% of its total assets in other U.S. and non-U.S. investments. These investments may include stocks and debt securities of companies not engaged in the energy, natural resources and basic materials industries.	The Fund may invest up to 20% of its total assets in equity and debt securities issued by companies that are not engaged in such business segments, including up to 10% of its total assets in non-investment grade debt securities, commonly known as junk bonds.	The Fund may invest up to 20% of its total assets in debt securities issued by companies in the Commodities and Natural Resources Sector or any type of securities issued by companies that are not in the Commodities and Natural Resources Sector.
<b><u>Physical Commodities</u></b>	<b><u>Physical Commodities</u></b>	<b><u>Physical Commodities</u></b>
The Fund does not intend to invest directly in physical commodities such as gold and other metals.	Same as BCF	No Stated Policy
<b><u>Commodity-Related Instruments</u></b>	<b><u>Commodity-Related Instruments</u></b>	<b><u>Commodity-Related Instruments</u></b>
No Stated Policy	No Stated Policy	<p>The Fund's economic exposure to securities and derivatives linked to the underlying price movements of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives ( Commodity-Related Instruments ) will not exceed 20% of its total assets.</p> <p>Commodity-Related Instruments may include, but will not be limited to, investments in structured notes, partnership interests, exchange-traded funds that make commodity-related or natural resources-related</p>

**BCF**

**Target Fund**

**BQR**

**Target Fund**

**BCX**

**Acquiring Fund**

investments, mutual funds and strategic transactions, including futures contracts on commodities and natural resources, forward contracts on commodities and natural resources and swap contracts on commodities and natural resources.

The Fund may invest in such Commodity-Related Instruments either directly or indirectly through a wholly-owned subsidiary of the Fund.

**Non-U.S. Securities**

The Fund may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies or multinational currency units. The Fund may invest in non-U.S. securities of so-called emerging market issuers.

**Non-U.S. Securities**

The Fund may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies or multinational currency units. The Fund may invest in non-U.S. securities of so-called emerging market issuers.

**Non-U.S. Securities**

The Fund may invest in companies located anywhere in the world. The Fund expects to invest primarily in companies located in developed countries, but may invest in companies located in emerging markets.

For purposes of the Fund, a company is deemed to be a non-U.S. company if it meets any of the following tests: (i) such company was not organized in the United States; (ii) such company's primary business office is not in the United States; (iii) the principal trading market for such company's assets is not located in the United States; (iv) less than 50% of such company's assets are located in the United States; or (v) 50% or more of such issuer's revenues are derived from outside the United States.

**Options**

The Fund may purchase and sell exchange-listed and over-the-counter put and call options on securities, financial futures, equity indices, and other financial instruments.

**Options**

The Fund may write (sell) covered call and put options on individual common stocks, stock indices and stock sectors.

**Options**

The Fund may purchase and sell exchange-listed and over-the-counter put and call options on securities, financial futures, futures contracts,



BCF	BQR	BCX
<p><b>Target Fund</b></p>	<p><b>Target Fund</b></p>	<p><b>Acquiring Fund</b></p>
<p>The Fund generally intends to write covered call and put options, the notional amount of which will be approximately 30% to 40% of the Fund's total assets, although this percentage may vary from time to time with market conditions.</p>	<p>Under normal market conditions, the Fund generally intends to write covered call and put options with respect to approximately 30% to 40% of its total assets, although this percentage may vary from time to time with market conditions.</p>	<p>commodity futures contracts, commodity indices, individual commodities, financial indices, securities indices, interest rates, currencies, financial futures, swaps and other financial instruments.</p>
<p>The Fund will not write naked or uncovered put or call options.</p>	<p>The Fund will not write naked or uncovered call or put options.</p>	<p>The Fund generally intends to write covered call and put options, the notional amount of which will be approximately 30% to 40% of the Fund's total assets, although this percentage may vary from time to time with market conditions.</p>
<p>The Fund may sell or purchase call options on securities and indices based upon the prices of futures contracts and debt securities that are traded on U.S. and non-U.S. securities exchanges and in the over-the-counter markets.</p>		<p>The Fund will not write naked or uncovered put or call options.</p>
<p>The Fund may purchase put options ( puts ) that relate to securities (whether or not it holds such securities in its portfolio), indices or futures contracts. The Fund may also sell puts on securities, indices or futures contracts on such securities if the Fund's contingent obligations on such puts are secured by segregated assets consisting of cash or liquid debt securities having a value not less than the exercise price. The Fund will not sell put options if, as a result, more than 50% of the Fund's total assets would be required to cover its potential obligations under the put options and under any other transactions (excluding calls) that would be treated as senior securities under the 1940 Act.</p>		<p>The Fund may sell or purchase call options on securities and indices based upon the prices of futures contracts and debt securities that are traded on U.S. and non-U.S. securities exchanges and in the over-the-counter markets.</p>
		<p>The Fund may purchase put options ( puts ) that relate to securities (whether or not it holds such securities in its portfolio), indices or futures contracts. The Fund may also sell puts on securities, indices or futures contracts on such securities if the Fund's contingent obligations on such puts are secured by segregated assets consisting of cash or liquid debt securities having a value not less than the exercise price. The Fund will not sell puts if, as a result, more than 50% of the Fund's total assets would be required to cover its potential obligations under its hedging and other investment transactions.</p>

BCF	BQR	BCX
<p><b>Target Fund</b> <b><u>Master Limited Partnerships</u></b></p>	<p><b>Target Fund</b> <b><u>Master Limited Partnerships</u></b></p>	<p><b>Acquiring Fund</b> <b><u>Master Limited Partnerships</u></b></p>
<p>Same as BCX</p>	<p>No Stated Policy</p>	<p>The Fund may invest up to 25% of the value of its total assets in MLPs. The MLPs in which the Fund intends to invest will be limited partnerships (or limited liability companies taxable as partnerships), the units of which will be listed and traded on a U.S. securities exchange.</p>
<p><b><u>Short Sales</u></b></p>	<p><b><u>Short Sales</u></b></p>	<p><b><u>Short Sales</u></b></p>
<p>The Fund may make short sales of securities.</p>	<p>Same as BCF</p>	<p>The Fund may sell securities short directly, including equity and debt securities, or through the use of derivatives.</p>
<p>The Fund may make short sales to strategic positions, for risk management, in order to maintain portfolio flexibility or to enhance income or gain.</p>		<p>The Fund may make short sales to strategic positions, for risk management, in order to maintain portfolio flexibility or to enhance income or gain.</p>
<p>The Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total assets or the Fund's aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class.</p>		<p>The Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 15% of the value of its total assets or the Fund's aggregate short sales of a particular class of securities exceeds 15% of the outstanding securities of that class.</p>
<p>The Fund may also make short sales against the box without respect to such limitations.</p>		<p>The Fund may also make short sales against the box without respect to such limitations.</p>
<p><b><u>Non-Investment Grade Debt Securities</u></b></p>	<p><b><u>Non-Investment Grade Debt Securities</u></b></p>	<p><b><u>Non-Investment Grade Debt Securities</u></b></p>
<p>The Fund's investments are not subject to a minimum rating limitation and the Fund may invest up to 10% of its total assets in debt securities rated below investment grade, such as those rated Ba or lower by Moody's Investors Service, Inc. (Moody's) and BB or lower</p>	<p>The Fund may invest up to 10% of its total assets in fixed-income securities rated below investment grade, such as those rated Ba or lower by Moody's and BB or lower by S&amp;P, or Fitch or fixed-income securities comparably rated by other rating agencies or in</p>	<p>The Fund may invest in securities rated below investment grade, such as those rated Ba or below by Moody's or BB or below by S&amp;P or Fitch or securities comparably rated by other rating agencies or in unrated</p>

BCF	BQR	BCX
<p><b>Target Fund</b> by Standard &amp; Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. (S&amp;P Fitch Ratings (Fitch) or securities comparably rated by other rating agencies or in unrated securities determined by the Advisors to be of comparable quality.</p>	<p><b>Target Fund</b> unrated fixed-income securities determined by the Advisors to be of comparable quality.</p>	<p><b>Acquiring Fund</b> securities determined by the Advisors to be of comparable quality.</p>
<p><b><u>Short-Term Debt Securities</u></b></p>	<p><b><u>Short-Term Debt Securities</u></b></p>	<p><b><u>Short-Term Debt Securities</u></b></p>
<p>Same as BCX</p>	<p>Same as BCX</p>	<p>During periods in which the Advisors determine that they are temporarily unable to follow the Fund's investment strategy or that it is impractical to do so or pending re-investment of proceeds received in connection with the sale of a security, the Fund may deviate from its investment strategy and invest all or any portion of its assets in cash, cash equivalents or short-term debt instruments.</p>
<p><b><u>Securities Lending and Delayed Settlement Transactions</u></b></p>	<p><b><u>Securities Lending and Delayed Settlement Transactions</u></b></p>	<p><b><u>Securities Lending and Delayed Settlement Transactions</u></b></p>
<p>Same as BCX</p>	<p>Same as BCX</p>	<p>For temporary defensive purposes or to keep cash on hand, the Fund may invest up to 100% of its total assets in cash equivalents and short-term debt securities.</p>
<p><b><u>Strategic Transactions</u></b></p>	<p><b><u>Strategic Transactions</u></b></p>	<p><b><u>Strategic Transactions</u></b></p>
<p>The Fund may purchase and sell derivative instruments such as exchange listed and over-the-counter put and call options on securities, equity and other indices, futures contracts, and other financial instruments,</p>	<p>The Fund may purchase and sell futures contracts, options on futures contracts and forward foreign currency contracts, enter into various interest rate, credit and other derivative transactions and</p>	<p>The Fund may lend securities with a value up to 33 1/3% of its total assets (including such loans) to financial institutions that provide cash or securities issued or guaranteed by the U.S. Government as collateral.</p> <p>The Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, futures contracts, financial indices, and other financial</p>

BCF	BQR	BCX
<p><b>Target Fund</b></p>	<p><b>Target Fund</b></p>	<p><b>Acquiring Fund</b></p>
<p>purchase and sell futures contracts and options thereon, and engage in swaps forward foreign currency contracts, and various interest rate transactions. The Fund also may purchase derivative instruments that combine features of these instruments. Collectively, all of the above are referred to as Strategic Transactions.</p>	<p>engage in swaps. The Fund also may purchase derivative instruments that combine features of these instruments. Collectively, all of the above are referred to as Strategic Transactions.</p>	<p>instruments, purchase and sell futures contracts and options thereon, engage in swaps, foreign currency transactions, such as forward foreign currency contracts, currency swaps or options on currency and currency futures, and enter into various interest rate transactions and other derivatives transactions. The Fund also may purchase derivative instruments that combine features of these instruments. Collectively, all of the above are referred to as Strategic Transactions.</p>
<p>The Fund may, but is not required to, use Strategic Transactions to facilitate portfolio management, mitigate risks and enhance total return.</p>	<p>The Fund may, but is not required to, use the Strategic Transactions for hedging and risk management purposes or to enhance total return.</p>	<p>The Fund may, but is not required to, use various strategic transactions described below to, facilitate portfolio management, mitigate risks and enhance total return.</p>
<p><b><u>Futures Transactions</u></b></p>	<p><b><u>Futures Transactions</u></b></p>	<p><b><u>Futures Transactions</u></b></p>
<p>The Fund may enter into futures contracts for the purchase or sale for future delivery of securities, aggregates of securities or indices or prices thereof, other financial indices and U.S. government debt securities or options on the above.</p>	<p>Same as BCF</p>	<p>The Fund may enter into futures contracts for the purchase or sale for future delivery of securities, aggregates of securities or indices or prices thereof, other financial indices and U.S. government debt securities or options on the above.</p>
<p><b><u>Forward Foreign Currency Transactions</u></b></p>	<p><b><u>Forward Foreign Currency Transactions</u></b></p>	<p><b><u>Forward Foreign Currency Transactions</u></b></p>
<p>Same as BCX</p>	<p>Same as BCX</p>	<p>The Fund may enter into commodity futures contracts.</p>
		<p>The Fund may enter into forward currency contracts to purchase or sell foreign currencies for a fixed amount of U.S. dollars or another foreign currency.</p>

BCF	BQR	BCX
<p><b>Target Fund</b> <b><u>Interest Rate Transactions</u></b></p>	<p><b>Target Fund</b> <b><u>Interest Rate Transactions</u></b></p>	<p><b>Acquiring Fund</b> <b><u>Interest Rate Transactions</u></b></p>
<p>Same as BCX</p>	<p>Same as BCX</p>	<p>The Fund may enter into interest rate swaps and purchase or sell interest rate caps and floors primarily to preserve a return or spread on a particular investment or portion of its portfolio as a duration management technique or to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. The Fund intends to use these transactions for risk management purposes and not as a speculative investment.</p>
		<p>The Fund will not sell interest rate caps or floors that it does not own.</p>
		<p>The Fund will only enter into interest rate swap, cap or floor transactions with counterparties the Investment Advisor believes to be creditworthy at the time they enter into such transactions.</p>
<p><b><u>Credit Derivatives</u></b></p>	<p><b><u>Credit Derivatives</u></b></p>	<p><b><u>Credit Derivatives</u></b></p>
<p>Same as BCX</p>	<p>Same as BCX</p>	<p>The Fund may engage in credit derivative transactions.</p>
<p><b><u>Swaps</u></b></p>	<p><b><u>Swaps</u></b></p>	<p><b><u>Swaps</u></b></p>
<p>No stated limitation with respect to swaps.</p>	<p>No stated limitation with respect to swaps.</p>	<p>The Fund will not invest more than 15% of its total assets in swaps.</p>
<p><b><u>Credit Default Swap Agreements</u></b></p>	<p><b><u>Credit Default Swap Agreements</u></b></p>	<p><b><u>Credit Default Swap Agreements</u></b></p>
<p>No Stated Policy</p>	<p>No Stated Policy</p>	<p>The Fund may enter into credit default swap agreements. The credit default swap agreement may have as reference obligations one or more securities that are not currently held by the Fund.</p>
		<p>The Fund may either buy or sell (write) credit default swaps on single-name issuers or traded indexes.</p>

**Investment Restrictions**

A comparison of the Funds' investment restrictions is set forth in the table below. The investment restrictions of the Combined Fund will be those of the Acquiring Fund. Fundamental restrictions are designated with an asterisk. Any restriction of a Fund that is not a fundamental restriction may be changed by its Board without shareholder approval.

<b>BCF</b>	<b>BQR</b>	<b>BCX</b>
<p><b>Target Fund</b> <b><u>Industry Concentration*</u></b></p>	<p><b>Target Fund</b> <b><u>Industry Concentration*</u></b></p>	<p><b>Acquiring Fund</b> <b><u>Industry Concentration*</u></b></p>
<p>The Fund may not invest 25% or more of the value of its total assets in any single industry (except that the Fund will invest at least 25% of its total assets in the energy, natural resources, basic materials businesses and in associated businesses).</p>	<p>The Fund may not invest 25% or more of the value of its total assets in any single industry or group of related industries.</p> <p>The Fund does not treat the New Energy, Water Resources or Agriculture business segments as industries for purposes of this restriction.</p>	<p>The Fund may not invest 25% or more of the value of its total assets in any one industry (except that the Fund will invest at least 25% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities, natural resources or commodity-linked derivatives).</p>
<p><b><u>Senior Securities and Borrowings*</u></b></p>	<p><b><u>Senior Securities and Borrowings*</u></b></p>	<p><b><u>Senior Securities and Borrowings*</u></b></p>
<p>The Fund may not issue senior securities or borrow money other than as permitted by the 1940 Act or pledge its assets other than to secure such issuances or in connection with hedging transactions, short sales, when issued and forward commitment transactions and similar investment strategies.</p>	<p>Same as BCF</p>	<p>The Fund may not issue senior securities or borrow money other than as permitted by the 1940 Act or pledge its assets other than to secure such issuances or in connection with hedging transactions, short sales, when-issued and forward commitment transactions and similar investment strategies.</p>

In addition to the fundamental investment restriction described above, the Fund also has a

BCF	BQR	BCX
Target Fund	Target Fund	Acquiring Fund
<p>non-fundamental investment restriction that provides that the Fund may not issue senior securities or borrow money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward commitment transactions and similar investment strategies).</p> <p style="text-align: center;"><b><u>Lending*</u></b></p> <p>The Fund may not make loans of money or property to any person, except through loans of portfolio securities, the purchase of debt securities or the entry into repurchase agreements.</p> <p style="text-align: center;"><b><u>Underwriting*</u></b></p> <p>Same as BCX</p> <p style="text-align: center;"><b><u>Real Estate*</u></b></p> <p>Same as BCX</p>	<p style="text-align: center;"><b><u>Lending*</u></b></p> <p>Same as BCF</p> <p style="text-align: center;"><b><u>Underwriting*</u></b></p> <p>Same as BCX</p> <p style="text-align: center;"><b><u>Real Estate*</u></b></p> <p>Same as BCX</p>	<p style="text-align: center;"><b><u>Lending*</u></b></p> <p>The Fund may not make loans of money or property to any person, except through loans of portfolio securities, the purchase of fixed income securities consistent with the Fund's investment objectives and policies or the entry into repurchase agreements.</p> <p style="text-align: center;"><b><u>Underwriting*</u></b></p> <p>The Fund may not underwrite the securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities or the sale of its own securities, the Fund may be deemed to be an underwriter.</p> <p style="text-align: center;"><b><u>Real Estate*</u></b></p> <p>The Fund may not purchase or sell real estate, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including REITs and real estate operating companies, and instruments secured by real estate or interests therein and the Fund may acquire, hold and sell real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such other assets.</p>

BCF	BQR	BCX
<p><b><u>Target Fund Commodities*</u></b></p>	<p><b><u>Target Fund Commodities*</u></b></p>	<p><b><u>Acquiring Fund Commodities*</u></b></p>
<p>The Fund may not purchase or sell commodities or commodity contracts for any purposes except as, and to the extent, permitted by applicable law without the Fund becoming subject to registration with the Commodity Futures Trading Commission as a commodity pool.</p>	<p>Same as BCF</p>	<p>The Fund may not purchase or sell commodities or commodity contracts except as, and to the extent, permitted by applicable law. This restriction will not prevent the Fund from purchasing or selling, commodity-related instruments and investments, including commodity-linked derivatives such as commodity-linked notes, options, futures and forward contracts, and swaps with respect to individual commodities or indices and securities or other instruments backed by physical commodities, to the extent permitted by applicable law.</p>
<p><b><u>Diversification</u></b></p>	<p><b><u>Diversification*</u></b></p>	<p><b><u>Diversification</u></b></p>
<p>Same as BCX</p>	<p>The Fund may not with respect to 75% of its total assets, invest more than 5% of the value of its total assets in the securities of any single issuer or purchase more than 10% of the outstanding securities of any one issuer</p>	<p>No stated restriction, except diversification requirements in connection with maintaining the Fund's status as a regulated investment company under the Internal Revenue Code.</p>
<p><b><u>Short Sales</u></b></p>	<p><b><u>Short Sales</u></b></p>	<p><b><u>Short Sales</u></b></p>
<p>The Fund may not make any short sale of securities except in conformity with applicable laws, rules and regulations and unless after giving effect to such sale, the market value of all securities sold short does not exceed 25% of the value of the Fund's total assets and the Fund's aggregate short sales of a particular class of securities of an issuer does not exceed 25% of the then outstanding securities of that class.</p>	<p>Same as BCF</p>	<p>The Fund may not make any short sale of securities except in conformity with applicable laws, rules and regulations and unless after giving effect to such sale, the market value of all securities sold short does not exceed 15% of the value of the Fund's total assets and the Fund's aggregate short sales of a particular class of securities of an issuer does not exceed 15% of the then outstanding securities of that class.</p>
<p>The Fund may also make short sales against the box without respect to such limitations.</p>		<p>The Fund may also make short sales against the box without respect to such limitations.</p>



BCF	BQR	BCX
<p><b>Target Fund</b> <b><u>Control or Management</u></b></p> <p>No Stated Restriction</p>	<p><b>Target Fund</b> <b><u>Control or Management</u></b></p> <p>No Stated Restriction</p>	<p><b>Acquiring Fund</b> <b><u>Control or Management</u></b></p> <p>The Fund may not purchase securities of companies for the purpose of exercising control.</p>
<p><b><u>Investments in Investment Companies</u></b></p> <p>Same as BCX</p>	<p><b><u>Investments in Investment Companies</u></b></p> <p>Same as BCX</p>	<p><b><u>Investments in Investment Companies</u></b></p> <p>The Fund may not purchase securities of open-end or closed-end investment companies except in compliance with the 1940 Act or any exemptive relief obtained thereunder.</p>
<p><b><u>Sector Concentration</u></b></p> <p>The Fund may not, under normal market conditions, invest less than 80% of its total assets in equity securities of companies engaged in the energy, natural resources and basic materials industries or equity derivatives with exposure to companies in the energy and natural resources and basic materials industries.</p>	<p><b><u>Sector Concentration</u></b></p> <p>The Fund may not, under normal market conditions, invest less than 80% of its total assets in New Energy, Water Resources and Agriculture business segments.</p>	<p><b><u>Sector Concentration</u></b></p> <p>The Fund may not, under normal market conditions, invest less than 80% of its total assets in equity securities issued by commodity or natural resources companies, derivatives with exposure to commodity or natural resources companies or investments in securities and derivatives linked to the underlying price movement of commodities or natural resources, including commodity-linked derivatives such as commodity-linked notes, commodity futures, forward contracts and swaps and other similar derivative instruments and investment vehicles that invest in commodities and commodity-linked derivatives.</p>

\* A fundamental investment restriction.

#### MANAGEMENT OF THE FUNDS

##### The Board of Trustees and Officers

The Funds have the same Board Members and officers. The Board of each Fund is responsible for the overall supervision of the operations of the Fund and performs the various duties imposed on the directors of investment companies by the 1940 Act and under applicable state law. A list of the Board Members and officers of the Funds, a brief biography of each Board Member and officer and additional information relating to the Board and officers are included in Management of the Funds in the Statement of Additional Information.

## The Investment Advisors

BlackRock Advisors, LLC serves as the investment advisor for each Fund and is expected to continue to serve as investment advisor for the Combined Fund. The Investment Advisor is responsible for the management of each Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund.

Each Fund entered into an Investment Management Agreement with the Investment Advisor to provide investment advisory services. For such services, BCF pays the Investment Advisor a monthly fee at the annual rate of 1.20% of its average weekly net assets, and each of BQR and BCX pays the Investment Advisor a monthly fee at the annual rate of 1.20% of its respective average daily net assets. The Investment Advisor waives a portion of the investment management fee of each of BCF, BQR and BCX at an annual rate of 0.05%, 0.05% and 0.20%, respectively.

The Investment Advisor also provides investment management and other services to the Subsidiary. The Investment Advisor does not receive separate compensation from the Subsidiary for providing investment management or administrative services. However, BCX pays the Investment Advisor based on BCX's net assets which includes the assets of the Subsidiary.

If any of the Reorganizations are consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 1.00% of the average daily net assets of the Combined Fund, which is lower than the contractual investment management fee rate of any individual Fund, lower than the current effective investment management fee rate of BCF and BQR, and the same as the current effective investment management fee rate of BCX. The Combined Fund will not be subject to a separate fee for administration services or benefit from any fee waivers. Based on a pro-forma Lipper expense group for the Combined Fund, the net management fee rate is projected to be in the first quartile. The level of expense savings (or increases) will vary depending on the combination of the Funds in the proposed Reorganizations, and furthermore, there can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of any Reorganization.

BlackRock International Ltd. acts as the sub-advisor for each Fund. The Investment Advisor and each Fund has entered into a Sub-Investment Advisory Agreement with the Sub-Advisor under which the Investment Advisor pays the Sub-Advisor for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by the Fund to the Investment Advisor.

BlackRock Investment Management, LLC served as the sub-advisor for BQR and BCF until July 1, 2014. BlackRock Capital Management, Inc. served as the sub-advisor for BCF and BCX until July 1, 2014.

A discussion regarding the basis for the approval of the Investment Management Agreement and the Sub-Investment Advisory Agreement by the Board of each Fund is provided in such Fund's Form N-CSR for such Fund's most recent fiscal year end available at [www.sec.gov](http://www.sec.gov) or by visiting [www.blackrock.com](http://www.blackrock.com).

The Investment Advisor is located at 100 Bellevue Parkway, Wilmington, Delaware 19809, and the Sub-Advisor is located at Exchange Place One, 1 Semple Street, Edinburgh, EH3 8BL, United Kingdom, and each are wholly owned subsidiaries of BlackRock. BlackRock is one of the world's largest publicly-traded investment management firms and has over 20 years of experience managing closed-end products. As of June 30, 2014, BlackRock's assets under management were approximately \$4.594 trillion.

BlackRock helps clients meet their goals and overcome challenges with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. Headquartered in New York City, as of June 30, 2014, the

firm has approximately 11,600 employees in more than 30 countries and a major presence in key global markets, including North and South America, Europe, Asia, Australia and the Middle East and Africa.

### Portfolio Management

BCF is managed by a team of investment professionals comprised of Poppy Allonby, CFA, Managing Director at BlackRock, Robin Batchelor, Managing Director at BlackRock, Kyle G. McClements, CFA, Managing Director at BlackRock, Christopher Accettella, Director at BlackRock, Joshua Freedman, CFA, Vice President at BlackRock, Olivia Markham, CFA, Director at BlackRock, and Alastair Bishop, Director at BlackRock. Mses. Allonby and Markham and Messrs. Batchelor, McClements, Accettella, Freedman and Bishop are BCF's portfolio managers and are responsible for the day-to-day management of BCF's portfolio and the selection of its investments. Mr. McClements has been a member of BCF's portfolio management team since 2006. Mr. Accettella has been a member of BCF's portfolio management since 2012. Ms. Allonby and Mr. Batchelor have been members of BCF's portfolio management team since 2013. Ms. Markham and Messrs. Freedman and Bishop have been members of BCF's portfolio management team since 2014.

BQR is managed by a team of investment professionals comprised of Poppy Allonby, CFA, Managing Director at BlackRock, Robin Batchelor, Managing Director at BlackRock, Kyle G. McClements, CFA, Managing Director at BlackRock, Christopher Accettella, Director at BlackRock, Joshua Freedman, CFA, Vice President at BlackRock, Desmond Cheung, CFA, Director at BlackRock, and Alastair Bishop, Director at BlackRock. Messrs. Batchelor, McClements, Accettella, Freedman, Cheung and Bishop and Ms. Allonby are BQR's portfolio managers and are responsible for the day-to-day management and the selection of its investments. Messrs. Batchelor and McClements and Ms. Allonby have been members of BQR's portfolio management team since 2007. Mr. Accettella has been a member of BQR's portfolio management team since 2012. Messrs. Freedman, Cheung and Bishop have been members of BQR's portfolio management team since 2014.

BCX is managed by a team of investment professionals comprised of Kyle G. McClements, CFA, Managing Director at BlackRock, Christopher Accettella, Director at BlackRock, Joshua Freedman, Vice President at BlackRock, Thomas Holl, Vice President at BlackRock, and Desmond Cheung, CFA, Director at BlackRock. Messrs. McClements, Accettella, Freedman, Holl and Cheung are BCX's portfolio managers and are responsible for the day-to-day management of BCX's portfolio and the selection of its investments. Messrs. McClements and Accettella have been members of BCX's portfolio management team since 2011. Messrs. Freedman and Holl have been members of BCX's portfolio management team since 2013. Mr. Cheung has been a member of BCX's portfolio management team since 2014.

The table below provides a comparison of the Funds' portfolio managers.

<b>BCF</b>	<b>BQR</b>	<b>BCX</b>	<b>Combined Fund</b>
Poppy Allonby, CFA	Poppy Allonby, CFA	-	-
Robin Batchelor	Robin Batchelor	-	-
Kyle G. McClements, CFA	Kyle G. McClements, CFA	Kyle G. McClements, CFA	Kyle G. McClements, CFA
Christopher Accettella	Christopher Accettella	Christopher Accettella	Christopher Accettella
Joshua Freedman, CFA	Joshua Freedman, CFA	Joshua Freedman, CFA	Joshua Freedman, CFA
Alastair Bishop	Alastair Bishop	-	-
Olivia Markham, CFA	-	-	-
-	Desmond Cheung, CFA	Desmond Cheung	Desmond Cheung
-	-	Thomas Holl, CFA	Thomas Holl, CFA

The biography of each portfolio manager of the Funds are set forth below:

<b>Portfolio Manager</b>	<b>Biography</b>
Poppy Allonby, CFA	Director of BlackRock since 2007; Vice President at BlackRock from 2006 to 2007; Vice President of Merrill Lynch Investment Managers, L.P. ( MLIM ) from 2001 to 2006.
Robin Batchelor	Managing Director of BlackRock since 2007; Director of BlackRock from 2006 to 2007; Director of MLIM from 2002 to 2006.
Kyle G. McClements, CFA	Managing Director of BlackRock since 2009; Director of BlackRock, Inc. from 2006 to 2008; Vice President of BlackRock in 2005; Vice President of State Street Research & Management from 2004 to 2005.
Christopher Accettella	Director of BlackRock since 2008; Vice President of BlackRock, Inc. from 2005 to 2008.
Joshua Freedman, CFA	Vice President of BlackRock, Inc. since 2011; Associate of BlackRock, Inc. from 2009 to 2011; Analyst of BlackRock, Inc. from 2006 to 2008.
Thomas Holl, CFA	Vice President of BlackRock, Inc. since 2011; Associate of BlackRock, Inc. from 2009 to 2011; Analyst of BlackRock, Inc. from 2006 to 2008.
Olivia Markham, CFA	Director of BlackRock since 2011. Joined BlackRock in 2011.
Desmond Cheung, CFA	Director of BlackRock since 2010; Vice President at BlackRock from 2009 to 2010. Associate at BlackRock from 2007 to 2009. Joined BlackRock in 2007.
Alastair Bishop	Director of BlackRock since 2010. Joined BlackRock in 2010.

After the Reorganizations, it is expected that BCX's current portfolio management team, consisting of Messrs. McClements, Accettella, Freedman, Holl and Cheung, will continue to comprise the team of investment professionals for the Combined Fund.

The Statement of Additional Information provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in each Fund.

**Portfolio Transactions with Affiliates**

The Investment Advisor may place portfolio transactions, to the extent permitted by law, with brokerage firms affiliated with the Funds and the Investment Advisor, if they reasonably believe that the quality of execution and the commission are comparable to that available from other qualified brokerage firms.

None of the Funds paid brokerage commissions to affiliated broker-dealers during their three most recent fiscal years.

**Legal Proceedings**

None.

**Other Service Providers**

The professional service providers for the Funds are as follows:

<b>Service</b>	<b>Service Providers to the Funds</b>
Custodian	The Bank of New York Mellon
Transfer Agent, Dividend Disbursing Agent and Registrar	Computershare Trust Company, N.A.
Accounting Services Provider	The Bank of New York Mellon
Independent Registered Public Accounting Firm	Deloitte & Touche LLP
Fund Counsel	Skadden, Arps, Slate, Meagher & Flom LLP
Counsel to the Independent Board Members	Debevoise & Plimpton LLP

It is not anticipated that the Reorganizations will result in any change in the organizations providing services to the Acquiring Fund as set forth above. As a result of the Reorganizations, the service providers to the Acquiring Fund are anticipated to be the service providers to the Combined Fund.

The custodian of the assets of each Fund is The Bank of New York Mellon, One Wall Street, New York, New York 10286. The custodian is responsible for, among other things, receipt of and disbursement of funds from each Fund's accounts, establishment of segregated accounts as necessary, and transfer, exchange and delivery of portfolio securities.

Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021 serves as each Fund's transfer agent with respect to each Fund's common shares.

**INFORMATION ABOUT THE COMMON SHARES OF THE FUNDS**

**General**

Shareholders of each Fund are entitled to share equally in dividends declared by such Fund's Board as payable to holders of the Fund's common shares and in the net assets of the Fund available for distribution to holders of the common shares. Shareholders do not have preemptive or conversion rights and each Fund's common shares are not redeemable. The outstanding common shares of each Fund are fully paid and nonassessable, except as provided under such Fund's agreement and declaration of trust.

**Purchase and Sale**

Purchase and sale procedures for the common shares of each of the Funds are identical. Investors typically purchase and sell common shares of the Funds through a registered broker-dealer on the NYSE, thereby incurring a brokerage commission set by the broker-dealer. Alternatively, investors may purchase or sell common shares of each of the Funds through privately negotiated transactions with existing shareholders.

**Outstanding Common Shares as of August 31, 2014**

<b>Fund</b>	<b>Title of Class</b>	<b>Amount Authorized</b>	<b>Amount Held by Fund for its Own Account</b>	<b>Amount Outstanding Exclusive of Amount Shown in Previous Column</b>
BCF	Common Shares	Unlimited		57,173,280
BQR	Common Shares	Unlimited		12,564,457
BCX	Common Shares	Unlimited		46,575,310

**Share Price Data**

The following tables set forth the high and low market prices for common shares of each Fund on the NYSE, for each full quarterly period within each Fund's two most recent fiscal years and each full quarter since the beginning of each Fund's current fiscal year, along with the NAV and discount or premium to NAV for each quotation.

<b>BCF</b> <b>Period Ended</b>	<b>Market Price</b>		<b>NAV</b>		<b>Premium/(Discount) to NAV</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
July 31, 2014	\$ 9.50	\$ 9.12	\$ 10.81	\$ 10.39	(12.12)%	(12.22)%
April 30, 2014	\$ 9.13	\$ 8.34	\$ 10.37	\$ 9.56	(11.96)%	(12.76)%
January 31, 2014	\$ 9.16	\$ 8.35	\$ 10.32	\$ 9.74	(11.24)%	(14.27)%
October 31, 2013	\$ 9.41	\$ 8.69	\$ 10.37	\$ 9.85	(9.26)%	(11.78)%
July 31, 2013	\$ 10.18	\$ 8.50	\$ 10.40	\$ 9.21	(2.12)%	(7.71)%
April 30, 2013	\$ 10.83	\$ 9.25	\$ 11.29	\$ 9.69	(4.07)%	(4.54)%
January 31, 2013	\$ 10.66	\$ 9.37	\$ 11.28	\$ 10.49	(5.50)%	(10.68)%
October 31, 2012	\$ 11.21	\$ 10.39	\$ 10.89	\$ 11.03	2.94%	(5.80)%
July 31, 2012	\$ 11.82	\$ 9.63	\$ 12.17	\$ 9.95	(2.88)%	(3.22)%
April 30, 2012	\$ 12.62	\$ 11.59	\$ 13.04	\$ 11.79	(3.22)%	(1.70)%
January 31, 2012	\$ 12.07	\$ 10.30	\$ 12.95	\$ 11.11	(6.80)%	(7.29)%

<b>BQR</b> <b>Period Ended</b>	<b>Market Price</b>		<b>NAV</b>		<b>Premium/(Discount) to NAV</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
July 31, 2014	\$ 8.57	\$ 8.16	\$ 9.22	\$ 9.21	(7.05)%	(11.40)%
April 30, 2014	\$ 8.28	\$ 7.58	\$ 9.30	\$ 8.65	(10.96)%	(12.37)%
January 31, 2014	\$ 7.97	\$ 7.56	\$ 9.20	\$ 8.94	(13.37)%	(15.44)%
October 31, 2013	\$ 8.16	\$ 7.73	\$ 9.14	\$ 8.87	(10.72)%	(12.85)%
July 31, 2013	\$ 8.99	\$ 7.71	\$ 9.70	\$ 8.65	(7.32)%	(10.87)%
April 30, 2013	\$ 9.48	\$ 8.70	\$ 9.74	\$ 9.26	(2.67)%	(6.05)%
January 31, 2013	\$ 9.21	\$ 7.76	\$ 9.71	\$ 8.87	(5.15)%	(12.51)%
October 31, 2012	\$ 8.95	\$ 8.51	\$ 9.29	\$ 9.15	(3.66)%	(6.99)%
July 31, 2012	\$ 9.90	\$ 7.89	\$ 9.39	\$ 8.53	5.43%	(7.50)%
April 30, 2012	\$ 10.39	\$ 9.04	\$ 9.58	\$ 9.49	8.46%	(4.74)%
January 31, 2012	\$ 9.01	\$ 7.38	\$ 9.38	\$ 8.50	(3.94)%	(13.18)%

<b>BCX</b> <b>Period Ended</b>	<b>Market Price</b>		<b>NAV</b>		<b>Premium/(Discount) to NAV</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
July 31, 2014	\$ 12.51	\$ 12.04	\$ 14.32	\$ 13.89	(12.64)%	(13.32)%
April 30, 2014	\$ 12.03	\$ 10.98	\$ 13.88	\$ 12.77	(13.33)%	(14.02)%
January 31, 2014	\$ 11.76	\$ 11.13	\$ 13.64	\$ 12.93	(13.78)%	(13.92)%
October 31, 2013	\$ 11.93	\$ 11.31	\$ 13.53	\$ 13.07	(11.83)%	(13.47)%
July 31, 2013	\$ 13.13	\$ 10.91	\$ 14.05	\$ 12.57	(6.55)%	(13.21)%
April 30, 2013	\$ 13.84	\$ 12.10	\$ 15.14	\$ 13.19	(8.59)%	(8.26)%
January 31, 2013	\$ 14.20	\$ 12.59	\$ 15.41	\$ 14.43	(7.85)%	(12.75)%
October 31, 2012	\$ 14.94	\$ 13.52	\$ 15.59	\$ 14.32	(4.17)%	(5.59)%
July 31, 2012	\$ 14.46	\$ 12.57	\$ 16.03	\$ 13.72	(9.79)%	(8.38)%
April 30, 2012	\$ 16.25	\$ 13.92	\$ 17.37	\$ 15.48	(6.45)%	(10.08)%
January 31, 2012	\$ 15.54	\$ 12.84	\$ 16.75	\$ 15.12	(7.22)%	(15.08)%

As of August 31, 2014, the NAV per common share of BCF was \$10.65 and the market price per common share of BCF was \$9.30, representing a discount to NAV of 12.68%, the NAV per common share of BQR was \$9.35 and the market price per common share of BQR was \$8.25, representing a discount to NAV of 11.76% and the NAV per common share of BCX was \$14.04 and the market price per common share of BCX was \$12.23, representing a discount to NAV of 12.89%.

For the periods shown in the tables above, the common shares of BCF and BQR have traded at both a premium and discount to NAV. For the periods shown in the tables above, the common shares of BCX have traded at a discount to NAV.

### Performance Information

The performance table below illustrates the past performance of an investment in common shares of each Fund by setting forth the average total returns for the Funds for the periods indicated. A Fund's past performance does not necessarily indicate how its common shares will perform in the future.

Fund	Average Annual Total Returns as of August 31, 2014						
	Trailing 12-month Distribution Yield based on August 31, 2014 NAV	One Year ended August 31, 2014 based on NAV	One Year ended August 31, 2014 based on Market Price	Five Years ended August 31, 2014 based on NAV	Five Years ended August 31, 2014 based on Market Price	Since Inception ended August 31, 2014 based on NAV	Since Inception ended August 31, 2014 based on Market Price
BCF	7.00%	15.93%	13.40%	7.89%	6.13%	5.19%	2.81%
BQR	7.67%	15.78%	16.56%	7.23%	2.44%	0.15%	-2.30%
BCX	7.01%	15.85%	14.49%	N/A	N/A	-0.44%	-5.65%

## FINANCIAL HIGHLIGHTS

## BlackRock Real Asset Equity Trust (BCF)

The Financial Highlights table is intended to help you understand BCF's financial performance for the periods shown. Certain information reflects the financial results for a single common share of BCF. The total returns in the table represent the rate an investor would have earned or lost on an investment in BCF (assuming reinvestment of all dividends and/or distributions, if applicable). The information for the six months ended April 30, 2014 is unaudited. The information for the remaining periods shown has been audited by Deloitte & Touche LLP, BCF's independent registered public accounting firm. Financial statements for the fiscal year ended October 31, 2013 and the Report of the Independent Registered Public Accounting Firm thereon appear in BCF's Annual Report for the fiscal year ended October 31, 2013, which is available upon request.

	Six Months Ended April 30, 2014 (Unaudited)	2013	2012	2011	2010	2009	2008	2007	Period September 29, 2006 <sup>1</sup> through October 31, 2006
<b>Per Share Operating Performance</b>									
Net asset value, beginning of period	\$ 10.24	\$ 11.03	\$ 12.45	\$ 13.42	\$ 11.73	\$ 9.44	\$ 20.79	\$ 15.33	\$ 14.33 <sup>2</sup>
Net investment income <sup>3</sup>	0.05	0.11	0.12	0.11	0.17	0.08	0.20	0.20	0.04
Net realized and unrealized gain (loss)	0.43	(0.01)	(0.50)	0.01	2.61	3.30	(10.16)	6.35	0.98
Net increase (decrease) from investment operations	0.48	0.10	(0.38)	0.12	2.78	3.38	(9.96)	6.55	1.02
Dividends and distributions from:									
Net investment income	(0.35) <sup>4</sup>	(0.12) <sup>5</sup>	(0.13) <sup>5</sup>	(0.07) <sup>5,6</sup>	(0.26) <sup>5,6</sup>	(0.11) <sup>5</sup>	(0.17) <sup>5</sup>	(0.29) <sup>5</sup>	
Distributions in excess of net investment income <sup>7</sup>				(0.14) <sup>5,6</sup>	(0.48) <sup>5,6</sup>				
Net realized gain			(0.55) <sup>5</sup>	(0.50) <sup>5</sup>			(1.22) <sup>5</sup>	(0.80) <sup>5</sup>	
Return of capital		(0.77) <sup>5</sup>	(0.36) <sup>5</sup>	(0.38) <sup>5</sup>	(0.35) <sup>5</sup>	(0.98) <sup>5</sup>			
Total dividends and distributions	(0.35)	(0.89)	(1.04)	(1.09)	(1.09)	(1.09)	(1.39)	(1.09)	
Offering costs resulting from the issuance of shares									(0.02)
Net asset value, end of period	\$ 10.37	\$ 10.24	\$ 11.03	\$ 12.45	\$ 13.42	\$ 11.73	\$ 9.44	\$ 20.79	\$ 15.33
Market price, end of period	\$ 9.13	\$ 9.12	\$ 10.39	\$ 11.84	\$ 13.46	\$ 11.45	\$ 7.74	\$ 17.59	\$ 15.00
<b>Total Investment Return<sup>8</sup></b>									
Based on net asset value	5.32% <sup>9</sup>	1.81%	(2.79)%	0.58%	24.65%	40.96%	(50.14)%	45.34%	6.98% <sup>9</sup>
Based on market price	4.11% <sup>9</sup>	(3.75)%	(3.71)%	(4.64)%	28.08%	67.81%	(51.69)%	25.67%	%



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**Ratios to Average Net**

**Assets**

Total expenses	1.29% <sup>10</sup>	1.29%	1.29%	1.29%	1.28%	1.32%	1.29%	1.21%	1.42% <sup>10</sup>
Total expenses after fees waived and paid indirectly	1.24% <sup>10</sup>	1.19%	1.14%	1.09%	1.08%	1.12%	1.09%	1.08%	1.22% <sup>10</sup>
Net investment income	1.00% <sup>10</sup>	1.04%	1.08%	0.77%	1.37%	0.68%	1.14%	1.37%	2.63% <sup>10</sup>

	Year Ended October 31,								Period September 29, 2006 <sup>1</sup> through October 31,
	Six Months Ended April 30, 2014 (Unaudited)	2013	2012	2011	2010	2009	2008	2007	
<b>Supplemental Data</b>									
Net assets, end of period (000)	\$ 592,939	\$ 585,633	\$ 630,801	\$ 711,917	\$ 765,463	\$ 664,928	\$ 535,257	\$ 1,179,087	\$ 820,283
Portfolio turnover	44%	89%	72%	79%	71%	58%	29%	61%	%

<sup>1</sup> Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

<sup>2</sup> Net asset value, beginning of the period, reflects a deduction of \$0.675 per share sales charge from the initial offering price of \$15.00 per share.

<sup>3</sup> Based on average shares outstanding.

<sup>4</sup> A portion of the dividends from net investment income may be deemed a return of capital or net realized gain at fiscal year end.

<sup>5</sup> Determined in accordance with federal income tax regulations.

<sup>6</sup> The amount of dividends and distributions to shareholders from net investment income reported in October 31, 2011 and October 31, 2010 has been reclassified to allocate the amount between distributions from net investment income and distributions in excess of net investment income; both of which were included in the prior year net investment income in the amount of \$0.21 and \$0.74, respectively.

<sup>7</sup> Taxable distribution.

<sup>8</sup> Total investment returns based on market price, which can be significantly greater or less than the net asset value, may result in substantially different returns. Where applicable, excludes the effects of any sales charges and assumes the reinvestment of dividends and distributions.

<sup>9</sup> Aggregate total investment return.

<sup>10</sup> Annualized.

**BlackRock EcoSolutions Investment Trust (BQR)**

The Financial Highlights table is intended to help you understand BQR's financial performance for the periods shown. Certain information reflects the financial results for a single common share of BQR. The total returns in the table represent the rate an investor would have earned or lost on an investment in BQR (assuming reinvestment of all dividends and/or distributions, if applicable). The information for the six months ended April 30, 2014 is unaudited. The information for the remaining periods shown has been audited by Deloitte & Touche LLP, BQR's independent registered public accounting firm. Financial statements for the fiscal year ended October 31, 2013 and the Report of the Independent Registered Public Accounting Firm thereon appear in BQR's Annual Report for the fiscal year ended October 31, 2013, which is available upon request.

	Six Months Ended April 30, 2014 (Unaudited)	2013	2012	Year Ended October 31,				Period September 28, 2007 <sup>1</sup> through October 31, 2007
				2011	2010	2009	2008	
<b>Per Share Operating Performance</b>								
Net asset value, beginning of period	\$ 9.16	\$ 9.14	\$ 9.38	\$ 10.65	10.56	10.23	20.31	19.10 <sup>2</sup>
Net investment income <sup>3</sup>	0.04	0.09	0.08	0.10	0.05	0.06	0.03	
Net realized and unrealized gain (loss)	0.38	0.65	0.56	(0.30)	1.24	1.78	(8.51)	1.25
Net increase (decrease) from investment operations	0.42	0.74	0.64	(0.20)	1.29	1.84	(8.48)	1.25
Dividends and distributions from:								
Net investment income	(0.36) <sup>4</sup>	(0.08) <sup>5</sup>	(0.07) <sup>5</sup>	(0.11) <sup>5</sup>	(0.05) <sup>5</sup>	(0.07) <sup>5</sup>	(0.02) <sup>5</sup>	
Net realized gain						(0.09) <sup>5</sup>	(1.58) <sup>5</sup>	
Return of capital		(0.64) <sup>5</sup>	(0.81) <sup>5</sup>	(0.96) <sup>5</sup>	(1.15) <sup>5</sup>	(1.35) <sup>5</sup>		
Total dividends and distributions	(0.36)	(0.72)	(0.88)	(1.07)	(1.20)	(1.51)	(1.60)	
Offering costs resulting from the issuance of shares								(0.04)
Net asset value, end of period	\$ 9.22	\$ 9.16	\$ 9.14	\$ 9.38	\$ 10.65	\$ 10.56	\$ 10.23	\$ 20.31
Market price, end of period	\$ 8.15	\$ 7.93	\$ 8.66	\$ 8.58	\$ 11.69	\$ 10.23	\$ 9.20	\$ 19.75
<b>Total Investment Return<sup>6</sup></b>								
Based on net asset value	5.24% <sup>7</sup>	9.08%	7.77%	(2.13)%	13.04%	19.64%	(43.99)%	6.28% <sup>7</sup>
Based on market price	7.46% <sup>7</sup>	(0.34)%	11.63%	(18.45)%	28.08%	28.88%	(48.20)%	(1.25)% <sup>7</sup>
<b>Ratios to Average Net Assets</b>								
Total expenses	1.43% <sup>8</sup>	1.44%	1.44%	1.40%	1.45%	1.51%	1.36%	1.70% <sup>8</sup>
Total expenses after fees waived and paid indirectly	1.37% <sup>8</sup>	1.41%	1.43%	1.40%	1.45%	1.50%	1.35%	1.68% <sup>8</sup>

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Net investment income	0.91% <sup>8</sup>	0.98%	0.92%	0.98%	0.47%	0.65%	0.38%	0.97% <sup>8</sup>
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### Supplemental Data

Net assets, end of period (000)	\$ 115,890	\$ 115,138	\$ 114,866	\$ 117,497	\$ 131,002	\$ 127,025	\$ 120,282	\$ 238,731
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Portfolio turnover	43%	94%	107%	86%	124%	62%	45%	4%
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<sup>1</sup> Commencement of investment operations. This information includes the initial investment by BlackRock HoldCo 2, Inc.

<sup>2</sup> Net asset value, beginning of period, reflects a deduction of \$0.8975 per share sales charge from the initial offering price of \$20.00 per share.

<sup>3</sup> Based on average shares outstanding.

<sup>4</sup> A portion of the dividends from net investment income may be deemed a return of capital or net realized gain at fiscal year end.

<sup>5</sup> Determined in accordance with federal income tax regulations.

<sup>6</sup> Total investment returns based on market price, which can be significantly greater or less than the net asset value, may result in substantially different returns.

Where applicable, excludes the effects of any sales charges and assumes the reinvestment of dividends and distributions.

<sup>7</sup> Aggregate total investment return.

<sup>8</sup> Annualized.

**BlackRock Resources & Commodities Strategy Trust (BCX)**

The Financial Highlights table is intended to help you understand BCX's financial performance for the periods shown. Certain information reflects the financial results for a single common share of BCX. The total returns in the table represent the rate an investor would have earned or lost on an investment in BCX (assuming reinvestment of all dividends and/or distributions, if applicable). The information for the six months ended April 30, 2014 is unaudited. The information for the remaining periods shown has been audited by Deloitte & Touche LLP, BCX's independent registered public accounting firm. Financial statements for the fiscal year ended October 31, 2013 and the Report of the Independent Registered Public Accounting Firm thereon appear in BCX's Annual Report for the fiscal year ended October 31, 2013, which is available upon request.

	<b>Six Months Ended April 30, 2014 (Unaudited)</b>	<b>Year Ended October 31,</b>		<b>Period March 30, 2011<sup>1</sup> to October 31, 2011</b>
		<b>2013</b>	<b>2012</b>	
<b>Per Share Operating Performance</b>				
Net asset value, beginning of period	\$ 13.54	\$ 15.42	\$ 16.83	\$ 19.10 <sup>2</sup>
Net investment income <sup>3</sup>	0.08	0.25	0.18	0.03
Net realized and unrealized gain (loss)	0.78	(0.97)	(0.19)	(1.57)
Net increase (decrease) from investment operations	0.86	(0.72)	(0.01)	(1.54)
Dividends and distributions from:				
Net investment income	(0.46) <sup>4</sup>	(0.14) <sup>5</sup>	(0.26) <sup>5</sup>	
Net realized gain			(0.01) <sup>5</sup>	(0.24) <sup>5</sup>
Return of capital		(1.02) <sup>5</sup>	(1.13) <sup>5</sup>	(0.46) <sup>5</sup>
Total dividends and distributions	(0.46)	(1.16)	(1.40)	(0.70)
Capital charges with respect to the issuance of shares				(0.03)
Net asset value, end of period	\$ 13.94	\$ 13.54	\$ 15.42	\$ 16.83
Market price, end of period	\$ 12.02	\$ 11.68	\$ 14.12	\$ 14.95
<b>Total Investment Return<sup>6</sup></b>				
Based on net asset value	7.09% <sup>7</sup>	(3.61)% <sup>8</sup>	0.90%	(7.80)% <sup>7</sup>
Based on market price	7.05% <sup>7</sup>	(9.19)%	4.02%	(21.79)% <sup>7</sup>
<b>Ratios to Average Net Assets</b>				
Total expenses	1.26% <sup>9</sup>	1.27%	1.25%	1.35% <sup>9</sup>
Total expenses after fees waived and paid indirectly	1.06% <sup>9</sup>	1.07%	1.05%	1.13% <sup>9</sup>
Net investment income	1.18% <sup>9</sup>	1.76%	1.14%	0.27% <sup>9</sup>
<b>Supplemental Data</b>				
Net assets, end of period (000)	\$ 649,407	\$ 630,617	\$ 718,016	\$ 783,792
Portfolio turnover	40%	156%	100%	27%

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- 1 Commencement of investment operations. This information includes the initial investment by BlackRock HoldCo2, Inc.
- 2 Net asset value, beginning of period, reflects a deduction of \$0.8975 per share sales charge from initial offering price of \$20.00 per share.
- 3 Based on average shares outstanding.
- 4 A portion of the dividends from net investment income may be deemed a return of capital or net realized gain at fiscal year end.
- 5 Determined in accordance with federal income tax regulations.
- 6 Total investment returns based on market price, which can be significantly greater or less than the net asset value, may result in substantially different returns. Where applicable, excludes the effects of any sales charges and assumes the reinvestment of dividends and distributions.
- 7 Aggregate total investment return.
- 8 Includes a payment from an affiliate to compensate for foregone securities lending revenue which impacted the Trust's total investment return. Not including this payment the Trust's total return would have been (3.68)%.
- 9 Annualized.

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## DIVIDENDS AND DISTRIBUTIONS

The dividend and distribution policy of the Acquiring Fund will be the dividend and distribution policy for the Combined Fund. The dividend and distribution policies of the Target Funds are substantially the same as those of the Acquiring Fund.

Each Fund intends to make monthly distributions to shareholders. Distributions may consist of net investment income, net options premium, net realized and unrealized gains on investments, and/or return of capital. Each Fund intends to pay any capital gains distributions at least annually. The 1940 Act generally limits a Fund to one capital gain distribution per year, subject to certain exceptions.

Each Fund, pursuant to an SEC exemptive order granted to certain of BlackRock's closed-end funds, has adopted a plan to support a level distribution of income, capital gains and/or return of capital (the Level Distribution Plan). The Level Distribution Plan was approved by each Fund's Board and is consistent with such Fund's investment objectives and investment policies. Under the Level Distribution Plan, each Fund will distribute all available investment income to its shareholders, consistent with its investment objectives and as required by the Code. If a Fund does not have sufficient investment income available on a monthly basis, such Fund will distribute long-term capital gains and/or return of capital to shareholders in order to maintain a level distribution. The goal of the Level Distribution Plan is to provide shareholders with consistent and predictable cash flows by setting distribution rates based on expected long-term returns of such Fund. Each periodic distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential distribution rate increases or decreases to enable a Fund to comply with the distribution requirements imposed by the Code. Shareholders should not draw any conclusions about a Fund's investment performance from the amount of these distributions or from the terms of the Level Distribution Plan. Such distributions, under certain circumstances, may exceed a Fund's total return performance. When distributions exceed total return performance for the period, the difference will reduce a Fund's total assets and net asset value per share (NAV) and, therefore, could have the effect of increasing a Fund's expense ratio and reducing the amount of assets such Fund has available for long term investment. In order to make these distributions, a Fund may have to sell portfolio securities at less than opportune times. Each Fund's total return performance on NAV will be presented in its financial highlights table, which will be available in such Fund's shareholder reports, every six-months. The Board of a Fund may amend, suspend or terminate the Level Distribution Plan without prior notice if it deems such actions to be in the best interests of such Fund or its shareholders. The suspension or termination of the Level Distribution Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount. Each Fund is subject to risks that could have an adverse impact on its ability to maintain level distributions. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, decreased market volatility, companies suspending or decreasing corporate dividend distributions and changes in the Code.

The tax treatment and characterization of a Fund's distributions may vary significantly from time to time because of the varied nature of such Fund's investments. In light of the Funds' investment policies, the Fund anticipates that the 1940 Act will require it to accompany each monthly distribution with a statement setting forth the estimated source (as between net income, capital gains and return of capital) of the distribution made. Each Fund will indicate the proportion of its capital gains distributions that constitute long-term and short-term gains annually. The ultimate tax characterization of a Fund's distributions made in a calendar or fiscal year cannot finally be determined until after the end of that fiscal year. Distributions will be characterized as ordinary income, capital gains and/or return of capital. A Fund's taxable net investment income or net realized capital gains may not be sufficient to support the level of distributions paid. As a result, there is a possibility that a Fund may make total distributions during a calendar or fiscal year in an amount that exceeds such Fund's net investment income and net capital gains for the relevant fiscal year. In such situations, the amount by which a Fund's total distributions exceed its net investment income and net capital gains would generally be treated as a tax-free return of capital reducing the amount of a shareholder's tax basis in such shareholder's shares, with any

amounts exceeding such basis treated as gain from the sale of shares. Although capital loss carryforwards from prior years can offset realized net capital gains, capital loss carryforwards will offset current earnings and profits only if they were generated in the Fund's 2012 taxable year or thereafter. If distributions in any tax year are less than the Fund's current earnings and profits but are in excess of net investment income and net realized capital gains (which would occur, for example, if the Fund utilizes pre-2012 capital loss carryforwards to offset capital gains in that tax year), such excess is not treated as a non-taxable return of capital but rather may be taxable to shareholders at ordinary income rates even though it may economically represent a return of capital. Under certain circumstances, such taxable excess distributions could be significant. Although BCF and BCX currently do not have any pre-2012 capital loss carryforwards, a substantial portion of BQR's capital loss carryforwards are from pre-2012 tax years. The Combined Fund will acquire BQR's unused pre-2012 capital loss carryforwards as a result of the Reorganizations, and thus shareholders of BCF and BCX may be subject to taxable excess distributions as a shareholder of the Combined Fund.

Various factors will affect the level of a Fund's earnings and net investment income, including its asset mix, portfolio turnover level, performance of its investments, the movement of interest rates and general market conditions. To permit a Fund to maintain a more stable monthly distribution, such Fund may from time to time distribute less than the entire amount of income earned in a particular period. The undistributed income would be available to supplement future distributions. As a result, the distributions paid by a Fund for any particular period may be more or less than the amount of income actually earned by such Fund during that period. Undistributed income will add to a Fund's net asset value and, correspondingly, distributions from undistributed income will deduct from a Fund's net asset value.

Under normal market conditions, the Advisors will seek to manage each Fund in a manner such that each Fund's distributions are reflective of such Fund's current and projected earnings levels. However, the distribution level of a Fund is subject to change based upon a number of factors, including the current and projected level of such Fund's earnings, and may fluctuate over time.

Each Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time and may do so without prior notice to common shareholders.

Shareholders of each Fund will automatically have all dividends and distributions reinvested in common shares of such Fund issued by such Fund or purchased in the open market in accordance with such Fund's dividend reinvestment plan unless an election is made to receive cash. See Automatic Dividend Reinvestment Plan.

#### **AUTOMATIC DIVIDEND REINVESTMENT PLAN**

Unless the registered owner of common shares elects to receive cash by contacting the Reinvestment Plan Agent, Computershare Trust Company, N.A., all dividends or other distributions (together, a dividend) declared for your Acquiring Fund Shares will be automatically reinvested by the Reinvestment Plan Agent, as agent for shareholders in administering the Acquiring Fund's dividend reinvestment plan (the Reinvestment Plan), in additional Acquiring Fund Shares. Shareholders who elect not to participate in the Reinvestment Plan will receive all dividends in cash paid by check mailed directly to the shareholder of record (or, if the common shares are held in street or other nominee name, then to such nominee) by Computershare Trust Company, N.A., as dividend disbursing agent. You may elect not to participate in the Reinvestment Plan and to receive all dividends in cash by contacting Computershare Trust Company, N.A., as Reinvestment Plan Agent, at the address provided on the following page. Participation in the Reinvestment Plan is completely voluntary and may be terminated or resumed at any time without penalty by written notice if received and processed by the Reinvestment Plan Agent prior to the dividend record date. Additionally, the Reinvestment Plan Agent seeks to process notices received after the record date but prior to the payable date and such notices often will become effective by the payable date. Where late notices are not processed by the applicable payable date, such termination or resumption will be effective with respect to any subsequently declared dividend.



Some brokers may automatically elect to receive cash on your behalf and may re-invest that cash in additional Acquiring Fund Shares for you. If you wish for all dividends declared on your Acquiring Fund Shares to be automatically reinvested pursuant to the Reinvestment Plan, please contact your broker.

The Reinvestment Plan Agent will open an account for each common shareholder under the Reinvestment Plan in the same name in which such common shareholder's common shares are registered. Whenever the Acquiring Fund declares a dividend payable in cash, non-participants in the Reinvestment Plan will receive cash and participants in the Reinvestment Plan will receive the equivalent in common shares. The common shares will be acquired by the Reinvestment Plan Agent for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Acquiring Fund (newly issued common shares) or (ii) by purchase of outstanding common shares on the open market (open-market purchases). If, on the dividend payment date, the NAV is equal to or less than the market price per share plus estimated brokerage commissions (such condition often referred to as a market premium), the Reinvestment Plan Agent will invest the dividend amount in newly issued common shares on behalf of the participants. The number of newly issued common shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the NAV on the dividend payment date. However, if the NAV is less than 95% of the market price on the dividend payment date, the dollar amount of the dividend will be divided by 95% of the market price on the dividend payment date. If, on the dividend payment date, the NAV is greater than the market price per share plus estimated brokerage commissions (such condition often referred to as a market discount), the Reinvestment Plan Agent will invest the dividend amount in common shares acquired on behalf of the participants in open-market purchases. In the event of a market discount on the dividend payment date, the Reinvestment Plan Agent will have until the last business day before the next date on which the common shares trade on an ex-dividend basis or 30 days after the dividend payment date, whichever is sooner (the last purchase date), to invest the dividend amount in common shares acquired in open-market purchases. It is contemplated that the Acquiring Fund will pay monthly income dividends. If, before the Reinvestment Plan Agent has completed its open-market purchases, the market price per common share exceeds the NAV per common share, the average per common share purchase price paid by the Reinvestment Plan Agent may exceed the NAV of the common shares, resulting in the acquisition of fewer common shares than if the dividend had been paid in newly issued common shares on the dividend payment date. Because of the foregoing difficulty with respect to open-market purchases, the Reinvestment Plan provides that if the Reinvestment Plan Agent is unable to invest the full dividend amount in open-market purchases, or if the market discount shifts to a market premium during the purchase period, the Reinvestment Plan Agent may cease making open-market purchases and may invest any uninvested portion in newly issued shares. Investments in newly issued shares made in this manner would be made pursuant to the same process described above and the date of issue for such newly issued shares will substitute for the dividend payment date.

The Reinvestment Plan Agent maintains all shareholders' accounts in the Reinvestment Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common shares in the account of each Reinvestment Plan participant will be held by the Reinvestment Plan Agent on behalf of the Reinvestment Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Reinvestment Plan. The Reinvestment Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held under the Reinvestment Plan in accordance with the instructions of the participants.

In the case of shareholders such as banks, brokers or nominees, which hold shares for others who are the beneficial owners, the Reinvestment Plan Agent will administer the Reinvestment Plan on the basis of the number of common shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Reinvestment Plan.

The Reinvestment Plan Agent's fees for the handling of the reinvestment of dividends will be paid by the Acquiring Fund; however, each participant will pay a \$0.02 per share fee incurred in connection with open-market purchases, which will be deducted from the value of the dividend. The automatic reinvestment of dividends will not relieve participants of any U.S. federal, state or local income tax that may be payable (or required to be withheld) on such dividends.

Participants that request a sale of shares are subject to a \$0.02 per share sold brokerage commission.

The Acquiring Fund reserves the right to amend or terminate the Reinvestment Plan. There is no direct service charge to participants with regard to purchases in the Reinvestment Plan; however, the Acquiring Fund reserves the right to amend the Reinvestment Plan to include a service charge payable by the participants. Notice of amendments to the Reinvestment Plan will be sent to participants.

All correspondence concerning the Reinvestment Plan, including any questions about the Reinvestment Plan, should be directed to the Reinvestment Plan Agent at Computershare Trust Company, N.A., through the internet at [www.computershare.com/blackrock](http://www.computershare.com/blackrock), by calling 1-800-699-1236 or in writing to Computershare Trust Company, N.A., P.O. Box 30170, College Station, TX 77842-3170.

All overnight correspondence should be directed to the Reinvestment Plan Agent at Computershare, 211 Quality Circle, Suite 210, College Station, TX 77845.

#### **CERTAIN PROVISIONS OF THE CHARTER**

Each Fund's Agreement and Declaration of Trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of such Fund or to change the composition of such Fund's Board. This could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control over such Fund. Such attempts could have the effect of increasing the expenses of such Fund and disrupting the normal operation of such Fund. The Board of each Fund is divided into three classes, with the terms of one class expiring at each annual meeting of shareholders. At each annual meeting, one class of trustees for each Fund is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the Board of a Fund. For each Fund, a trustee may be removed from office for cause only, and only by the action of a majority of the remaining trustees followed by a vote of the holders of at least 75% of the shares then entitled to vote for the election of the respective trustee.

In addition, each Fund's Agreement and Declaration of Trust requires the favorable vote of a majority of the Board followed by the favorable vote of the holders of at least 75% of the outstanding shares of each affected class or series of such Fund, voting separately as a class or series, to approve, adopt or authorize certain transactions with 5% or greater holders of a class or series of shares and their associates, unless the transaction has been approved by at least 80% of the trustees, in which case a majority of the outstanding voting securities (as defined in the 1940 Act) of such Fund shall be required. For purposes of these provisions, a 5% or greater holder of a class or series of shares (a Principal Shareholder) refers to any person who, whether directly or indirectly and whether alone or together with its affiliates and associates, beneficially owns 5% or more of the outstanding shares of all outstanding classes or series of shares of beneficial interest of such Fund. The 5% holder transactions subject to these special approval requirements are:

the merger or consolidation of a Fund or any subsidiary of such Fund with or into any Principal Shareholder;

the issuance of any securities of a Fund to any Principal Shareholder for cash (other than pursuant to any automatic dividend reinvestment plan);

the sale, lease or exchange of all or any substantial part of the assets of a Fund to any Principal Shareholder, except assets having an aggregate fair market value of less than 2% of the total assets of such Fund, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period; or

the sale, lease or exchange to a Fund or any subsidiary of such Fund, in exchange for securities of such Fund, of any assets of any Principal Shareholder, except assets having an aggregate fair market value of less than 2% of the total assets of such Fund, aggregating for purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period.

For the purposes of calculating a majority of the outstanding voting securities under each Fund's Agreement and Declaration of Trust, each class and series of a Fund shall vote together as a single class, except to the extent required by the 1940 Act or such Fund's Agreement and Declaration of Trust, with respect to any class or series of shares. If a separate class vote is required, the applicable proportion of shares of the class or series, voting as a separate class or series, also will be required.

Each Fund's Agreement and Declaration of Trust also provides that such Fund may be liquidated upon the approval of 80% of the Board Members.

The Board has determined that provisions with respect to the Board and the shareholder voting requirements described above, which voting requirements are greater than the minimum requirements under Delaware law or the 1940 Act, are in the best interest of shareholders generally. For a more complete explanation, see the full text of these provisions in each Fund's Agreement and Declaration of Trust, which is on file with the Securities and Exchange Commission.

Each Fund's Bylaws generally require that advance notice be given to such Fund in the event a shareholder desires to transact any business, including business from the floor, at an annual meeting of shareholders, including the nomination of Board Members. Notice of any such business or nomination must be in writing, comply with the requirements of the Bylaws and be received by such Fund not less than 120 calendar days nor more than 150 calendar days prior to the anniversary date of the prior year's annual meeting. In the event a Fund moves the date of its annual meeting by more than 25 days from the anniversary of its immediately preceding annual meeting, shareholders who wish to submit a proposal or nomination for consideration at the annual meeting in accordance with the advance notice provisions of the Bylaws of such Fund must deliver such proposal or nomination not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure of the meeting date was made, whichever comes first.

#### **GOVERNING LAW**

Each Fund is organized as a Delaware statutory trust. Under the Delaware Statutory Trust Act, shareholders of a Delaware statutory trust are entitled to the same limitation of personal liability as is extended to shareholders of a private corporation organized for profit under the General Corporation Law of the State of Delaware. However, there is a remote possibility that shareholders of a Delaware statutory trust could, under certain circumstances be held liable for the Delaware statutory trust's liabilities to the extent the courts of another state refused to recognize such limited liability in a controversy involving a Delaware statutory trust's obligations. Each Fund's governing document disclaims shareholder liability for acts or obligations of such Fund. Thus, a Delaware statutory trust shareholder's risk of incurring financial loss due to shareholder liability is limited to circumstances in which a court refuses to recognize the Delaware Statutory Trust Act and the complaining party is held not bound by the Delaware statutory trust's disclaimer regarding shareholder liability.

#### **CONVERSION TO OPEN-END FUND**

To convert a Fund to an open-end investment company, each Fund's agreement and declaration of trust requires the favorable vote of a majority of trustees then in office following by the favorable vote of the holders of not less than seventy-five percent (75%) of the shares outstanding (or a 1940 Act Majority if the amendment was previously approved, adopted or authorized by the affirmative vote of at least eighty percent (80%) of the board members of such Fund).

The foregoing votes would satisfy a separate requirement in the 1940 Act that any conversion of a Fund to an open-end investment company be approved by the shareholders. If approved in the foregoing manners, we anticipate conversion of a Fund to an open-end investment company might not occur until 90 days after the shareholders meeting at which such conversion was approved and would also require at least 10 days prior notice to all shareholders. Following any such conversion, it is possible that certain of such Fund's investment policies and strategies would have to be modified to assure sufficient portfolio liquidity. In the event of conversion, a Fund's common shares would cease to be listed on the NYSE. Shareholders of an open-end investment company may require the company to redeem their shares at any time, except in certain circumstances as authorized by or under the 1940 Act, at their NAV, less such redemption charge, if any, as might be in effect at the time of redemption. An open-end investment company expects to pay all such redemption requests in cash, but reserves the right to pay redemption requests in a combination of cash and securities. If such partial payment in securities were made, investors may incur brokerage costs in converting such securities to cash. If a Fund was converted to an open-end investment company, it is likely that new shares would be sold at NAV plus a sales load. Each Board believes, however, that its Fund's closed-end structure is desirable in light of its Fund's investment objectives and investment policies. Therefore, shareholders should assume that it is not likely that any Board would vote to convert its Fund to an open-end fund.

For the purposes of calculating a majority of the outstanding voting securities under each Fund's Agreement and Declaration of Trust, each class and series of a Fund shall vote together as a single class, except to the extent required by the 1940 Act or such Fund's Agreement and Declaration of Trust, with respect to any class or series of shares. If a separate class vote is required, the applicable proportion of shares of the class or series, voting as a separate class or series, also will be required.

### CAPITALIZATION

The Board of each Fund may authorize separate classes of shares together with such designation of preferences, rights, voting powers, restrictions, limitations, qualifications or terms as may be determined from time to time by the Board of such Fund. The tables below set forth (i) the capitalization of the Funds as of August 31, 2014 and (ii) the *pro forma* capitalization of the Combined Fund as if (a) the proposed Reorganizations of all of the Funds had occurred on August 31, 2014, which represents the most likely combination of the Reorganizations, (b) the proposed Reorganization of only BCF into BCX had occurred on August 31, 2014 and (c) the proposed Reorganizations of only BQR into BCX had occurred on August 31, 2014.

#### Capitalization as of August 31, 2014 (Unaudited)

##### Reorganization of All the Funds

	BCF	BQR	BCX	Adjustments	BCX <i>Pro Forma</i> Combined Fund (BCF, BQR & BCX)
Net assets(a)	\$ 608,692,550	\$ 117,503,881	\$ 654,070,398	\$ (905,000)(b)	\$ 1,379,361,829
Common Shares outstanding	57,173,280	12,564,457	46,575,310	(18,090,891)(c)	98,222,156
NAV	\$ 10.65	\$ 9.35	\$ 14.04		\$ 14.04

(a) Based on the number of outstanding common shares as of August 31, 2014.

(b) Reflects non-recurring aggregate estimated reorganization expenses of \$905,000 of which \$560,000 and \$345,000 were attributable to BCF and BQR, respectively. The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

(c) Reflects adjustments due to differences in per share NAV.

**Reorganization of only BCF into BCX**

	<b>BCF</b>	<b>BCX</b>	<b>Adjustments</b>	<b>BCX Pro Forma Combined Fund (BCF &amp; BCX)</b>
Net assets(a)	\$ 608,692,550	\$ 654,070,398	\$ (560,000)(b)	\$ 1,262,202,498
Common Shares outstanding	57,173,280	46,575,310	(13,869,131)(c)	89,879,459
NAV	\$ 10.65	\$ 14.04		\$ 14.04

(a) Based on the number of outstanding common shares as of August 31, 2014.

(b) Reflects non-recurring aggregate estimated reorganization expenses of \$560,000 attributable to BCF. The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

(c) Reflects adjustments due to differences in per share NAV.

**Reorganization of only BQR into BCX**

	<b>BQR</b>	<b>BCX</b>	<b>Adjustments</b>	<b>BCX Pro Forma Combined Fund (BQR &amp; BCX)</b>
Net assets(a)	\$ 117,503,881	\$ 654,070,398	\$ (345,000)(b)	\$ 771,229,279
Common Shares outstanding	12,564,457	46,575,310	(4,221,760)(c)	54,918,007
NAV	\$ 9.35	\$ 14.04		\$ 14.04

(a) Based on the number of outstanding common shares as of August 31, 2014.

(b) Reflects non-recurring aggregate estimated reorganization expenses of \$345,000 attributable to BQR. The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

(c) Reflects adjustments due to differences in per share NAV.

**VOTING RIGHTS**

Voting rights are identical for the shareholders of each Fund. The shareholders of each Fund are entitled to one vote for each share held by them. The shareholders of each Fund do not have any preemptive or preferential right to purchase or subscribe to any shares of such Fund.

Each Fund's common shares do not have cumulative voting rights, which means that the holders of more than 50% of a Fund's common shares voting for the election of directors can elect all of the directors standing for election by such holders, and, in such event, the holders of the Fund's remaining common shares will not be able to elect any directors.

**APPRAISAL RIGHTS**

Shareholders of each Fund do not have appraisal rights for their common shares because each Fund is organized as a Delaware statutory trust and its governing documents do not provide for appraisal rights.

**CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE REORGANIZATIONS**

The following is a summary of certain U.S. federal income tax consequences of the Reorganizations. The discussion is based upon the Code, Treasury regulations, court decisions, published positions of the Internal Revenue Service ( IRS ) and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The discussion is limited to U.S. persons who hold common shares of a Target Fund as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This summary does not address all of the U.S. federal income tax consequences that may be relevant to a particular shareholder or to shareholders who may be subject to special



treatment under U.S. federal income tax laws. No ruling has been or will be obtained from the IRS regarding any matter relating to the Reorganizations. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects described below. This summary of U.S. federal income tax consequences is for general information only. The Funds' shareholders should consult their own tax advisers regarding the U.S. federal income tax consequences of the Reorganizations, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax law.

It is a condition to the closing of each Reorganization that the respective Target Fund and the Acquiring Fund each receive an opinion from Skadden Arps, dated as of the Closing Date, regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code. The opinion of Skadden Arps will be based on U.S. federal income tax law in effect on the Closing Date. In rendering its opinion, Skadden Arps will also rely upon certain representations of the management of the respective Target Fund and the Acquiring Fund and assume, among other things, that the Reorganization will be consummated in accordance with the applicable Reorganization Agreement and other operative documents and as described herein. An opinion of counsel is not binding on the IRS or any court.

As a reorganization, the U.S. federal income tax consequences of each Reorganization can be summarized as follows:

No gain or loss will be recognized by a Target Fund or the Acquiring Fund by reason of the Reorganization.

No gain or loss will be recognized by a shareholder of a Target Fund who exchanges all of its Target Fund stock solely for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of a fractional Acquiring Fund Share, as discussed below).

The aggregate tax basis of Acquiring Fund Shares received by a shareholder of a Target Fund pursuant to the Reorganization will be the same as the aggregate tax basis of the shareholder's Target Fund common shares surrendered in exchange therefor (reduced by any amount of tax basis allocable to a fractional Acquiring Fund common share for which cash is received).

The holding period of Acquiring Fund Shares received by a shareholder of a Target Fund pursuant to the Reorganization will include the holding period of the shareholder's Target Fund common shares surrendered in exchange therefor.

A shareholder of a Target Fund that receives cash in lieu of a fractional Acquiring Fund common share in connection with the Reorganization will be treated as having received cash in redemption of such fractional Acquiring Fund common share. A Target Fund shareholder that receives cash in lieu of a fractional Acquiring Fund common share will recognize capital gain or loss equal to the difference between the amount of cash deemed received for the fractional Acquiring Fund common share and the Target Fund shareholder's tax basis in Target Fund common shares allocable to the fractional Acquiring Fund common share. The capital gain or loss will be a long-term capital gain or loss if the Target Fund shareholder's holding period for Target Fund common shares is more than one year as of the date the Reorganization is consummated.

The Acquiring Fund's tax basis in a Target Fund's assets received by the Acquiring Fund pursuant to the Reorganization will, in each instance, equal the tax basis of such assets in the hands of such Target Fund immediately prior to the Reorganization, and the Acquiring Fund's holding period for such assets will, in each instance, include the period during which the assets were held by a Target Fund.

The Acquiring Fund intends to continue to be taxed under the rules applicable to regulated investment companies as defined in Section 851 of the Code, which are the same rules currently applicable to each Fund and its shareholders.

Prior to the Closing Date, each Target Fund will declare and pay a distribution to its shareholders, which together with all previous distributions, will have the effect of distributing to the shareholders of such Target Fund all of such Target Fund's investment company taxable income (computed without regard to the deduction for dividends paid), if any, through the Closing Date, net capital gains, if any, through the Closing Date, and all of its net tax-exempt interest income, if any, through Closing Date. Such distribution will be taxable to shareholders for U.S. federal income tax purposes.

The Acquiring Fund will succeed to capital loss carryforwards (and certain unrealized built-in losses, if any) of each of the acquired Target Funds, which will be subject to the tax loss limitation rules described below because each Target Fund will undergo an ownership change for U.S. federal income tax purposes, and such limitations might be significant. If both Reorganizations are consummated, the Acquiring Fund's own capital loss carryforwards (and certain unrealized built-in losses, if any) will also be subject to the tax loss limitation rules described below because the Acquiring Fund will also undergo an ownership change for U.S. federal income tax purposes, and such limitation might be significant. For each Fund that undergoes an ownership change, the Code generally limits the amount of pre-ownership change losses that may be used to offset post-ownership change gains to a specific annual loss limitation amount (generally the product of (i) the fair market value of the stock of such Fund, with certain adjustments, immediately prior to the Reorganization and (ii) a rate established by the IRS). Subject to certain limitations, any unused portion of these losses may be available in subsequent years, subject to the remaining portion of any applicable capital loss carryforward limit, as measured from the date of recognition.

Although the capital loss carryforwards of the Combined Fund attributable to each Target Fund that participates in a Reorganization (and to the Acquiring Fund, if it undergoes an ownership change as a result of the Reorganizations) are subject to tax loss limitation rules (as outlined above), it is currently expected that such tax loss limitation rules should not have a material adverse effect on the Combined Fund's utilization of each such Fund's capital loss carryforward as compared with what each such Fund's utilization of its own capital loss carryforward would be without the Reorganization. The ability of each Fund (and the Combined Fund) to utilize any capital loss carryforwards now or in the future depends on many variables and assumptions, including but not limited to, projected performance of a Fund, the unrealized gain/loss position of a Fund, the types of securities held by a Fund, the current and future market environment (including the level of interest rates), portfolio turnover and applicable law (including the requirement that capital loss carryforwards without expiration dates be utilized before capital loss carryforwards that have expiration dates), and is, therefore, highly uncertain. The Funds' capital loss carryforwards as of the Closing Date are estimated to be approximately as follows (rounded to the nearest thousand and subject to change based on actual operating results after the date hereof):

#### Capital Loss Amount

Expiration	BCF	BQR	BCX
2016		\$ 21,140,000	
2017		\$ 9,081,000	
2018		\$ 1,795,000	
No expiration date*	\$ 14,789,000	\$ 9,334,000	\$ 124,367,000
	\$ 14,789,000	\$ 41,350,000	\$ 124,367,000

\* Must be used prior to losses subject to expiration.

Due to the operation of these tax loss limitation rules, it is possible that shareholders of the Target Funds and the Acquiring Fund would receive taxable distributions of short-term and long-term capital gains earlier than they would have in the absence of the Reorganizations. Such taxable distributions will be treated either as



ordinary income (and not as favorably taxed qualified dividend income ) if such capital gains are short term or as favorably taxed capital gain dividends if such capital gains are long term. The actual financial effect of the loss limitation rules on a shareholder of a Fund whose losses are subject to the loss limitation rules would depend on many variables, including such Fund's expected growth rate if the relevant Reorganization were not to occur (i.e., whether, in the absence of the Reorganization, the Fund would generate sufficient capital gains against which to utilize its capital loss carryforwards prior to their expiration (and certain realized built-in losses), in excess of what would have been the annual loss limitation amount had the relevant Reorganization occurred), the timing and amount of future capital gains recognized by the Combined Fund if the relevant Reorganization were to occur, and the timing of a historic Fund shareholder's disposition of its shares (the tax basis of which might, depending on the facts, reflect that shareholder's share of such Fund's capital losses). Shareholders of all of the Funds should consult their own tax advisors in this regard.

In addition, for five years beginning on the Closing Date of a Reorganization, the Combined Fund will not be allowed to offset certain pre-Reorganization built-in gains attributable to a Fund that is a gain corporation with capital loss carryforwards (and certain built-in losses) attributable to another Fund.

## VOTING INFORMATION AND REQUIREMENTS

### General

A list of the Funds' shareholders of record as of the Record Date will be available at the shareholder meeting.

### Record Date

The Funds have fixed the close of business on September 12, 2014 as the record date (the Record Date) for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting or any adjournment or postponement thereof. Shareholders on the Record Date will be entitled to one vote for each share held, with no shares having cumulative voting rights.

As of the Record Date, the Funds had the following number of common shares outstanding:

Title of Class	BCF	BQR	BCX
Common Shares	57,173,280	12,564,457	46,575,310

### Proxies

Shareholders may vote by appearing in person at the Special Meeting, by returning the enclosed proxy card or by casting their vote via telephone or the Internet using the instructions provided on the enclosed proxy card (described in greater detail below). Shareholders of each Fund have the opportunity to submit their voting instructions via the Internet or by touch-tone telephone voting. The giving of such a proxy will not affect your right to vote in person should you decide to attend the Special Meeting. To use the Internet, please access the Internet address found on your proxy card. To record your voting instructions by automated telephone, please call the toll-free number listed on your proxy card. The Internet and automated telephone voting instructions are designed to authenticate shareholder identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders submitting their voting instructions via the Internet should understand that there may be costs associated with Internet access, such as usage charges from Internet access providers and telephone companies that must be borne by the shareholders. Any person giving a proxy may revoke it at any time prior to its exercise by giving written notice of the revocation to the Secretary of the Fund at the address indicated above, by delivering a duly executed proxy bearing a later date, by recording later-dated voting instructions via the Internet or automated telephone or by attending the Special Meeting and voting in person. The giving of a proxy will not affect your right to vote in person if you attend the Special Meeting and wish to do so.

Votes cast by proxy or in person at the Special Meeting will be tabulated by the inspectors of election appointed for the Special Meeting. For each Fund, the holders of a majority of the shares entitled to vote on the proposal must be present in person or by proxy to have a quorum to conduct business at the Special Meeting. The inspectors of election, who may be employees of BlackRock, will determine whether or not a quorum is present at the Special Meeting. The inspectors of election will generally treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which proxies have been returned but (a) instructions have not been received from the beneficial owners or persons entitled to vote and (b) the broker or nominee does not have discretionary voting power or elects not to exercise discretion on a particular matter) as present for purposes of determining a quorum, subject to any applicable NYSE rules.

If you hold your shares directly (not through a broker-dealer, bank or other financial institution) and if you return a properly executed proxy card that does not specify how you wish to vote on a proposal, your shares will be voted FOR each Proposal on which you are entitled to vote.

Broker-dealer firms holding shares of a Fund in street name for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their shares on Proposals 1-2 before the Special Meeting. Proposals 1-2 are not routine matters and shareholder instructions are required for broker-dealers to vote a beneficial owner's shares.

If you hold shares of a Fund through a bank or other financial institution or intermediary (called a service agent) that has entered into a service agreement with the Fund or a distributor of the Fund, the service agent may be the record holder of your shares. At the Special Meeting, a service agent will vote shares for which it receives instructions from its customers in accordance with those instructions. A properly executed proxy card or other authorization by a shareholder that does not specify how the shareholder's shares should be voted on a proposal may be deemed to authorize a service provider to vote such shares in favor of the proposal. Depending on its policies, applicable law or contractual or other restrictions, a service agent may be permitted to vote shares with respect to which it has not received specific voting instructions from its customers. In those cases, the service agent may, but may not be required to, vote such shares in the same proportion as those shares for which the service agent has received voting instructions. This practice is commonly referred to as echo voting.

All properly executed proxies received prior to the Special Meeting will be voted in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, proxies will be voted FOR the approval of each proposal. Abstentions and broker non-votes are not treated as votes FOR a proposal.

With respect to Proposals 1(A) and 1(B), abstentions and broker non-votes will have the same effect as votes AGAINST such proposal.

With respect to Proposals 2(A) and 2(B), abstentions will be counted as votes cast and will therefore have the same effect as votes AGAINST the proposal and broker non-votes will not have any effect on the result of the vote.

As used herein, a 1940 Act Majority means the affirmative vote of either (i) 67% or more of the voting securities present at the Special Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund, whichever is less.

**Voting Requirement for Proposal 1: The Reorganizations of the Target Funds**

<b>Target Funds</b>	<b>Proposals</b>	<b>Required Approval of Target Fund Shareholders</b>
BCF	Proposal 1(A): The shareholders of BCF are being asked to approve the Agreement and Plan of Reorganization between BCF and BCX, the termination of BCF's registration under the 1940 Act and the dissolution of BCF under Delaware law.	1940 Act Majority
BQR	Proposal 1(B): The shareholders of BQR are being asked to approve the Agreement and Plan of Reorganization among BQR and BCX, the termination of BQR's registration under the 1940 Act and the dissolution of BQR under Delaware law.	1940 Act Majority

**Voting Requirement for Proposal 2: Issuances of Acquiring Fund Shares**

<b>Target Funds</b>	<b>Proposals</b>	<b>Required Approval of Acquiring Fund Shareholders</b>
BCF	Proposal 2(A): The shareholders of BCX are being asked to approve the issuance of additional common shares of BCX in connection with Agreement and Plan of Reorganization between BCF and BCX.	Majority of votes cast
BQR	Proposal 2(B): The shareholders of BCX are being asked to approve the issuance of additional common shares of BCX in connection with the Agreement and Plan of Reorganization between BQR and BCX.	Majority of votes cast

**SHAREHOLDER INFORMATION**

As of August 31, 2014, the officers and directors of each Fund, as a group, beneficially owned less than 1% of the outstanding common shares of each such Fund.

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Unless otherwise indicated, the information set forth below is as of August 31, 2014. To each Fund's knowledge, no person beneficially owned more than 5% of the Fund's respective outstanding common shares, except as set forth below.

Fund	Investor	Address	Common Shares Held	Common Shares % Held
BCF	First Trust Portfolios L.P. <sup>(1)</sup>	120 East Liberty Drive, Suite 400		
		Wheaton, Illinois 60187	5,592,611	9.86%
	First Trust Advisors L.P. <sup>(1)</sup>	120 East Liberty Drive, Suite 400		
		Wheaton, Illinois 60187		
The Charger Corporation <sup>(1)</sup>	120 East Liberty Drive, Suite 400			
	Wheaton, Illinois 60187			
BCX	1607 Capital Partners, LLC	4991 Lake Brook Drive, Suite 125		
		Glen Allen, Virginia 23060	2,666,974	5.73%
BQR	First Trust Portfolios L.P. <sup>(1)</sup>	120 East Liberty Drive, Suite 400		
		Wheaton, Illinois 60187	2,397,060	19.08%
	First Trust Advisors L.P. <sup>(1)</sup>	120 East Liberty Drive, Suite 400		
		Wheaton, Illinois 60187		
The Charger Corporation <sup>(1)</sup>	120 East Liberty Drive, Suite 400			
	Wheaton, Illinois 60187			

The information contained in this table is based on Schedule 13D/13G filings made on or before August 31, 2014, except as indicated below.

- <sup>(1)</sup> First Trust Portfolios L.P., First Trust Advisors L.P. and The Charger Corporation filed their Schedule 13G jointly and did not differentiate holdings as to each entity.

### SHAREHOLDER PROPOSALS

To be considered for presentation at a shareholder's meeting, rules promulgated by the SEC generally require that, among other things, a shareholder's proposal must be received at the offices of the relevant Fund a reasonable time before solicitation is made. In addition, each Fund's bylaws provide for advance notice provisions, which require shareholders to give timely notice in proper written form to the Secretary of the Fund. Shareholders should review each Fund's bylaws for additional information regarding the Funds' advance notice provisions. The bylaws of each Fund were filed with the SEC on October 29, 2010 on Form 8-K. Shareholders may obtain copies of such documents as described on page ii of this Joint Proxy Statement/Prospectus.

The timely submission of a proposal does not necessarily mean that such proposal will be included. Any shareholder who wishes to submit a proposal for consideration at a meeting of such shareholder's Fund should send such proposal to the relevant Fund at Park Avenue Plaza, 40 East 52nd Street, New York, New York 10022, Attention: Janey Ahn.



### **SOLICITATION OF PROXIES**

Solicitation of proxies is being made primarily by the mailing of this Notice and Joint Proxy Statement/Prospectus with its enclosures on or about September 22, 2014. Shareholders of the Funds whose shares are held by nominees such as brokers can vote their proxies by contacting their respective nominee. In addition to the solicitation of proxies by mail, employees of the Investment Advisor and their affiliates as well as dealers or their representatives may solicit proxies in person or by mail, telephone, fax or the internet. The Funds and the Investment Advisor have retained Georgeson Inc. ( "Georgeson" ), 480 Washington Blvd., 26th Floor, Jersey City, New Jersey 07310, a proxy solicitation firm, to assist with the distribution of proxy materials and the solicitation and tabulation of proxies. The cost of Georgeson's services in connection with the proxy is anticipated to be approximately \$55,000, \$22,000 and \$93,000 for BCF, BQR and BCX, respectively.

### **LEGAL MATTERS**

Certain legal matters concerning the U.S. federal income tax consequences of the Reorganization will be passed upon by Skadden, Arps, Slate, Meagher & Flom LLP, which serves as special counsel to the Funds.

### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The independent registered public accounting firm for the Funds performs an annual audit of each Fund's financial statements. Each Fund's Board has appointed Deloitte & Touche LLP to be each Fund's independent registered public accounting firm. Deloitte & Touche LLP is located at 1700 Market Street, Philadelphia, PA 19103.

### **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Funds' Board Members, executive officers, persons who own more than ten percent of a registered class of a Fund's equity securities, the Investment Advisor and certain officers of the Investment Advisor (including in some cases former Section 16 insiders for a period of up to 6 months), to file reports on holdings of, and transactions in, Fund shares with the SEC and to furnish the Funds with copies of all such reports. Based solely on a review of copies of such reports furnished to the relevant Funds and representations from these reporting persons, each Fund believes that its Board Members, executive officers, ten percent holders, the Investment Advisor and certain officers of the Investment Advisor met all such applicable SEC filing requirement for the Funds' most recently concluded fiscal year, except for any late filings disclosed in previous proxy statements and certain inadvertent late filings. For BCF, portfolio managers Poppy Allonby and Robin Batchelor each had one inadvertent late filing during BCF's last fiscal year relating to their initial filing under Section 16(a) of the Exchange Act. For BCX, Portfolio Managers Richard Davis, Joshua Freedman and Thomas Holl each had one inadvertent late filing during BCX's last fiscal year relating to their initial filing under Section 16(a) of the Exchange Act. Such late filings were due to administrative errors and no fault of these portfolio managers whatsoever.

### **OTHER MATTERS WITH RESPECT TO THE MEETING**

A list of each Fund's shareholders of record as of the Record Date will be available for inspection at the shareholder meeting. In addition, a list of shareholders of record as of the Record Date will be available at the offices of each Fund, 1 University Square Drive, Princeton, NJ 08540, for inspection by each Fund's shareholders during regular business hours beginning ten days prior to the date of the meeting.

Shareholders who want to communicate with the Board or any individual director should write the Fund to the attention of the Secretary, 40 East 52nd Street, New York, New York 10022. Shareholders may communicate with the Board electronically by sending an email to [closedendfundsbod@blackrock.com](mailto:closedendfundsbod@blackrock.com). The communication

should indicate that you are a Fund shareholder. If the communication is intended for a specific director and so indicates, it will be sent only to that director. If a communication does not indicate a specific director, it will be sent to the Chair of the Governance and Nominating Committee and the outside counsel to the Independent Board Members for further distribution as deemed appropriate by such persons.

Additionally, shareholders with complaints or concerns regarding accounting matters may address letters to the Fund's Chief Compliance Officer, 100 Bellevue Parkway, Wilmington, Delaware 19809. Shareholders who are uncomfortable submitting complaints to the Chief Compliance Officer may address letters directly to the Chair of the Audit Committee of the Board. Such letters may be submitted on an anonymous basis.

#### **PRIVACY PRINCIPLES OF THE FUNDS**

The Funds are committed to maintaining the privacy of their current and former shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Funds collect, how the Funds protect that information and why, in certain cases, the Funds may share such information with select parties.

The Funds obtain or verify personal non-public information from and about you from different sources, including the following: (i) information the Funds receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with the Funds, their affiliates or others; (iii) information the Funds receive from a consumer reporting agency; and (iv) from visits to the Funds or their affiliates' websites.

The Funds do not sell or disclose to non-affiliated third parties any non-public personal information about their current and former shareholders, except as permitted by law or as is necessary to respond to regulatory requests or to service shareholder accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

The Funds may share information with their affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, the Funds restrict access to non-public personal information about their current and former shareholders to those BlackRock employees with a legitimate business need for the information. The Funds maintain physical, electronic and procedural safeguards that are designed to protect the non-public personal information of their current and former shareholders, including procedures relating to the proper storage and disposal of such information.

If you are located in a jurisdiction where specific laws, rules or regulations require a Fund to provide you with additional or different privacy-related rights beyond what is set forth above, then the Fund will comply with those specific laws, rules or regulations.

#### **OTHER INFORMATION**

BlackRock is independent in ownership and governance, with no single majority stockholder and a majority of independent directors. PNC is BlackRock's largest stockholder and is an affiliate of BlackRock for 1940 Act purposes.

If you cannot be present in person at the Special Meeting, please fill in, sign and return the enclosed proxy card or please record your voting instructions by telephone or via the Internet promptly. No postage is necessary if the enclosed proxy card is mailed in the United States.

John M. Perlowski

*President and Chief Executive Officer*

BlackRock Real Asset Equity Trust

BlackRock EcoSolutions Investment Trust

BlackRock Resources & Commodities Strategy Trust

September 17, 2014

**THE INFORMATION IN THIS STATEMENT OF ADDITIONAL INFORMATION IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS STATEMENT OF ADDITIONAL INFORMATION IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED. THIS STATEMENT OF ADDITIONAL INFORMATION IS NOT A PROSPECTUS.**

**SUBJECT TO COMPLETION, DATED SEPTEMBER 17, 2014**

**STATEMENT OF ADDITIONAL INFORMATION**

RELATING TO THE REORGANIZATIONS OF

BLACKROCK REAL ASSET EQUITY TRUST

BLACKROCK ECOSOLUTIONS INVESTMENT TRUST

BLACKROCK RESOURCES & COMMODITIES STRATEGY TRUST

Dated September 17, 2014

This Statement of Additional Information is available to the shareholders of (i) BlackRock Real Asset Equity Trust ( BCF ), (ii) BlackRock EcoSolutions Investment Trust ( BQR ) (each a Target Fund and, collectively, the Target Funds ) and (iii) BlackRock Resources & Commodities Strategy Trust ( BCX or the Acquiring Fund, and together with the Target Funds, the Funds ) in connection with the proposed reorganizations (each a Reorganization and, collectively, the Reorganizations ) whereby the Acquiring Fund will acquire substantially all of the assets and assume substantially all of the liabilities of each Target Fund in exchange for an equal aggregate value of newly-issued common shares of the Acquiring Fund, par value \$0.001 per share ( Acquiring Fund Shares ) in the form of book entry interests. Each Target Fund will distribute Acquiring Fund Shares to common shareholders of such Target Fund, and will then terminate its registration under the Investment Company Act of 1940, as amended (the 1940 Act ) and dissolve under Delaware law. The Acquiring Fund will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objectives and investment policies described in the Joint Proxy Statement/Prospectus. The aggregate net asset value ( NAV ) (not the market value) of the Acquiring Fund Shares received by the shareholders of the Target Fund in each Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (although Target Fund shareholders may receive cash for their fractional common shares). A copy of a form of the Agreement and Plan of Reorganization between each Target Fund and the Acquiring Fund is attached hereto as Appendix A. Unless otherwise defined herein, capitalized terms have the meanings given to them in the Joint Proxy Statement/Prospectus.

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Joint Proxy Statement/Prospectus dated September 17, 2014 relating to the proposed Reorganizations. A copy of the Joint Proxy Statement/Prospectus may be obtained, without charge, by writing to the Funds at 1 University Square Drive, Princeton, New Jersey 08540-6455, or by calling (800) 882-0052.

The Acquiring Fund will provide, without charge, upon the written or oral request of any person to whom this Statement of Additional Information is delivered, a copy of any and all documents that have been incorporated by reference in the registration statement of which this Statement of Additional Information is a part.



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## INVESTMENT OBJECTIVES AND POLICIES

The following information supplements the discussion of the Acquiring Fund's investment objective, policies and techniques that are described in the Joint Proxy Statement/Prospectus.

### Investment Policies and Techniques

#### *Cash Equivalents and Short-Term Debt Securities*

For temporary defensive purposes or to keep cash on hand, the Acquiring Fund may invest up to 100% of its total assets in cash equivalents and short-term debt securities. Cash equivalents and short-term debt investments are defined to include, without limitation, the following:

(1) U.S. Government securities, including, but not limited to, bills, notes and bonds differing as to maturity and rates of interest that are either issued or guaranteed by the U.S. Treasury or by U.S. Government agencies or instrumentalities. U.S. Government securities include securities issued by (a) the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, and Government National Mortgage Association, whose securities are supported by the full faith and credit of the United States; (b) the Federal Home Loan Banks, Federal Intermediate Credit Banks, and Tennessee Valley Authority, whose securities are supported by the right of the agency to borrow from the U.S. Treasury; (c) the Federal National Mortgage Association, whose securities are supported by the discretionary authority of the U.S. Government to purchase certain obligations of the agency or instrumentality; and (d) the Student Loan Marketing Association, whose securities are supported only by its credit. While the U.S. Government provides financial support to such U.S. Government-sponsored agencies or instrumentalities, no assurance can be given that it always will do so since it is not so obligated by law. The U.S. Government, its agencies and instrumentalities do not guarantee the market value of their securities. Consequently, the value of such securities may fluctuate.

(2) Certificates of deposit issued against funds deposited in a bank or a savings and loan association. Such certificates are for a definite period of time, earn a specified rate of return, and are normally negotiable. The issuer of a certificate of deposit agrees to pay the amount deposited plus interest to the bearer of the certificate on the date specified thereon. Certificates of deposit purchased by the Acquiring Fund may not be fully insured by the Federal Deposit Insurance Corporation.

(3) Repurchase agreements, which involve purchases of debt securities. At the time the Acquiring Fund purchases securities pursuant to a repurchase agreement, it simultaneously agrees to resell and redeliver such securities to the seller, who also simultaneously agrees to buy back the securities at a fixed price and time. This assures a predetermined yield for the Acquiring Fund during its holding period, since the resale price is always greater than the purchase price and reflects an agreed-upon market rate. Such actions afford an opportunity for the Acquiring Fund to invest temporarily available cash. The Acquiring Fund may enter into repurchase agreements only with respect to obligations of the U.S. Government, its agencies or instrumentalities; certificates of deposit; or bankers' acceptances in which the Acquiring Fund may invest. Repurchase agreements may be considered loans to the seller, collateralized by the underlying securities. The risk to the Acquiring Fund is limited to the ability of the seller to pay the agreed-upon sum on the repurchase date; in the event of default, the repurchase agreement provides that the Acquiring Fund is entitled to sell the underlying collateral. If the value of the collateral declines after the agreement is entered into, and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, the Acquiring Fund could incur a loss of both principal and interest. The Investment Advisor monitors the value of the collateral at the time the action is entered into and at all times during the term of the repurchase agreement. The Investment Advisor does so in an effort to determine that the value of the collateral always equals or exceeds the agreed-upon repurchase price to be paid to the Acquiring Fund. If the seller were to be subject to a federal bankruptcy proceeding, the ability of the Acquiring Fund to liquidate the collateral could be delayed or impaired because of certain provisions of the bankruptcy laws.

(4) Commercial paper, which consists of short-term unsecured promissory notes, including variable rate master demand notes issued by corporations to finance their current operations. Master demand notes are direct lending arrangements between the Acquiring Fund and a corporation. There is no secondary market for such notes. However, they are redeemable by the Acquiring Fund at any time. The Investment Advisor will consider the financial condition of the corporation (e.g., earning power, cash flow and other liquidity ratios) and will continuously monitor the corporation's ability to meet all of its financial obligations, because the Acquiring Fund's liquidity might be impaired if the corporation were unable to pay principal and interest on demand. Investments in commercial paper will be limited to commercial paper rated in the highest categories by a major rating agency and which mature within one year of the date of purchase or carry a variable or floating rate of interest.

(5) Registered money market funds, which are a type of mutual fund that is required by law to invest in low-risk securities. Money market funds typically invest in government securities, certificates of deposits, commercial paper of companies, and other highly liquid and low-risk securities.

*Equity Securities.* While the Acquiring Fund will primarily invest in common stocks of commodity or natural resources companies, it may also invest in other equity securities including preferred stocks, convertible securities, warrants, depository receipts and equity interests in Canadian Royalty Trusts. The Acquiring Fund's investments in preferred stock and convertible securities are not subject to a minimum rating limitation.

*Preferred Stock.* Preferred stock has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

*Convertible Securities.* A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock or other equity security of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest paid or accrued on debt or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to nonconvertible income securities in that they ordinarily provide a stable stream of income with generally higher yields than those of common stocks of the same or similar issuers, but lower yields than comparable nonconvertible securities. The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. Convertible securities rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument.

*Warrants.* Warrants, which are privileges issued by corporations enabling the owners to subscribe to and purchase a specified number of shares of the corporation at a specified price during a specified period of time. Subscription rights normally have a short life span to expiration. The purchase of warrants involves the risk that the Acquiring Fund could lose the purchase value of a right or warrant if the right to subscribe to additional shares is not exercised prior to the warrants' expiration. Also, the purchase of warrants involves the risk that the effective price paid for the right warrant added to the subscription price of the related security may exceed the value of the subscribed security's market price such as when there is no movement in the level of the underlying security.

*Depository Receipts.* The Acquiring Fund may invest in both sponsored and unsponsored American Depository Receipts ( ADRs ), European Depository Receipts ( EDRs ), Global Depository Receipts ( GDRs ) and other similar global instruments. ADRs typically are issued by an American bank or trust company and evidence ownership of underlying securities issued by a non-U.S. corporation. EDRs, which are sometimes referred to as Continental Depository Receipts, are receipts issued in Europe, typically by non-U.S. banks and trust companies, that evidence ownership of either non-U.S. or domestic underlying securities. GDRs are depository receipts structured like global debt issues to facilitate trading on an international basis. Unsponsored ADR, EDR and GDR programs are organized independently and without the cooperation of the issuer of the underlying securities. As a result, available information concerning the issuer may not be as current as for sponsored ADRs, EDRs and GDRs, and the prices of unsponsored ADRs, EDRs and GDRs may be more volatile than if such instruments were sponsored by the issuer. Investments in ADRs, EDRs and GDRs present additional investment considerations of non-U.S. securities.

*Canadian Royalty Trusts.* A Canadian royalty trust is a trust whose securities are listed on a Canadian stock exchange and which controls an underlying company whose business is the acquisition, exploitation, production and sale of oil and natural gas. These funds generally pay out to unitholders the majority of the cash flow that they receive from the production and sale of underlying oil and natural gas reserves. The amount of distributions paid on a Canadian royalty trust's units will vary from time to time based on production levels, commodity prices, royalty rates and certain expenses, deductions and costs, as well as on the distribution payout ratio policy adopted. As a result of distributing the bulk of their cash flow to unitholders, the ability of a Canadian royalty trust to finance internal growth through exploration is limited. Therefore, Canadian royalty trusts typically grow through acquisition of additional oil and gas properties or producing companies with proven reserves of oil and gas, funded through the issuance of additional equity or, where the trust is able, additional debt.

#### *Master Limited Partnership Interests*

MLP Equity Securities. Equity securities issued by MLPs currently consist of common units, subordinated units and preferred units.

MLP Common Units. MLP common units represent a limited partnership interest in the MLP. Common units are listed and traded on U.S. securities exchanges or over-the-counter, with their value fluctuating predominantly based on prevailing market conditions and the success of the MLP. We intend to purchase common units in market transactions as well as directly from the MLP or other parties. Unlike owners of common stock of a corporation, owners of common units have limited voting rights and have no ability annually to elect directors. MLPs generally distribute all available cash flow (cash flow from operations less maintenance capital expenditures) in the form of quarterly distributions. Common units along with general partner units, have first priority to receive quarterly cash distributions up to the minimum quarterly distributions and have arrearage rights. In the event of liquidation, common units have preference over subordinated units, but not debt or preferred units, to the remaining assets of the MLP.

MLP Subordinated Units. MLP subordinated units are typically not listed on an exchange or publicly traded. The Acquiring Fund will typically purchase MLP subordinated units through negotiated transactions directly with affiliates of MLPs and institutional holders of such units or will purchase newly issued subordinated units directly from MLPs. Holders of MLP subordinated units are entitled to receive minimum quarterly distributions after payments to holders of common units have been satisfied and prior to incentive distributions to the general partner. MLP subordinated units do not provide arrearage rights. Subordinated units typically have limited voting rights similar to common units. Most MLP subordinated units are convertible into common units after the passage of a specified period of time or upon the achievement by the MLP of specified financial goals.

MLP Preferred Units. MLP preferred units are typically not listed on an exchange or publicly traded. The Acquiring Fund will typically purchase MLP preferred units through negotiated transactions directly with MLPs, affiliates of MLPs and institutional holders of such units. Holders of MLP preferred units can be entitled to a wide range of voting and other rights, depending on the structure of each separate security.

**I-Shares.** I-Shares represent an ownership interest issued by an affiliated party of an MLP. The MLP affiliate uses the proceeds from the sale of I-Shares to purchase limited partnership interests in the MLP in the form of i-units. I-units have similar features as MLP common units in terms of voting rights, liquidation preference and distributions. However, rather than receiving cash, the MLP affiliate receives additional i-units in an amount equal to the cash distributions received by MLP common units. Similarly, holders of I-Shares will receive additional I-Shares, in the same proportion as the MLP affiliates receipt of i-units, rather than cash distributions. I-Shares themselves have limited voting rights which are similar to those applicable to MLP common units. The MLP affiliate issuing the I-Shares is structured as a corporation for federal income tax purposes. I-Shares are traded on the New York Stock Exchange (the NYSE ).

**Energy Sector Investments.** Many MLP entities operate within the energy sector. Therefore, a substantial proportion of the MLP entities in which the Acquiring Fund invests are concentrated in the energy sector of the economy. MLP entities and other companies operating in the energy sector, in which the Acquiring Fund may invest, engage in transporting, processing, storing, distributing or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal, or exploring, developing, managing or producing such commodities or products.

**Other Sectors Investments.** The Acquiring Fund may invest in MLP entities operating in any sector of the economy. MLP entities and other companies operating in the natural resources sector, include companies principally engaged in owning or developing non-energy natural resources (including timber and minerals) and industrial materials, or supplying goods or services to such companies. MLP entities and other companies operating in the real estate sector, include companies which may develop land, own or manage residential, commercial and undeveloped properties, own mortgage securities, and provide financing to owners and developers of multi-family housing or other real estate or building ventures.

**Structured Products.** The Acquiring Fund may invest in structured products, including instruments such as credit-linked securities, commodity-linked notes and structured notes, which are potentially high-risk derivatives. For example, a structured product may combine a traditional stock, bond, or commodity with an option or forward contract. Generally, the principal amount, amount payable upon maturity or redemption, or interest rate of a structured product is tied (positively or negatively) to the price of some commodity, currency or securities index or another interest rate or some other economic factor (each a benchmark ). The interest rate or (unlike most fixed income securities) the principal amount payable at maturity of a structured product may be increased or decreased, depending on changes in the value of the benchmark. An example of a structured product could be a bond issued by an oil company that pays a small base level of interest with additional interest that accrues in correlation to the extent to which oil prices exceed a certain predetermined level. Such a structured product would be a combination of a bond and a call option on oil.

Structured products can be used as an efficient means of pursuing a variety of investment goals, including currency hedging, duration management, and increased total return. Structured products may not bear interest or pay dividends. The value of a structured product or its interest rate may be a multiple of a benchmark and, as a result, may be leveraged and move (up or down) more steeply and rapidly than the benchmark. These benchmarks may be sensitive to economic and political events, such as commodity shortages and currency devaluations, which cannot be readily foreseen by the purchaser of a structured product. Under certain conditions, the redemption value of a structured product could be zero. Thus, an investment in a structured product may entail significant market risks that are not associated with a similar investment in a traditional, U.S. dollar-denominated bond that has a fixed principal amount and pays a fixed rate or floating rate of interest. The purchase of structured products also exposes the Acquiring Fund to the credit risk of the issuer of the structured product. These risks may cause significant fluctuations in the net asset value of the Acquiring Fund.

**Structured Notes and Indexed Securities.** Structured notes are derivative debt instruments, the interest rate or principal of which is determined by an unrelated indicator (for example, a currency, security, commodity or index thereof). The terms of the instrument may be structured by the purchaser and the borrower issuing the

note. Indexed securities may include structured notes as well as securities other than debt securities, the interest rate or principal of which is determined by an unrelated indicator. Indexed securities may include a multiplier that multiplies the indexed element by a specified factor and, therefore, the value of such securities may be very volatile. The terms of structured notes and indexed securities may provide that in certain circumstances no principal is due at maturity, which may result in a loss of invested capital. Structured notes and indexed securities may be positively or negatively indexed, so that appreciation of the unrelated indicator may produce an increase or a decrease in the interest rate or the value of the structured note or indexed security at maturity may be calculated as a specified multiple of the change in the value of the unrelated indicator. Therefore, the value of such notes and securities may be very volatile. Structured notes and indexed securities may entail a greater degree of market risk than other types of debt securities because the investor bears the risk of the unrelated indicator. Structured notes or indexed securities also may be more volatile, less liquid, and more difficult to accurately price than less complex securities and instruments or more traditional debt securities. The Acquiring Fund currently does not intend to invest in structured notes that involve leverage.

Certain issuers of structured products may be deemed to be investment companies as defined in the 1940 Act. As a result, the Acquiring Fund's investments in these structured products may be subject to limits applicable to investments in investment companies and may be subject to restrictions contained in the 1940 Act.

*Strategic Transactions and Other Management Techniques.* Consistent with its investment objectives and investment policies set forth herein, the Acquiring Fund may also enter into certain hedging and risk management transactions or transactions to enhance total return. In particular, the Acquiring Fund may purchase and sell futures contracts, exchange listed and over-the-counter put and call options on securities, financial indices and futures contracts, swaps, foreign currency transactions, such as forward foreign currency contracts, currency swaps or options on currency and currency futures, and may enter into various interest rate transactions and other derivatives transactions (collectively, "Strategic Transactions"). Strategic Transactions may be used to attempt to protect against possible changes in the market value of the Acquiring Fund's portfolio resulting from fluctuations in the securities markets and changes in interest rates, to protect the Acquiring Fund's unrealized gains in the value of its portfolio securities, to facilitate the sale of such securities for investment purposes and to establish a position in the securities markets as a temporary substitute for purchasing particular securities. Any or all of these Strategic Transactions may be used at any time whether for hedging and risk management or to enhance total return. There is no particular strategy that requires use of one technique rather than another. Use of any Strategic Transaction is a function of market conditions. The ability of the Acquiring Fund to hedge them successfully will depend on the Investment Advisor's ability to predict pertinent market movements as well as sufficient correlation among the instruments, which cannot be assured. The Strategic Transactions that the Acquiring Fund may use are described below.

Futures Contracts and Options on Futures Contracts. In connection with its hedging and other risk management strategies, the Acquiring Fund may also enter into contracts for the purchase or sale for future delivery ("futures contracts") of securities, aggregates of securities or indices or prices thereof, other financial indices and U.S. government debt securities or options on the above. The Acquiring Fund may engage in such transactions for bona fide risk management and other portfolio management purposes.

The Acquiring Fund may enter into commodity futures contracts. Commodity futures contracts are agreements between two parties. One party agrees to buy an asset from the other party at a later date at a price and quantity agreed-upon when the contract is made. Commodity futures contracts are traded on futures exchanges. These futures exchanges offer a central marketplace in which to transact futures contracts, a clearing corporation to process trades, a standardization of expiration dates and contract sizes, and the availability of a secondary market. Futures markets also specify the terms and conditions of delivery as well as the maximum permissible price movement during a trading session. Additionally, the commodity futures exchanges have position limit rules that limit the amount of futures contracts that any one party may hold in a particular commodity at any point in time. These position limit rules are designed to prevent any one participant from controlling a significant portion of the market.

In the futures markets, the exchange clearing corporation takes the other side in all transactions, either buying or selling directly to the market participants. The clearinghouse acts as the counterparty to all exchange-traded futures contracts. That is, the Acquiring Fund's obligation is to the clearinghouse, and the Acquiring Fund will look to the clearinghouse to satisfy the Acquiring Fund's rights under the futures contract.

Some (not all exchanges have price change limits) commodity futures exchanges impose on each commodity futures contract traded on that exchange a maximum permissible price movement for each trading session. If the maximum permissible price movement is achieved on any trading day, no more trades may be executed above (or below, if the price has moved downward) that limit. If the Acquiring Fund wishes to execute a trade outside the daily permissible price movement, it would be prevented from doing so by exchange rules, and would have to wait for another trading session to execute its transaction.

Despite the daily price limits on various futures exchanges, the price volatility of commodity futures contracts has been historically greater than that for traditional securities such as stocks and bonds. To the extent that the Acquiring Fund invests in commodity futures contracts, the assets of the Acquiring Fund, and therefore the prices of Acquiring Fund shares, may be subject to greater volatility.

The futures clearinghouse marks every futures contract to market at the end of each trading day, to ensure that the outstanding futures obligations are limited to the mark-to-market change in price from one day for any given futures contract. This process of marking-to-market is designed to prevent losses from accumulating in any futures account. Therefore, if the Acquiring Fund's futures positions have declined in value, the Acquiring Fund may be required to post additional margin to cover this decline. Alternatively, if the Acquiring Fund's futures positions have increased in value, this increase will be credited to the Acquiring Fund's account.

Forward Foreign Currency Contracts. The Acquiring Fund may enter into forward currency contracts to purchase or sell foreign currencies for a fixed amount of U.S. dollars or another foreign currency. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days (term) from the date of the forward currency contract agreed upon by the parties, at a price set at the time the forward currency contract is entered into. Forward currency contracts are traded directly between currency traders (usually large commercial banks) and their customers. The Acquiring Fund may purchase a forward currency contract to lock in the U.S. dollar price of a security denominated in a foreign currency that the Acquiring Fund intends to acquire. The Acquiring Fund may sell a forward currency contract to lock in the U.S. dollar equivalent of the proceeds from the anticipated sale of a security or a dividend or interest payment denominated in a foreign currency. The Acquiring Fund may also use forward currency contracts to shift the Acquiring Fund's exposure to foreign currency exchange rate changes from one currency to another. For example, if the Acquiring Fund owns securities denominated in a foreign currency and the Investment Advisor believes that currency will decline relative to another currency, the Acquiring Fund might enter into a forward currency contract to sell the appropriate amount of the first foreign currency with payment to be made in the second currency. The Acquiring Fund may also purchase forward currency contracts to enhance income when the Investment Advisor anticipates that the foreign currency will appreciate in value but securities denominated in that currency do not present attractive investment opportunities. The Acquiring Fund may also use forward currency contracts to offset against a decline in the value of existing investments denominated in a foreign currency. Such a transaction would tend to offset both positive and negative currency fluctuations, but would not offset changes in security values caused by other factors. The Acquiring Fund could also enter into a forward currency contract to sell another currency expected to perform similarly to the currency in which the Acquiring Fund's existing investments are denominated. This type of transaction could offer advantages in terms of cost, yield or efficiency, but may not offset currency exposure as effectively as a simple forward currency transaction to sell U.S. dollars. This type of transaction may result in losses if the currency sold does not perform similarly to the currency in which the Acquiring Fund's existing investments are denominated. The Acquiring Fund may also use forward currency contracts in one currency or a basket of currencies to attempt to offset against fluctuations in the value of securities denominated in a different currency if the Investment Advisor anticipates that there will be a correlation between the two currencies. The cost to the Acquiring Fund of engaging in forward currency

contracts varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. Because forward currency contracts are usually entered into on a principal basis, no fees or commissions are involved. When the Acquiring Fund enters into a forward currency contract, it relies on the counterparty to make or take delivery of the underlying currency at the maturity of the contract. Failure by the counterparty to do so would result in the loss of some or all of any expected benefit of the transaction. Secondary markets generally do not exist for forward currency contracts, with the result that closing transactions generally can be made for forward currency contracts only by negotiating directly with the counterparty. Thus, there can be no assurance that the Acquiring Fund will in fact be able to close out a forward currency contract at a favorable price prior to maturity. In addition, in the event of insolvency of the counterparty, the Acquiring Fund might be unable to close out a forward currency contract. In either event, the Acquiring Fund would continue to be subject to market risk with respect to the position, and would continue to be required to maintain a position in securities denominated in the foreign currency or to segregate or designate on its books and records cash or liquid assets. The precise matching of forward currency contract amounts and the value of the securities involved generally will not be possible because the value of such securities, measured in the foreign currency, will change after the forward currency contract has been established. Thus, the Acquiring Fund might need to purchase or sell foreign currencies in the spot (cash) market to the extent such foreign currencies are not covered by forward currency contracts. The projection of short term currency market movements is extremely difficult, and the successful execution of a short term strategy is highly uncertain.

Options in General. Options may be exchange traded or traded over-the-counter (off the exchange markets) directly with dealers. Over-the-counter options are not traded on an exchange. They are traded directly with dealers. To the extent an over-the-counter option is a tailored investment for the Acquiring Fund, it may be less liquid than an exchange-traded option. Further, as with other derivative investments, over-the-counter options are subject to counterparty risk. The Acquiring Fund will have the credit risk that the seller of an over-the-counter option will not perform its obligations under the option agreement if the Acquiring Fund exercises the option. The Acquiring Fund may buy and sell over-the-counter options on commodity indices, individual commodities, commodity futures contracts, securities, financial indices, interest rates, currencies and swaps.

The Acquiring Fund may also buy and sell trade listed options on commodity futures contracts. Options on commodity futures contracts are traded on the same exchange on which the underlying futures contract is listed. The Acquiring Fund may purchase and sell options on commodity futures listed on U.S. and foreign futures exchanges. Options purchased on futures contracts on foreign exchanges may be exposed to the risk of foreign currency fluctuations against the U.S. dollar. The Acquiring Fund may also buy and sell exchange listed options on securities, commodity indices, financial indices, interest rates and currencies.

The Acquiring Fund may also trade options on swap contracts or swap options. Swap call options provide the holder of the option with the right to enter a swap contract having a specified (strike) swap formula, while swap put options provide the holder with the right to sell or terminate a swap contract. Swap options are not exchange-traded and the Acquiring Fund will bear the credit risk of the option seller. Additionally, if the Acquiring Fund exercises a swap call option with the option seller, the credit risk of the counterparty is extended to include the term of the swap agreement.

Calls on Securities, Indices and Futures Contracts. In order to enhance income or reduce fluctuations on net asset value, the Acquiring Fund may sell or purchase call options ( calls ) on securities and indices based upon the prices of futures contracts and debt securities that are traded on U.S. and non-U.S. securities exchanges and in the over-the-counter markets. A call option gives the purchaser of the option the right to buy, and obligates the seller to sell, the underlying security, futures contract or index at the exercise price at any time or at a specified time during the option period. All such calls sold by the Acquiring Fund must be covered as long as the call is outstanding (i.e., the Acquiring Fund must own the instrument subject to the call or other securities or assets acceptable for applicable segregation and coverage requirements). A call sold by the Acquiring Fund exposes the Acquiring Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security, index or futures contract and may require the Acquiring Fund to hold an



instrument that it might otherwise have sold. The purchase of a call gives the Acquiring Fund the right to buy a security, futures contract or index at a fixed price. Calls on futures on securities must also be covered by assets or instruments acceptable under applicable segregation and coverage requirements.

Puts on Securities, Indices and Futures Contracts. As with calls, the Acquiring Fund may purchase put options ( puts ) that relate to securities (whether or not it holds such securities in its portfolio), indices or futures contracts. For the same purposes, the Acquiring Fund may also sell puts on securities, indices or futures contracts on such securities if the Acquiring Fund's contingent obligations on such puts are secured by segregated or earmarked assets consisting of cash or liquid debt securities having a value not less than the exercise price. The Acquiring Fund will not sell puts if, as a result, more than 50% of the Acquiring Fund's total assets would be required to cover its potential obligations under its hedging and other investment transactions. In selling puts, there is a risk that the Acquiring Fund may be required to buy the underlying security at a price higher than the current market price.

Interest Rate Transactions. The Acquiring Fund may enter into interest rate swaps and purchase or sell interest rate caps and floors primarily to preserve a return or spread on a particular investment or portion of its portfolio as a duration management technique or to protect against any increase in the price of securities the Acquiring Fund anticipates purchasing at a later date. The Acquiring Fund intends to use these transactions for risk management purposes and not as a speculative investment. The Acquiring Fund will not sell interest rate caps or floors that it does not own. Interest rate swaps involve the exchange by the Acquiring Fund with another party of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. The purchase of an interest rate cap entitles the purchaser, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate cap. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate floor.

The Acquiring Fund may enter into interest rate swaps, caps and floors on either an asset-based or liability-based basis, depending on whether it is offsetting volatility with respect to its assets or liabilities, and will usually enter into interest rate swaps on a net basis, i.e., the two payment streams are netted out, with the Acquiring Fund receiving or paying, as the case may be, only the net amount of the two payments on the payment dates. Inasmuch as these Strategic Transactions are entered into for good faith risk management purposes, the Investment Advisor and the Acquiring Fund believe such obligations do not constitute senior securities, and, accordingly will not treat them as being subject to its borrowing restrictions. The Acquiring Fund will accrue the net amount of the excess, if any, of the Acquiring Fund's obligations over its entitlements with respect to each interest rate swap on a daily basis and will designate on its books and records or segregate with a custodian an amount of cash or liquid high grade securities having an aggregate net asset value at all times at least equal to the accrued excess. The Acquiring Fund will only enter into interest rate swap, cap or floor transactions with counterparties the Investment Advisor believes to be creditworthy at the time they enter into such transactions. If there is a default by the other party to such a transaction, the Acquiring Fund will have contractual remedies pursuant to the agreements related to the transaction. The regulation of the swap market is undergoing significant change as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act. See Risk Factors and Special Considerations Strategic Transactions and Derivatives Risks Dodd-Frank Act Risk. It is possible that developments in the swap market, including government regulation, could adversely affect the Acquiring Fund's ability to terminate existing swap agreements or to realize amounts to be received under such agreements.

Credit Default Swap Agreements and Similar Instruments. The Acquiring Fund may enter into credit default swap agreements, a type of derivative, for hedging purposes or to seek to increase its returns. The credit default swap agreement may have as reference obligations one or more securities that are not currently held by the Acquiring Fund. The Acquiring Fund enters into credit default agreements to provide a measure of protection against the default of an issuer (as buyer of protection) and/or gain credit exposure to an issuer to which it is not otherwise exposed (as seller of protection). The Acquiring Fund may either buy or sell (write) credit default

swaps on single-name issuers or traded indexes. Credit default swaps on single-name issuers are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a negative credit event take place (e.g., bankruptcy, failure to pay, obligation accelerators, repudiation, moratorium or restructuring). Credit default swaps on traded indexes are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a write-down, principal or interest shortfall or default of all or individual underlying securities included in the index occur. As a buyer, if an underlying credit event occurs, the Acquiring Fund will either receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising of an index or receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising of an index. As a seller (writer), if an underlying credit event occurs, the Acquiring Fund will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising an index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising of an index.

Credit Linked Securities. Credit-linked securities are issued by a limited purpose trust or other vehicle that, in turn, invests in a basket of derivative instruments, such as credit default swaps, interest rate swaps, and other securities, in order to provide exposure to certain high yield or other fixed income markets. A credit-linked security is a synthetic obligation between two or more parties where the payment of principal and/or interest is based on the performance of some obligation (a reference obligation). Like an investment in a bond, investments in credit-linked securities represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the security. However, these payments are conditioned on the issuing trust's receipt of payments from, and the issuing trust's potential obligations to, the counterparties to the derivative instruments and other securities in which the issuing trust invests. For instance, the issuing trust may sell one or more credit default swaps, under which the issuing trust would receive a stream of payments over the term of the swap agreements provided that no event of default has occurred with respect to the referenced debt obligation upon which the swap is based. If a default occurs, the stream of payments may stop and the issuing trust would be obligated to pay the counterparty the par (or other agreed upon value) of the referenced debt obligation. This, in turn, would reduce the amount of income and principal that the Acquiring Fund would receive as an investor in the Acquiring Fund. The Acquiring Fund's investments in these instruments are indirectly subject to the risks associated with derivative instruments, including, among others, credit risk, default or similar event risk, counterparty risk, interest rate risk, leverage risk and management risk.

Total Return Swap Agreements. Total return swap agreements are contracts in which one party agrees to make periodic payments to another party based on the change in market value of the assets underlying the contract, which may include a specified security, basket of securities or securities indices during the specified period, in return for periodic payments based on a fixed or variable interest rate or the total return from other underlying assets. Total return swap agreements may be used to obtain exposure to a security or market without owning or taking physical custody of such security or investing directly in such market. Total return swap agreements may effectively add leverage to the Acquiring Fund's portfolio because, in addition to its total net assets, the Acquiring Fund would be subject to investment exposure on the notional amount of the swap.

Total return swap agreements are subject to the risk that a counterparty will default on its payment obligations to the Acquiring Fund thereunder. Swap agreements also bear the risk that the Acquiring Fund will not be able to meet its obligation to the counterparty. Generally, the Acquiring Fund will enter into total return swaps on a net basis (i.e., the two payment streams are netted against one another with the Acquiring Fund receiving or paying, as the case may be, only the net amount of the two payments). The net amount of the excess, if any, of the Acquiring Fund's obligations over its entitlements with respect to each total return swap will be accrued on a daily basis, and an amount of liquid assets having an aggregate net asset value at least equal to the accrued excess will be segregated or designated on its books and records by the Acquiring Fund. If the total return swap transaction is entered into on other than a net basis, the full amount of the Acquiring Fund's obligations will be accrued on a daily basis, and the full amount of the Acquiring Fund's obligations will be

segregated or designated on its books and records by the Acquiring Fund in an amount equal to or greater than the market value of the liabilities under the total return swap agreement or the amount it would have cost the Acquiring Fund initially to make an equivalent direct investment, plus or minus any amount the Acquiring Fund is obligated to pay or is to receive under the total return swap agreement.

Credit Derivatives. The Acquiring Fund may engage in credit derivative transactions. There are two broad categories of credit derivatives: default price risk derivatives and market spread derivatives. Default price risk derivatives are linked to the price of reference securities or loans after a default by the issuer or borrower, respectively. Market spread derivatives are based on the risk that changes in market factors, such as credit spreads, can cause a decline in the value of a security, loan or index. There are three basic transactional forms for credit derivatives: swaps, options and structured instruments. The use of credit derivatives is a highly specialized activity which involves strategies and risks different from those associated with ordinary portfolio security transactions. If the Investment Advisor is incorrect in its forecasts of default risks, market spreads or other applicable factors, the investment performance of the Acquiring Fund would diminish compared with what it would have been if these techniques were not used. Moreover, even if the Investment Advisor is correct in its forecasts, there is a risk that a credit derivative position may correlate imperfectly with the price of the asset or liability being hedged. There is no limit on the amount of credit derivative transactions that may be entered into by the Acquiring Fund. The Acquiring Fund's risk of loss in a credit derivative transaction varies with the form of the transaction. For example, if the Acquiring Fund purchases a default option on a security, and if no default occurs with respect to the security, the Acquiring Fund's loss is limited to the premium it paid for the default option. In contrast, if there is a default by the grantor of a default option, the Acquiring Fund's loss will include both the premium that it paid for the option and the decline in value of the underlying security that the default option hedged.

New Products. The financial markets continue to evolve and financial products continue to be developed. The Acquiring Fund reserves the right to invest in new financial products as they are developed or become more widely accepted. As with any new financial product, these products will entail risks, including risks to which the Acquiring Fund currently is not subject.

Appendix D contains further information about the characteristics, risks and possible benefits of Strategic Transactions and the Acquiring Fund's other policies and limitations (which are not fundamental policies) relating to investment in futures contracts and options. The principal risks relating to the use of futures contracts and other Strategic Transactions are: (a) less than perfect correlation between the prices of the instrument and the market value of the securities in the Acquiring Fund's portfolio; (b) possible lack of a liquid secondary market for closing out a position in such instruments; (c) losses resulting from interest rate or other market movements not anticipated by the Advisors; and (d) the obligation to meet additional variation margin or other payment requirements, all of which could result in the Acquiring Fund being in a worse position than if such techniques had not been used. Although the Acquiring Fund does not currently intend for more than 25% of its net assets to be held in the form of derivative exposure to a single counterparty, if derivatives with a single counterparty did exceed 25% of the Acquiring Fund's net assets the Acquiring Fund would include additional information with respect to the counterparty in its shareholder reports, in accordance with any pronouncements of, or other guidance from, the staff of the Securities and Exchange Commission.

Certain provisions of the U.S. Internal Revenue Code of 1986, as amended may restrict or affect the ability of the Acquiring Fund to engage in Strategic Transactions.

#### Other Investment Policies and Techniques

*Restricted and Illiquid Securities.* Certain of the Acquiring Fund's investments may be illiquid. Illiquid securities are securities which cannot be sold within seven days in the ordinary course of business at approximately the value used by the Acquiring Fund in determining its NAV. Illiquid securities may be subject to legal or contractual restrictions on disposition or lack an established secondary trading market. The sale of

restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

*When-Issued and Forward Commitment Securities.* The Acquiring Fund may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis in order to acquire the security or to offset against anticipated changes in interest rates and prices. When such transactions are negotiated, the price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. If the Acquiring Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, it might incur a gain or loss. At the time the Acquiring Fund enters into a transaction on a when-issued or forward commitment basis, it will designate on its books and records cash or liquid debt securities equal to at least the value of the when-issued or forward commitment securities. The value of these assets will be monitored daily to ensure that their marked to market value will at all times equal or exceed the corresponding obligations of the Acquiring Fund. There is always a risk that the securities may not be delivered and that the Acquiring Fund may incur a loss. Settlements in the ordinary course, which may take substantially more than five business days, are not treated by the Acquiring Fund as when-issued or forward commitment transactions and accordingly are not subject to the foregoing restrictions.

*Reverse Repurchase Agreements.* The Acquiring Fund may enter into reverse repurchase agreements with respect to its portfolio investments subject to the investment restrictions set forth herein. Reverse repurchase agreements involve the sale of securities held by the Acquiring Fund with an agreement by the Acquiring Fund to repurchase the securities at an agreed upon price, date and interest payment.

At the time the Acquiring Fund enters into a reverse repurchase agreement, it may designate on its books and records cash and/or liquid assets having a value not less than the repurchase price (including accrued interest). If the Acquiring Fund earmarks such assets, a reverse repurchase agreement will not be considered a senior security under the 1940 Act and therefore will not be considered a borrowing by the Acquiring Fund; however, under certain circumstances in which the Acquiring Fund does not earmark such assets, such reverse repurchase agreement will be considered a borrowing for the purpose of the Acquiring Fund's limitation on borrowings. The use by the Acquiring Fund of reverse repurchase agreements involves many of the same risks of leverage since the proceeds derived from such reverse repurchase agreements may be invested in additional securities. The Acquiring Fund's use of leverage through reverse repurchase agreements will be subject to the Acquiring Fund's policy with respect to the use of leverage. Reverse repurchase agreements involve the risk that the market value of the securities acquired in connection with the reverse repurchase agreement may decline below the price of the securities the Acquiring Fund has sold but is obligated to repurchase. Also, reverse repurchase agreements involve the risk that the market value of the securities retained in lieu of sale by the Acquiring Fund in connection with the reverse repurchase agreement may decline in price.

If the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Acquiring Fund's obligation to repurchase the securities, and the Acquiring Fund's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. Also, the Acquiring Fund would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the securities subject to such agreement.

*Repurchase Agreements.* As temporary investments, the Acquiring Fund may invest in repurchase agreements. A repurchase agreement is a contractual agreement whereby the seller of securities agrees to repurchase the same security at a specified price on a future date agreed upon by the parties. The agreed-upon repurchase price determines the yield during the Acquiring Fund's holding period. Repurchase agreements are considered to be loans collateralized by the underlying security that is the subject of the repurchase contract. The

Acquiring Fund will only enter into repurchase agreements with registered securities dealers or domestic banks that, in the opinion of the Investment Advisor, present minimal credit risk. The risk to the Acquiring Fund is limited to the ability of the issuer to pay the agreed-upon repurchase price on the delivery date; however, although the value of the underlying collateral at the time the transaction is entered into always equals or exceeds the agreed-upon repurchase price, if the value of the collateral declines there is a risk of loss of both principal and interest. In the event of default, the collateral may be sold but the Acquiring Fund might incur a loss if the value of the collateral declines, and might incur disposition costs or experience delays in connection with liquidating the collateral. In addition, if bankruptcy proceedings are commenced with respect to the seller of the security, realization upon the collateral by the Acquiring Fund may be delayed or limited. The Investment Advisor will monitor the value of the collateral at the time the transaction is entered into and at all times subsequent during the term of the repurchase agreement in an effort to determine that such value always equals or exceeds the agreed-upon repurchase price. In the event the value of the collateral declines below the repurchase price, the Investment Advisor will demand additional collateral from the issuer to increase the value of the collateral to at least that of the repurchase price, including interest.

*Lending of Securities.* The Acquiring Fund may lend portfolio securities to certain borrowers determined to be creditworthy by the Investment Advisor, including to borrowers affiliated with the Investment Advisor. The borrowers provide collateral that is maintained in an amount at least equal to the current market value of the securities loaned. The Acquiring Fund may lend securities with a value up to 33 1/3% of its total assets (including such loans) to financial institutions that provide cash or securities issued or guaranteed by the U.S. Government as collateral. The Acquiring Fund may terminate a loan at any time and obtain the return of the securities loaned. The Acquiring Fund receives the value of any interest or cash or non-cash distributions paid on the loaned securities.

With respect to loans that are collateralized by cash, the borrower may be entitled to receive a fee based on the amount of cash collateral. The Acquiring Fund is compensated by the difference between the amount earned on the reinvestment of cash collateral and the fee paid to the borrower. In the case of collateral other than cash, the Acquiring Fund is compensated by a fee paid by the borrower equal to a percentage of the market value of the loaned securities. Any cash collateral received by the Acquiring Fund for such loans, and uninvested cash, may be invested, among other things, in a private investment company managed by an affiliate of the Investment Advisor or in registered money market funds advised by the Investment Advisor or its affiliates; such investments are subject to investment risk.

The Acquiring Fund conducts its securities lending pursuant to an exemptive order from the SEC permitting it to lend portfolio securities to borrowers affiliated with the Acquiring Fund and to retain an affiliate of the Acquiring Fund as lending agent. To the extent that the Acquiring Fund engages in securities lending, BlackRock Investment Management, LLC ( BIM ), an affiliate of the Investment Advisor, acts as securities lending agent for the Acquiring Fund, subject to the overall supervision of the Investment Advisor. BIM administers the lending program in accordance with guidelines approved by the Board. Pursuant to the current securities lending agreement, BIM may lend securities only when the difference between the borrower rebate rate and the risk free rate exceeds a certain level (such securities, the specials only securities ).

To the extent that the Acquiring Fund engages in securities lending, the Acquiring Fund retains a portion of securities lending income and remits a remaining portion to BIM as compensation for its services as securities lending agent. Securities lending income is equal to the total of income earned from the reinvestment of cash collateral (and excludes collateral investment expenses as defined below), and any fees or other payments to and from borrowers of securities. As securities lending agent, BIM bears all operational costs directly related to securities lending. The Acquiring Fund is responsible for expenses in connection with the investment of cash collateral received for securities on loan in a private investment company managed by an affiliate of the Investment Advisor, however, BIM has agreed to cap the collateral investment expenses the Acquiring Fund bears to an annual rate of 0.04% of the daily net assets of such private investment company (the collateral investment expenses ). In addition, in accordance with the exemptive order, the investment adviser to the private

investment company will not charge any advisory fees with respect to shares purchased by the Acquiring Fund. Such shares also will not be subject to a sales load, redemption fee, distribution fee or service fee.

Pursuant to the current securities lending agreement, the Acquiring Fund retains 80% of securities lending income (which excludes collateral investment expenses).

In addition, commencing the business day following the date that the aggregate securities lending income earned across the Closed-End Complex in a calendar year exceeds the breakpoint dollar threshold applicable in the given year set forth in the securities lending agreement, the Acquiring Fund, pursuant to the current securities lending agreement, will receive for the remainder of that calendar year securities lending income in an amount equal to 85% of securities lending income (which excludes collateral investment expenses).

*Below Investment Grade Securities.* The Acquiring Fund may invest in securities rated below investment grade, such as those rated Ba or below by Moody's Investors Service, Inc. (Moody's) or BB or below by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. (S&P) or Fitch Ratings (Fitch) or securities comparably rated by other rating agencies or in unrated securities determined by the Advisor or Sub-Advisor to be of comparable quality. Securities rated below investment grade commonly are referred to as junk bonds. Securities rated Ba and below by Moody's and Fitch are judged to have speculative elements, their future cannot be considered as well assured and often the protection of interest and principal payments may be very moderate. Securities rated BB by S&P are regarded as having predominantly speculative characteristics and, while such obligations have less near-term vulnerability to default than other speculative grade debt, they face major ongoing uncertainties or exposure to adverse business, financial or economic conditions, which could lead to inadequate capacity to meet timely interest and principal payments.

Lower grade securities, though high yielding, are characterized by high risk. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. The retail secondary market for lower grade securities may be less liquid than that of higher rated securities; adverse conditions could make it difficult at times for the Acquiring Fund to sell certain securities or could result in lower prices than those used in calculating the Acquiring Fund's net asset value.

The prices of debt securities generally are inversely related to interest rate changes; however, the price volatility caused by fluctuating interest rates of securities also is inversely related to the coupons of such securities. Accordingly, below investment grade securities may be relatively less sensitive to interest rate changes than higher quality securities of comparable maturity because of their higher coupon. This higher coupon is what the investor receives in return for bearing greater credit risk. The higher credit risk associated with below investment grade securities potentially can have a greater effect on the value of such securities than may be the case with higher quality issues of comparable maturity.

Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

The ratings of Moody's, S&P and other rating agencies represent their opinions as to the quality of the obligations which they undertake to rate. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. Although these ratings may be an initial criterion for selection of portfolio investments, the Investment Advisor also will independently evaluate these securities and the ability for the issuers of such securities to pay interest and principal. To the extent that the Acquiring Fund invests in lower grade securities that have not been rated by a rating agency, the Acquiring Fund's ability to achieve its investment objectives will be more dependent on the Investment Advisor's credit analysis than would be the case when the Acquiring Fund invests in rated securities.

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## RISK FACTORS AND SPECIAL CONSIDERATIONS

The following information supplements the discussion of the Acquiring Fund's risk factors that are described in the Joint Proxy Statement/Prospectus and the preceding discussion of the Acquiring Fund's investment objective, investment policies and techniques.

**Structured Investments Risks.** The Acquiring Fund may invest in structured products, including structured notes, and other types of structured products. Holders of structured products bear risks of the underlying investments, index or reference obligation and are subject to counterparty risk. The Acquiring Fund may have the right to receive payments only from the structured product and generally does not have direct rights against the issuer or the entity that sold the assets to be securitized. While certain structured products enable the investor to acquire interests in a pool of securities without the brokerage and other expenses associated with directly holding the same securities, investors in structured products generally pay their share of the structured product's administrative and other expenses. Although it is difficult to predict whether the prices of indices and securities underlying structured products will rise or fall, these prices (and, therefore, the prices of structured products) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. If the issuer of a structured product uses shorter term financing to purchase longer term securities, the issuer may be forced to sell its securities at below market prices if it experiences difficulty in obtaining such financing, which may adversely affect the value of the structured products owned by the Acquiring Fund.

**Structured Notes Risk.** Investments in structured notes involve risks, including credit risk and market risk. Where the Acquiring Fund's investments in structured notes are based upon the movement of one or more factors, including currency exchange rates, interest rates, referenced bonds and stock indices, depending on the factor used and the use of multipliers or deflators, changes in interest rates and movement of the factor may cause significant price fluctuations. Additionally, changes in the reference instrument or security may cause the interest rate on the structured note to be reduced to zero and any further changes in the reference instrument may then reduce the principal amount payable on maturity. Structured notes may be less liquid than other types of securities and more volatile than the reference instrument or security underlying the note.

**Event-Linked Securities Risk.** Event-linked securities are a form of derivative issued by insurance companies and insurance-related special purpose vehicles that apply securitization techniques to catastrophic property and casualty damages. Unlike other insurable low-severity, high-probability events, the insurance risk of which can be diversified by writing large numbers of similar policies, the holders of a typical event-linked securities are exposed to the risks from high-severity, low-probability events such as that posed by major earthquakes or hurricanes. If a catastrophe occurs that triggers the event-linked security, investors in such security may lose some or all of the capital invested. In the case of an event, the funds are paid to the bond sponsor—an insurer, reinsurer or corporation—to cover losses. In return, the bond sponsors pay interest to investors for this catastrophe protection. Event-linked securities can be structured to pay-off on three types of variables—insurance-industry catastrophe loss indices, insure-specific catastrophe losses and parametric indices based on the physical characteristics of catastrophic events. Such variables are difficult to predict or model, and the risk and potential return profiles of event-linked securities may be difficult to assess. Catastrophe-related event-linked securities have been in use since the 1990s, and the securitization and risk-transfer aspects of such event-linked securities are beginning to be employed in other insurance and risk-related areas. No active trading market may exist for certain event-linked securities, which may impair the ability of the Acquiring Fund to realize full value in the event of the need to liquidate such assets.

**Equity-Linked Notes Risk.** Equity-linked notes are hybrid securities with characteristics of both fixed income and equity securities. An equity-linked note is a debt instrument, usually a bond, that pays interest based upon the performance of an underlying equity, which can be a single stock, basket of stocks or an equity index. The interest payment on an equity-linked note may in some cases be

leveraged so that, in percentage terms, it exceeds the relative performance of the market. Equity-linked notes generally are subject to the risks associated with the securities of equity issuers, default risk and counterparty risk.

*Credit-Linked Securities Risk.* A credit-linked security is a derivative instrument. It is a synthetic obligation between two or more parties where the payment of principal and/or interest is based on the performance of some obligation (a reference obligation). In addition to the credit risk of the reference obligations and interest rate risk, the buyer/seller of the credit-linked security is subject to counterparty risk.

Strategic Transactions and Derivatives Risks. The Acquiring Fund may engage in various Strategic Transactions for portfolio management purposes. The risks associated with Strategic Transactions include (i) the imperfect correlation between the value of such instruments and the underlying assets, (ii) the possible default of the counterparty to the transaction, (iii) illiquidity of the derivative instruments, and (iv) high volatility losses caused by unanticipated market movements, which are potentially unlimited. Although both over-the-counter and exchange-traded derivatives markets may experience the lack of liquidity, over-the-counter non-standardized derivative transactions are generally less liquid than exchange-traded instruments. Furthermore, the Acquiring Fund's ability to successfully use Strategic Transactions depends on the Advisors' ability to predict pertinent securities prices, interest rates, currency exchange rates and other economic factors, which cannot be assured. The use of Strategic Transactions may result in losses greater than if they had not been used, may require the Acquiring Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Acquiring Fund can realize on an investment or may cause the Acquiring Fund to hold a security that it might otherwise sell. Additionally, liquid assets designated on the Acquiring Fund's books and records, amounts paid by the Acquiring Fund as premiums and cash or other assets held in margin accounts with respect to Strategic Transactions are not otherwise available to the Acquiring Fund for investment purposes.

Derivatives may give rise to a form of leverage and may expose the Acquiring Fund to greater risk and increase its costs. Recent legislation calls for new regulation of the derivatives markets. The extent and impact of the regulation is not yet known and may not be known for some time. New regulation may make derivatives more costly, may limit the availability of derivatives, or may otherwise adversely affect the value or performance of derivatives.

The Acquiring Fund's use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks such as credit risk, leverage risk, liquidity risk, correlation risk and index risk as described below:

*Credit Risk* the risk that the counterparty in a derivative transaction will be unable to honor its financial obligation to the Acquiring Fund, or the risk that the reference entity in a derivative will not be able to honor its financial obligations. In particular, derivatives traded in over-the-counter (OTC) markets often are not guaranteed by an exchange or clearing corporation and often do not require payment of margin, and to the extent that the Acquiring Fund has unrealized gains in such instruments or has deposited collateral with its counterparties the Acquiring Fund is at risk that its counterparties will become bankrupt or otherwise fail to honor its obligations.

*Currency Risk* the risk that changes in the exchange rate between two currencies will adversely affect the value (in U.S. dollar terms) of an investment.

*Leverage Risk* the risk associated with certain types of investments or trading strategies (such as, for example, borrowing money to increase the amount of investments) that relatively small market movements may result in large changes in the value of an investment. Certain transactions in derivatives (such as futures transactions or sales of put options) involve substantial leverage risk and may expose the Acquiring Fund to potential losses that exceed the amount originally invested by the Acquiring Fund. When the Acquiring



Fund engages in such a transaction, the Acquiring Fund will designate on its books and records liquid assets with a value at least equal to the Acquiring Fund's exposure, on a mark-to-market basis, to the transaction (as calculated pursuant to requirements of the SEC). Such designation will ensure that the Acquiring Fund has assets available to satisfy its obligations with respect to the transaction, but will not limit the Acquiring Fund's exposure to loss.

*Liquidity Risk* the risk that certain securities may be difficult or impossible to sell at the time that the Acquiring Fund would like or at the price that the Acquiring Fund as seller believes the security is currently worth. There can be no assurance that, at any specific time, either a liquid secondary market will exist for a derivative or the Acquiring Fund will otherwise be able to sell such instrument at an acceptable price. It may, therefore, not be possible to close a position in a derivative without incurring substantial losses, if at all. The absence of liquidity may also make it more difficult for the Acquiring Fund to ascertain a market value for such instruments. Although both OTC and exchange-traded derivatives markets may experience a lack of liquidity, certain derivatives traded in OTC markets, including indexed securities, swaps and OTC options, involve substantial liquidity risk. The illiquidity of the derivatives markets may be due to various factors, including congestion, disorderly markets, limitations on deliverable supplies, the participation of speculators, government regulation and intervention, and technical and operational or system failures. In addition, the liquidity of a secondary market in an exchange-traded derivative contract may be adversely affected by daily price fluctuation limits established by the exchanges that limit the amount of fluctuation in an exchange-traded contract price during a single trading day. Once the daily limit has been reached in the contract, no trades may be entered into at a price beyond the limit, thus preventing the liquidation of open positions. Prices have in the past moved beyond the daily limit on a number of consecutive trading days. If it is not possible to close an open derivative position entered into by the Acquiring Fund, the Acquiring Fund would continue to be required to make daily cash payments of variation margin in the event of adverse price movements. In such a situation, if the Acquiring Fund has insufficient cash, it may have to sell portfolio securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so.

*Correlation Risk* the risk that changes in the value of a derivative will not match the changes in the value of the portfolio holdings that are being hedged or of the particular market or security to which the Acquiring Fund seeks exposure through the use of the derivative. There are a number of factors which may prevent a derivative instrument from achieving the desired correlation (or inverse correlation) with an underlying asset, rate or index, such as the impact of fees, expenses and transaction costs, the timing of pricing, and disruptions or illiquidity in the markets for such derivative instrument.

*Index Risk* if the derivative is linked to the performance of an index, it will be subject to the risks associated with changes in that index. If the index changes, the Acquiring Fund could receive lower interest payments or experience a reduction in the value of the derivative to below the price that the Acquiring Fund paid for such derivative. Certain indexed securities, including inverse securities (which move in an opposite direction to the index), may create leverage, to the extent that they increase or decrease in value at a rate that is a multiple of the changes in the applicable index.

*Volatility Risk* the risk that the Acquiring Fund's use of derivatives may reduce income or gain and/or increase volatility. Volatility is defined as the characteristic of a security, an index or a market to fluctuate significantly in price over a defined time period. The Acquiring Fund could suffer losses related to its derivative positions as a result of unanticipated market movements, which losses are potentially unlimited.

When a derivative is used as a hedge against a position that the Acquiring Fund holds, any loss generated by the derivative generally should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. Hedges are sometimes subject to imperfect matching between the derivative and the underlying security, and there can be no assurance that the Acquiring Fund's hedging transactions will be effective. The Acquiring Fund could also suffer losses related to its derivative positions as a result of unanticipated market movements, which losses are potentially unlimited. The Advisors may not be able to predict correctly the direction of securities prices, interest rates and other

economic factors, which could cause the Acquiring Fund's derivatives positions to lose value. In addition, some derivatives are more sensitive to interest rate changes and market price fluctuations than other securities. The possible lack of a liquid secondary market for derivatives and the resulting inability of the Acquiring Fund to sell or otherwise close a derivatives position could expose the Acquiring Fund to losses and could make derivatives more difficult for the Acquiring Fund to value accurately.

When engaging in a hedging transaction, the Acquiring Fund may determine not to seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Acquiring Fund from achieving the intended hedge or expose the Acquiring Fund to a risk of loss. The Acquiring Fund may also determine not to hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge or because it does not foresee the occurrence of the risk. It may not be possible for the Acquiring Fund to hedge against a change or event at attractive prices or at a price sufficient to protect the assets of the Acquiring Fund from the decline in value of the portfolio positions anticipated as a result of such change. The Acquiring Fund may also be restricted in its ability to effectively manage the portion of its assets that are segregated or designated on its books and records to cover its obligations. In addition, it may not be possible to hedge at all against certain risks.

If the Acquiring Fund invests in a derivative instrument it could lose more than the principal amount invested. Moreover, derivatives raise certain tax, legal, regulatory and accounting issues that may not be presented by investments in securities, and there is some risk that certain issues could be resolved in a manner that could adversely impact the performance of the Acquiring Fund.

The Acquiring Fund is not required to use derivatives or other portfolio strategies to seek to increase return or to seek to hedge its portfolio and may choose not to do so. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Acquiring Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial. Although the Advisors seek to use derivatives to further the Acquiring Fund's investment objectives, there is no assurance that the use of derivatives will achieve this result.

**Counterparty Risk.** The Acquiring Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by the Acquiring Fund. Because derivative transactions in which the Acquiring Fund may engage may involve instruments that are not traded on an exchange but are instead traded between counterparties based on contractual relationships, the Acquiring Fund is subject to the risk that a counterparty will not perform its obligations under the related contracts. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Acquiring Fund may experience significant delays in obtaining any recovery in bankruptcy or other reorganization proceedings. The Acquiring Fund may obtain only a limited recovery, or may obtain no recovery, in such circumstances. Although the Acquiring Fund intends to enter into transactions only with counterparties that the Advisors believe to be creditworthy, there can be no assurance that, as a result, a counterparty will not default and that the Acquiring Fund will not sustain a loss on a transaction. In the event of the counterparty's bankruptcy or insolvency, the Acquiring Fund's collateral may be subject to the conflicting claims of the counterparty's creditors, and the Acquiring Fund may be exposed to the risk of a court treating the Acquiring Fund as a general unsecured creditor of the counterparty, rather than as the owner of the collateral.

The counterparty risk for cleared derivatives is generally lower than for uncleared over-the-counter derivative transactions since generally a clearing organization becomes substituted for each counterparty to a cleared derivative contract and, in effect, guarantees the parties performance under the contract as each party to a trade looks only to the clearing organization for performance of financial obligations under the derivative contract. However, there can be no assurance that a clearing organization, or its members, will satisfy its obligations to the Acquiring Fund.

In addition, the Acquiring Fund is subject to the risk that issuers of the instruments in which it invests and trades may default on their obligations under those instruments, and that certain events may occur that have an immediate and significant adverse effect on the value of those instruments. There can be no assurance that an issuer of an instrument in which the Acquiring Fund invests will not default, or that an event that has an immediate and significant adverse effect on the value of an instrument will not occur, and that the Acquiring Fund will not sustain a loss on a transaction as a result.

Options Risk. There are several risks associated with transactions in options on securities and indexes. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. In addition, a liquid secondary market for particular options, whether traded over-the-counter or on a national securities exchange ( Exchange ) may be absent for reasons which include the following: there may be insufficient trading interest in certain options; restrictions may be imposed by an Exchange on opening transactions or closing transactions or both; trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities; unusual or unforeseen circumstances may interrupt normal operations on an Exchange; the facilities of an Exchange or the OCC may not at all times be adequate to handle current trading volume; or one or more Exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that Exchange (or in that class or series of options) would cease to exist, although outstanding options that had been issued by the OCC as a result of trades on that Exchange would continue to be exercisable in accordance with their terms.

Futures Transactions and Options Risk. The primary risks associated with the use of futures contracts and options are (a) the imperfect correlation between the change in market value of the instruments held by the Acquiring Fund and the price of the futures contract or option; (b) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Advisors' inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; and (e) the possibility that the counterparty will default in the performance of its obligations.

Investment in futures contracts involves the risk of imperfect correlation between movements in the price of the futures contract and the price of the security being hedged. The hedge will not be fully effective when there is imperfect correlation between the movements in the prices of two financial instruments. For example, if the price of the futures contract moves more or less than the price of the hedged security, the Acquiring Fund will experience either a loss or gain on the futures contract which is not completely offset by movements in the price of the hedged securities. To compensate for imperfect correlations, the Acquiring Fund may purchase or sell futures contracts in a greater dollar amount than the hedged securities if the volatility of the hedged securities is historically greater than the volatility of the futures contracts. Conversely, the Acquiring Fund may purchase or sell fewer futures contracts if the volatility of the price of the hedged securities is historically lower than that of the futures contracts.

The particular securities comprising the index underlying a securities index financial futures contract may vary from the securities held by the Acquiring Fund. As a result, the Acquiring Fund's ability to hedge effectively all or a portion of the value of its securities through the use of such financial futures contracts will depend in part on the degree to which price movements in the index underlying the financial futures contract correlate with the price movements of the securities held by the Acquiring Fund. The correlation may be affected by disparities in the average maturity, ratings, geographical mix or structure of the Acquiring Fund's investments as compared to those comprising the securities index and general economic or political factors. In addition, the correlation between movements in the value of the securities index may be subject to change over time as additions to and deletions from the securities index alter its structure. The correlation between futures contracts on U.S. Government securities and the securities held by the Acquiring Fund may be adversely affected by similar factors and the risk of imperfect correlation between movements in the prices of such futures contracts

and the prices of securities held by the Acquiring Fund may be greater. The trading of futures contracts also is subject to certain market risks, such as inadequate trading activity, which could at times make it difficult or impossible to liquidate existing positions.

The Acquiring Fund may liquidate futures contracts it enters into through offsetting transactions on the applicable contract market. There can be no assurance, however, that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close out a futures position. In the event of adverse price movements, the Acquiring Fund would continue to be required to make daily cash payments of variation margin. In such situations, if the Acquiring Fund has insufficient cash, it may be required to sell portfolio securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. The inability to close out futures positions also could have an adverse impact on the Acquiring Fund's ability to hedge effectively its investments in securities. The liquidity of a secondary market in a futures contract may be adversely affected by daily price fluctuation limits established by commodity exchanges that limit the amount of fluctuation in a futures contract price during a single trading day. Once the daily limit has been reached in the contract, no trades may be entered into at a price beyond the limit, thus preventing the liquidation of open futures positions. Prices have in the past moved beyond the daily limit on a number of consecutive trading days.

The successful use of transactions in futures and related options also depends on the ability of the Advisors to forecast correctly the direction and extent of interest rate movements within a given time frame. To the extent interest rates remain stable during the period in which a futures contract or option is held by the Acquiring Fund or such rates move in a direction opposite to that anticipated, the Acquiring Fund may realize a loss on the strategic transaction which is not fully or partially offset by an increase in the value of portfolio securities. As a result, the Acquiring Fund's total return for such period may be less than if it had not engaged in the strategic transaction.

Because of low initial margin deposits made upon the opening of a futures position, futures transactions involve substantial leverage. As a result, relatively small movements in the price of the futures contracts can result in substantial unrealized gains or losses. There is also the risk of loss by the Acquiring Fund of margin deposits in the event of bankruptcy of a broker with which the Acquiring Fund has an open position in a financial futures contract. Because the Acquiring Fund will engage in the purchase and sale of futures contracts for hedging purposes or to seek to enhance the Acquiring Fund's return, any losses incurred in connection therewith may, if the strategy is